Details announced on the Canada emergency rent subsidy

October 09, 2020

(Note: The Canada Emergency Rent Subsidy program went live on November 23. Read our update about the program and how you may qualify.)

Introduction

On October 9, 2020 the federal government announced new rent relief measures for businesses facing the financial burden of COVID-19. The new program will be known as the Canada Emergency Rent Subsidy (CERS) and will provide rent and mortgage support until June 2021.

What you need to know

- CERS replaces the Canada Emergency Commercial Rent Assistance program.
- CERS will provide a sliding scale of support for up to 65% per cent of eligible expenses until December 19, 2020.
- If a business is required to close by a public health order issued by a qualifying public health authority, CERS will provide a top up of 25 per cent of eligible expenses.
- Organizations will be able to make claims retroactively for the period from September 27, 2020 to October 24, 2020.
- CERS support will be provided directly to tenants instead of through the property owner as in the CECRA program.
- The announcement also notes that CERS will provide support to property owners (details to be announced).
- CERS will extend through June 2021 and will operate through the Canada Revenue Agency.

The CECRA program

The new CERS program is a follow up to the Canada Emergency Commercial Rent Assistance (CECRA) program that was announced in May 2020 and ran until September 30, 2020. The CECRA program provided a 75 per cent reduction to the monthly gross rent of eligible businesses who experienced a 70 per cent drop in pre-

COVID-19 revenues. The program required the landlord to reduce the eligible tenant's rent by 75 per cent but would receive a forgivable loan to cover 50 per cent of the monthly gross rent payments by the eligible tenant.

The CECRA program was faulted for being overly complex and for requiring the landlord to apply for all eligible properties. This resulted in the program being underutilized by landlords and some businesses being unable to receive support.

The new Canada Emergency Rent Subsidy

While the CECRA program was available through the property owner, CERS will be administered directly to the tenants through the Canada Revenue Agency. The government has announced that CERS will pick up where CECRA left off and provide a subsidy for eligible fixed property expenses, including rent and interest on commercial mortgages (the Eligible Expenses). This will apply until December 19, 2020, with the program to be adapted in December for 2021.

CERS will provide a sliding scale of support to eligible businesses, being those that suffered a revenue drop due to COVID-19. The scale of support tops out at 65 per cent of Eligible Expenses until December 19, 2020 and this is retroactive to September 27, 2020. If a business is required to close by mandatory public health orders issued by a qualifying public health authority, an additional 25 per cent of Eligible Expenses will be available to these businesses.

In the announcement, the government noted that the program is flexible. If conditions worsen, businesses may qualify for additional support. If conditions improve, the support lessens.

Further details are to be announced in the coming days when the government intends to introduce legislation implementing CERS.

Extension of Canada Emergency Wage Subsidy

In addition to CERS, the government announced that the Canada Emergency Wage Subsidy (CEWS) has been extended until June 2021 at the current rate of up to a maximum of 65 per cent of eligible wages until December 19, 2020.

Expansion of Canada Emergency Business Account

The Canada Emergency Business Account (CEBA) has been expanded to provide an interest-free loan of up to $20,000 for businesses impacted by COVID-19. This is in addition to the original CEBA loan of $40,000. Up to $20,000 of the total CEBA loan of $60,000 would be forgivable if the balance of the loan is repaid before December 31, 2022.

As the details regarding these new government supports are released and as our country begins to fight through the second-wave, BLG continues to provide expert leasing advice to both landlords and tenants. Please reach out to your BLG contact with

any questions you may have to ensure your property and business are ready to face the challenges that COVID-19 continues to present.

By

Serge Lakatos, Paul S. Taylor, Adam Perzow, Catherine Guertin, Nicole St-Louis

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blg.com

BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

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