June 17, 2020

Navigating the CECRA Program (Canada Emergency Commercial Rent Assistance)

We've covered government programs like CERB (the Canada Emergency Response Benefit) and CEWS (The Canada Emergency Wage Subsidy), and we're happy to add a tip sheet for the Canada Emergency Commercial Rent Assistance (CECRA). It took some time for details of the program to become available. When new information was hard to come by, we decided to take matters into our own hands and contact the CRA directly about our questions related to the CECRA. Here is the information we discovered that might help you decide if this program will work for your organization.

Need help? Contact us at info@youngassociates.ca.

What is the CECRA Program?

Administered by the Canada Mortgage and Housing Corporation (CMHC), the Canada Emergency Commercial Rent Assistance (CECRA) Program provides relief for small businesses (including non-profit and charitable organizations) experiencing financial hardship due to COVID-19.

It offers unsecured, forgivable loans to eligible commercial property owners to reduce tenants' rent by a minimum of 75% for April, May, and June 2020. That is, the funds go to your landlord; the landlord in turn reduces their tenants' rent.

The tenant pays 25%, the property owner absorbs 25%, and the government provides a loan to the owner for the remaining 50% of the typical rent cost. The loan will be forgiven if the landlord complies with all applicable program terms and conditions — including to not recover forgiven rent amounts when the program is over.

The program will be accepting applications until August 31, 2020.

Though landlords must apply to the program, their small business tenants must meet certain criteria to qualify.

Eligibility

To qualify for the CECRA program, the commercial property owner and small business tenant must have a legally binding rent reduction agreement for April, May, and June 2020 to reduce tenant rent by at least 75%. The rent reduction agreement must include a moratorium on evictions for this period.

Impacted small business tenants are businesses — including non-profit and charitable organizations — that:

- pay no more than $50,000 in monthly gross rent per location (as defined by a valid and enforceable lease agreement)
- generate no more than $20 million in gross annual revenues, calculated on a consolidated basis (at the ultimate parent level)
- have experienced at least a 70% decline in pre-COVID-19 revenues (see below)

Calculations

There are 2 scenarios by which to calculate your 70% reduction in revenues:

- If your small business was operating during April – June 2019, then compare your average gross revenues from April, May and June of 2020 to your average revenues of April, May and June of 2019.
- If your small business was not operating during April – June 2019, then compare your average gross revenues from April, May and June of 2020 to your average gross revenues for January and February 2020.

Note: You will be required to calculate your AVERAGE of April, May and June 2020, rather than a month over month comparability.

For registered charities and non-profit organizations, the calculation would include most forms of revenue, excluding revenues from non-arm's length persons. Registered charities and non-profits can also elect to exclude grants and government support.

The CMHC defines gross revenue as revenue earned from ordinary activities in Canada. Calculate your revenue using your normal accounting method (ie: cash, accrual, or modified accrual) and exclude revenues from extraordinary items. Government wage subsidies (the CEWS and the 10% wage subsidy) are considered extraordinary items and can therefore be excluded from your calculations as well.

If you're applying before June 30, you must forecast your June revenues. This forecast must be supportable by the variables at play for your business. The result is to be guided by the average revenue reduction for April and May and the forecasted change given your respective province or territory's guiding principles for reopening the economy.

Application

The application process is initiated and submitted by the landlord.

Tenants will need to attest to their eligibility for the program with an attestation form, a sample of which can be found here. Landlords must also submit their tenants' contact information, registered business name, business number, number of employees, lease area and monthly gross rent for April to June 2020. Tenants will be required to provide this information to their landlord.

Property owners also need to provide information, sign an attestation and agree to the terms and conditions of the loan agreement. These documents can be found in the application portal.

Finally, property owners must enter into a legally binding rent reduction agreement with each impacted tenant to confirm the rent reduction in accordance with the program terms and conditions. This agreement is conditional upon final approval of the application.

More information about the program can be found at: www.cmhc-schl.gc.ca

Our Findings

The CMHC website does not go into great detail about calculations for non-profits and charities. In order to uncover more information, we were able to get through to the CRA via phone last week. We also read through the sample attestation form, which brought some insight. Here are our findings:

1. Use the AVERAGE of April, May and June for your 2019 and 2020 revenue calculations. You are not comparing month over month as it was with the CEWS.
2. Registered charities and Non-Profit organizations CAN elect to exclude grants and government support from your eligibility calculations.
3. You CAN exclude the wage subsidies (the CEWS and the 10% wage subsidy) for the purposes of the revenue calculation. These are considered extraordinary items.
4. If you are unable to forecast June accurately, it would be best to delay filing the claim. Speak with your landlord about delaying the process if necessary.

We have heard that some landlords are requiring tenants to provide their information on a short turnaround. You may need to meet their timeline if they are applying on behalf of numerous tenants.

How Young Associates can assist

A consultation with us may make all the difference to your comfort level and confidence that your accounting system is up to the challenge of the pandemic.

We can help navigate your organization's CECRA eligibility requirements and calculate the required revenue reduction.

We'd also be happy to give you a quote for full-service bookkeeping.

We work on the basis of fixed price agreements, so you'll know going in how much our work will cost — and we always offer a money-back guarantee: if you're not completely delighted with our service, we will, at your option, either refund the price, or accept a portion of said price that reflects your level of satisfaction.

Contact us: info@youngassociates.ca

This tip sheet was created by Cassie Wojcik, Rob Bril and the Young Associates team based on the best information available to us as of the date of posting. We are happy to receive your comments at info@youngassociates.ca.

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Founded in 1993, Young Associates provides bookkeeping and financial management services in the charitable sector, with a focus on arts and culture. Young Associates also provides consulting services in the areas of data management, business planning and strategic planning. Heather Young published Finance for the Arts in Canada (2005, 2020), a textbook and self-study guide on accounting and financial management for not-for-profit arts organizations.