

OPEN LETTER

February 19, 2021

The Hon. Chrystia Freeland
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Subject: Changes needed to the Canada Emergency Rent Subsidy

Dear Minister Freeland:

As you know, the Canadian Federation of Independent Business (CFIB) is a non-partisan business association representing 110,000 small- and mid-sized enterprises (SMEs) across Canada. Today, we are writing to highlight additional problems our members have identified with the Canada Emergency Rent Subsidy (CERS) and recommend changes to ensure small businesses can access critical rent relief.

CFIB appreciates that the federal government has implemented a much-improved rent relief program that addresses many of the gaps identified in the previous Canada Emergency Commercial Rent Assistance (CECRA). However, small businesses continue to encounter problems with the CERS that leave many of them without support. In our [previous letter](#) sent on December 8, 2020, we raised some of these issues such as new businesses, non-arm's length entities, verbal lease agreements, and lack of top-up support for businesses locked out of CECRA. This letter identifies additional gaps that have been identified by small businesses.

With many provinces under lockdown with business restrictions, many small business owners are still feeling stressed and unsure about how they will fulfill their rent obligations. Just over half (51%) of businesses are fully open and only 25 per cent are making normal sales - many expect reduced capacity to continue well into the spring.¹ We are asking the federal government to fix the following problems with CERS to get rent support to businesses that desperately need it.

¹ CFIB, COVID-19 Recovery Survey – February 2021, February 4-8, 2021, n=3,554.

CERS Attestation

CERS applicants must attest to paying their eligible expenses (rent) within 60 days of receiving the CERS. This is problematic for tenants who, despite receiving the CERS, cannot afford to pay their **full** rent in full within 60 days and is preventing landlords and tenants from coming to reasonable agreements. This is especially problematic for businesses completely locked down and not making sales. The attestation wording is preventing many small businesses from accessing help. Put simply, how can a tenant commit to pay full rent when the subsidy is only covering a portion of the rent? This concern is being raised by both tenants and landlords who would like a change. **CFIB recommends the attestation wording be changed to require the applicant to only pay the full CERS received towards their eligible expenses within 60 days.**

Holding Company/Operating Company

Many entrepreneurs own their property or building in a holding company while also owning their small business in an operating company. We understand some businesses in this situation can use the elections in the CERS attestation to apply as the holding company. However, there are two issues with this scenario: first, when applying as the property owner/holding company, businesses cannot access as much support as what they would when applying as the renter/operating company (i.e. rent is not covered). Secondly, holding companies are not typically subject to public health orders. Businesses that must apply as the holding company often lose out on the lockdown support. **CFIB recommends businesses that operate through an operating/holding company situation be able to apply as either the operating company or the holding company.**

Baseline Revenue Comparison

Since the beginning of the Canada Emergency Wage Subsidy (CEWS) and CERS, businesses have determined their revenue loss by comparing their current month revenue to their revenue in the same month in the previous year. However, come March 2021, this method will result in businesses comparing their current revenues to those in March 2020, the same month in which their revenue started to decline due to the pandemic. This is also a problem for the CEWs program. **CFIB recommends businesses applying for the CEWS and CERS be able to compare their current month revenue to the same month in 2019.**

Baseline Revenue not Reflective of Business Realities

An additional issue with the baseline revenue comparison is the month used for the baseline revenue does not reflect small business realities. For example, for CERS Period 4 (December 20–January 17), a business will use November and December as a baseline revenue comparison to determine how much subsidy they will receive for the rent expenses incurred between December 20–January 17. Many businesses had lockdown measures imposed at the end of December and therefore their baseline revenue from November and December are not reflective of the revenue drop they faced during Period 4. **CFIB recommends businesses applying for CEWS and CERS be able to use their revenues for the period they are applying for.**

Reduced Capacity versus Closed

We are hearing from a number of business owners who are concerned that a reduced capacity restriction does not allow for additional support in the same way it does for businesses closed due to public health order. For example, a yoga studio that is locked down is eligible for the 25 per cent CERS top-up, but a fitness centre that is permitted to open at a reduced capacity is not eligible for any top-up support. While it is encouraging to have some clients come through the door, the revenues they bring are far from normal and not enough to sustain operations. In these cases, it is not worthwhile for the business to open and lose their lockdown support. This is especially problematic when reduced capacity requirements are extreme. **CFIB recommends businesses subject to capacity reductions be able to access a portion of the CERS top-up.**

Recommendations

In summary, CFIB recommends the following:

1. **The attestation wording be changed to require the applicant to only pay the full CERS received towards their eligible expenses within 60 days.**
2. **Businesses that operate through an operating/holding company situation be able to apply as either the operating company or the holding company.**
3. **Businesses applying for the CEWS and CERS be able to compare their current month revenue to the same month in 2019.**
4. **Businesses applying for CEWS and CERS be able to use their revenues for the period they are applying for.**
5. **Businesses subject to capacity reductions be able to access a portion of the CERS top-up.**

Additionally, CFIB maintains the following recommendations from our December 8th letter:

1. **Eligible rent expenses include those paid or payable to non-arm's length parties.**
2. **New businesses without January or February revenues be able to elect to use provincial sector averages in those months for comparison to access both CERS and CEWS. CFIB further recommends there be no cut-off date for having a CRA Business Number.**
3. **New seasonal businesses be able to elect to use provincial sector averages as their baseline revenue to access both CERS and CEWS.**
4. **The CERS revenue drop be calculated at the location level, as opposed to the entity level.**
5. **Businesses that do not have a formal lease but can provide evidence of regular rent payments be eligible for CERS.**
6. **Hard-hit sectors affected by mandated capacity limitations, including travel restrictions that result in near-total revenue losses, also be eligible for the top-up. CFIB also recommends the government increase the CERS base subsidy to 75 per cent to align with the CEWS to support businesses facing restrictions other than closures.**
7. **The government use CERS or another pathway to get the government portion (50%) of CECRA to businesses that could not access CECRA due to lack of landlord participation.**

Thank you for your attention to these important matters. On behalf of our affected members, we want to underscore how urgent it is these gaps are addressed so all struggling small businesses can access critical rent relief. Given the nature of ongoing business restrictions, it is likely the CERS will have to extend past June to ensure small business survival. Any such announcement should be made as early as reasonably possible to avoid additional rent-related stress for small businesses. If you have any questions, we would be happy to discuss this further. We can be reached at laura.jones@cfib.ca or corinne.pohlmann@cfib.ca and look forward to your government's response to this and previous letter.

Sincerely,



Laura Jones
Executive Vice-President



Corinne Pohlmann
Senior Vice-President, National Affairs



Keyli Kosiorek
Senior Policy Analyst

CC: Diane Lebouthiller
Minister of National Revenue