

April 9, 2020



HOUSE OF COMMONS
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Gord Johns

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Honourable Bill Morneau
Minister of Finance
House of Commons
Ottawa, ON
K1A 0A6

Dear Minister,

With all the announcements to help small businesses amid the outbreak of COVID-19, there remains a critical gap: supports for fixed expenses like rent. Too many small businesses are falling through the cracks of the policies anchored by the Canada Emergency Wage Supplement, federally-backed credit, and deferred income and sales tax remittances. Entrepreneurs don't benefit from the Canada Emergency Relief Benefit or the Canada Emergency Business Account. Many businesses either don't qualify for these supports, or the programs aren't meeting their needs.

According to data gathered by the Canadian Federation of Independent Businesses, 4 in 10 businesses did not pay their commercial rent in full for April. Even with the current suite of offerings, 42% of small businesses in that same survey are worried they will have to permanently close, and we may have many more weeks of social distancing still. Nearly 70% of over 25,000 businesses surveyed by savesmallbusiness.ca expect to default on their lease by May 1. With no guiding policy to support commercial rent, landlords with mortgage obligations will respond variably to tenants who need support. It is not enough to appeal to the good-will of landlords to do the right thing. There must be a policy response to support those businesses concerned about their rent payments in the coming months. The next few days are a critical juncture for this government to stop businesses from being evicted.

On March 27th, in a letter that was sent to you we called on you to:

- Mandate that the first \$10,000 of all commercial leases be waived for April, May and June by working with Canada's major lenders to balance the needs of business owners with property owners.

The federal government could also underpin the survival of small business with a commercial rent abatement program that shares the burden between tenants, landlords, and the federal government. Such a program would complement the existing temporary and emergency wage subsidies, the credit initiatives and deferred tax programs.

For example, a possible program could:

- Reimburse 66% of any commercial abatement provided by landlords to tenants, up to a maximum of \$6,600 of federal support per tenancy per month for April through June 2020. There would be a maximum of \$10,000 per month in commercial rent reduction from landlords.



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- Limit eligibility to businesses and non-profits with gross annual revenue of less than \$5 million in 2019 and within business categories affected by COVID-19.
- Upon announcement of clear details of the program, landlords could provide tenants with rent abatements immediately, without waiting for the federal application. Tax remittance deferrals, and deferral terms from lenders, should provide flexibility for landlords to offer immediate relief on promise of future reimbursement. This depends on unambiguous and simple program design. This could allow the application design to be sequenced after the CEWS and CERB and draw lessons from the rollout.
- To facilitate a timely response, the program could have a very simple design and application process. Landlords would provide proof of rent amount and abatement (through a signed declaration from their tenant and bank statements). Confirmed rent abatement could be verified on the landlord’s next tax year and with a transparent reporting of properties that have received support (allowing tenants to verify).

Businesses across Canada need more assurances from the federal government that support is on its way. Countries like Denmark, Australia, and France have introduced commercial rent relief programs for small businesses to make sure that evictions are stopped. We must support Canadian businesses the same way. They need solutions that don’t require them going into unmanageable debt. The long-term cost of not helping businesses now is far too costly to fail to act.

We look forward to your response.

Sincerely,

Gord Johns, MP
Courtenay – Alberni
NDP Critic for Economic Development
and Small Business

Peter Julian, MP
New Westminster - Burnaby
NDP Critic for Finance

cc. The Honourable Mary Ng, Minister of Small Business, Export Promotion, and International Trade