

26 August 2020



Hon. Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
80 Wellington Street
Ottawa, Ontario
K1A 0A3

116-5399 Eglinton Avenue West
Toronto, Ontario M9C 5K6
T: 416-695-2896 / 800-665-4232
w: cfa.ca

Re: Extend and amend CECRA to help more businesses

Dear Minister:

I am writing on behalf of the Canadian Franchise Association (CFA) and the almost 80,000 franchised business locations and the 1.9 million Canadians whose jobs are dependent on franchising and franchised businesses to ask the federal government to extend the Canada Emergency Commercial Rent Assistance (CECRA) and make a number of changes in order to help more businesses while staying within the current budgetary allocation.

Firstly, I want to congratulate you on your recent appointment as Minister of Finance. Your skills and experience should serve you well in your new role.

As you know, commercial rent relief is the biggest issue facing the franchised business community across Canada during this current crisis. Without changes to the CECRA, many businesses will be forced into bankruptcy and be evicted for non-payment of rent.

Extend the program past August

The CECRA is currently scheduled to end in August 2020. Simply put, the program must be extended to avert a significant increase in business failures as commercial tenants cannot pay their September rent.

According to the government fiscal snapshot that was released on July 8, the program has a budget of "up to \$2.97 billion in 2020-21 for Canada Mortgage and Housing Corporation to offer forgivable loans to commercial property owners who give rent reductions to small businesses experiencing financial hardship due to COVID-19."

As of July 30, 2020, only 63,000 small business tenants have been supported, representing over 616,000 employees, for a total of over \$613 million in rent support. While that sounds like a large number, our calculations show that there are approximately 1.2 to 1.5 million commercial leases.

The program is significantly under-utilized, primarily due to a complicated application process that has made it very difficult to get access to the available funding.

Allocate \$1.25B of CECRA funding to allow tenants to apply without their landlord

We believe that the tenant should be able to apply directly to CMHC for the rebate of up to 50% of their monthly rent instead of having to work with their landlord, who applies on their behalf. Under this approach, the tenant, who has the greatest incentive, will do the majority of the legwork to show how their business has been negatively affected, which would secure them the required rent relief to help keep their business afloat during this difficult time. The government, through CMHC, could then remit the rebate to the tenant's landlord directly. Opening the program to allow tenants to apply without their landlord will greatly improve the program.

This can be done using funding that is already in the federal government's fiscal plan. If the federal government used \$1.25 billion from the remaining \$2.3 billion in approved CECRA funding, it could help 100 thousand more businesses across the country qualify for rent support.

Reduce the 70%

The threshold is simply too high for anyone who remained open during the pandemic to qualify for the CECRA. Businesses that have remained open have experienced a significant drop in revenue; however, they will remain ineligible for funding as it does not meet the initial threshold of a 70% decrease. We believe that the threshold for qualifying for the CECRA should be set at the same level as Phase 1 of the Canada Emergency Wage Subsidy, which is that business must be down 30% or more to qualify. That threshold ensures that businesses who need support, get it.

Many landlords are using the logic that if the business is down more than 70% then the odds of it failing are very high. Tenants who may have struggled to pay rent before the crisis started are being treated, by their landlord, as though they will be bankrupt very shortly. For businesses in desirable locations, many landlords are requiring tenants to pay for the full amount of rent and are not open to negotiations. In most cases, the landlords are planning on evicting the current operator for nonpayment of rent and seizing the goods and chattels that are on site (for the unpaid rent) once the provincial moratoriums end.

More transparency in the application and approval process

Many tenants have worked with their landlords to provide all the necessary paperwork for their landlord to use in an application. Unfortunately, the tenant does not know if their landlord actually applied because there is no formal process / mechanism for tenants to check whether a property owner has submitted / been approved for CECRA.

We suggest the federal government work with CMHC and MCAP to create an online portal where landlords and tenants can get updates on the status of their applications. This way the tenant can see if an application has been submitted on their behalf, and whether it has been approved.

Inclusion of Pre-Opening/Dark Sites in the program

Many businesses have leased a space and were in the process of renovating with plans to open in the Spring. Unfortunately, due to COVID-19, these businesses were unable to open and are not currently eligible for any of the support programs, as they had not begun operating and receiving revenue. We strongly believe that the CECRA program should be amended to include businesses that have leased a site and taken possession of the premises before March 15, 2020.

Franchised business IS local business

There is a mistaken perception that franchised businesses are not local businesses. While many brands are recognized across the country and across the world, the local stores are owned by franchisees who live and work in their communities from coast to coast to coast. Franchising is the most ubiquitous form of local business in Canada and – without ongoing support – will be completely devastated.

The franchising sector is the 12th largest contributor to the Canadian economy. Franchising contributes over \$100 billion to Canada's GDP and employs 1.9 million Canadians in various sectors such as the food services, retail, commercial and residential services, and accommodation services sectors.

You would be hard-pressed to find a Canadian neighbourhood without a franchised business. With franchise systems representing more than 50 different sectors, Canadians from Halifax to Victoria to Iqaluit are interacting with this business model daily. From getting morning coffee, to daycare, to house cleaning, to food services, to dry cleaning, to buying groceries, to hotels, the franchise model is an important part of their day-to-day lives.

We appreciate the actions that governments across the country have taken thus far to support employers and employees during this unprecedented time. We look forward to working with you as government extends and improves the CECRA program to help more businesses across Canada.

Sincerely,

D. Black

David M. Black
Director, Government Relations and Public Policy

Cc: Hon. Mary Ng, P.C., M.P., Minister of Small Business, Export Promotion and International Trade
Hon. Pierre Poilievre, P.C., M.P., Opposition Critic for Finance and National Capital Commission
Mr. Dan Albas M.P., Official Opposition Critic for Innovation, Science & Economic Development & Internal Trade