

Dealership Guide to the Canada Emergency Commercial Rent Assistance

Property owners who are currently renting to dealerships can apply for the Canada Emergency Commercial Rent Assistance (CECRA) for small businesses directly through the [Canada Mortgage and Housing Corporation \(CMHC\) website](#).

The CECRA provides relief for small businesses such as dealerships who are experiencing financial hardship due to COVID-19. It offers forgivable unsecured loans to eligible mortgage and non-mortgage holding commercial property owners to reduce the rent owed by their small business tenants.

The loans will cover 50 percent of three monthly rent payments payable by eligible small business tenants experiencing financial hardship during April, May and June 2020 — and will be forgiven if the property owner agrees to reduce the small business tenants' rent by at least 75 percent. The small business tenant would cover the remainder, up to 25 percent of the rent.

The July extension opt in is now available. If you have previously been approved, you automatically qualify and no additional documents are required. You must log into the portal and opt-in for your impacted tenants. If you haven't yet applied for CECRA for small businesses, you can apply for July as part of your entire application.

TO QUALIFY FOR CECRA

Property owners must attest the information provided in their application is correct and they meet the eligibility requirements of the program:

- Gross rent in a given location is less than \$50,000 per month; annual revenues are less than \$20 million; and the business has incurred at least a 70-percent drop in pre-COVID-19 revenues.
- A legally binding rent reduction agreement for the period of April, May and June 2020 has been entered, reducing an impacted small business tenant's rent by at least 75 percent;
- The rent reduction agreement with each impacted tenant includes:
 - A moratorium on eviction for the period during which the property owner agrees to apply the loan proceeds; and
 - A declaration of rental revenue.

DEALERSHIP CONSIDERATIONS

- A. Many non-arm's length groups hold the property in one entity and the operating dealership in another. The CECRA is available to property owners in non-arm's length cases provided there is a valid and enforceable lease agreement in place and the rent charged is at market rates.
- B. The requirement to have annual revenue of less than \$20 million on a consolidated basis may be avoided if each of the operating dealerships are structured as separate corporate entities. Many dealership groups operate in multiple locations under either the same brand or multiple brands. They can use the revenue of each individual entity to determine whether each entity qualifies as an impacted tenant.

For example:

Mr. Smith owns four corporations: Corporation #1 owns the property that is rented to the three other corporations. Corporation #2 owns Dealership A. Corporation #3 owns Dealership B. And Corporation #4 owns Dealership C.

In 2019, Corporation #2 earned \$50 million, Corporation #3 earned \$18 million, and Corporation #4 earned \$12 million.

Assuming the satisfaction of all other conditions, Corporation #1 would qualify for the CECRA and Corporations #3 and #4 would benefit as impacted small business tenants. However, Corporation #2 would not qualify, as its revenue would be over the \$20 million threshold.

APPLICATION PROCESS

Property owners can register online at the CECRA application portal until August 31, 2020. Once registered, applications can be made for one or multiple properties.

There are various agreements in the portal which need to be submitted with an application. For owners of multiple properties and / or numerous dealership entities, it may be helpful to identify and budget the time of individuals within an organization to obtain all required information, ensure it's complete and accurately enter the data in the application portal.

To ensure the interest free loan will be forgiven on December 31, 2020, the property owner must follow the terms and conditions — including complying with the rent reduction agreement and ensuring the attestation and application (including supporting documentation) is accurate and truthful.

Following are the required agreements, attestations and information:

Agreements and attestations (can be found in application portal once registered):

- Tenant or sub-tenant's (to be signed by tenant)
- Property owner's attestation (to be signed by property owner)
- Rent Reduction Agreement (to be completed and signed by property owner and tenant)
- Application terms and conditions (to be reviewed but not submitted)

Information to be complete in application:

- Various property owner information, including name of registered owner of property, tax registration number and any co-owners on title
- Owner / co-owner information, including legal name and contact details
- Property owner bank account information
- Property details including address, type of property and total number of commercial units
- Tenant information
 - Registered business name
 - Business number
 - Number of employees
 - North American Industry Classification System (NAICS) Code (dropdown menu provided to choose options)
 - Area leased (square feet)
 - Gross consolidated revenues from last fiscal year-end
 - Gross monthly rent
 - Are the property owner and any impacted tenant not at arm's length? (yes or no)
 - Total tenant proceeds from insurance or other non-repayable rental support programs (if applicable)
 - Total rent for April 1 to June 30, 2020
 - Average rent per square foot

Additional information to be submitted along with the application form:

- Copy of property tax statement
- Rent roll for the property, current as of June 1, 2020 (if June rent roll is not yet available, then provide current rent roll)
- Copy of most recent bank account statement related to the subject property
- Acknowledgment and signature
- Terms and conditions of the Property Owner Forgivable Loan Agreement are listed and are required to be acknowledged with an electronic approval
- Particular attention should be made to reviewing the terms of the loan including the purpose of the loan:

The property owner agrees the loan will solely be used by the property owner as follows:

- A. to reimburse impacted tenants in respect of any rent paid by them during the eligible period above twenty-five per cent (25 percent) of the adjusted rent due and payable during the eligible period, as set out in the rent reduction agreement(s), unless the impacted tenant elects to apply the previously paid rent against rent next coming due; and
- B. towards any costs and expenses relating directly to the property, including any debt service (principal and interest) payments in connection with any financing held by the property owner, operation, maintenance and repair obligations (such as costs of common area maintenance, property taxes, insurance and utilities) and the property owner will maintain proper and detailed records and statements of account, including receipts, invoices and other documents related to such uses.

Tenants and landlords alike can benefit from the CECRA program, but much attention must be taken to ensure all required information is gathered and included in the application. The time involved can lead to more positive outcomes.

MNP IS HERE TO HELP

There continue to be many uncertainties as the COVID-19 situation develops, from government to consumer responses. We are here to help you navigate through them. If you have any questions or concerns about what to do next, please reach out to your local Dealership Advisor.

Visit our **COVID-19 Business Advice Centre**  **MNP.ca/COVID-19**

