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Small businesses can apply directly for federal rent-relief, bypass landlords, in revamped rules

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Ottawa has unveiled another round of federal support for small businesses, including a revamped rent-relief program and additional grants for struggling businesses as Quebec and Ontario restrict activity again to halt the spread of the novel coronavirus.

The aid, which includes changes to the federal wage subsidy program, is designed to help a wider array of companies survive the pandemic.

“These measures are targeted to help those who need it most for the time when they need it,” Deputy Prime Minister Chrystia Freeland said at a news conference.

Under the new rent-relief program, the Canada Emergency Rent Subsidy, small businesses will apply directly for the help instead of relying on landlords to do so on their behalf, as was the case with the original program. As well, businesses will no longer have to meet the revenue loss threshold of at least 70 per cent compared with prepandemic levels. Now, the funding will be available on a sliding scale depending on a company’s revenue loss.

“It gets rid of the all-or-nothing metric to qualify,” said Karl Littler, a spokesman for the Retail Council of Canada. “If you have lost revenue, you qualify.”

Elana White, the owner of Outer Layer gift store in downtown Toronto, welcomed the changes and said it was tough to get her landlord to apply for the rent relief. “It was stressful and I really don’t like to have to fight my landlord,” she said. Her shop’s revenues are still 40 per cent below prepandemic levels but no longer down 70 per cent, the requirement under the old program.

Ms. White said the loss of revenue is “still huge” given how expensive rent is. “I would happily take less of a break on the rent,” she said, adding that every little bit helps.

Under the new program, small businesses, charities and non-profit groups will get up to 65 per cent of their rent or mortgage interest payments subsidized until Dec. 19 if they lost more than 70 per cent of their revenue. If they lost less than that amount, the rent subsidy is less.

In addition to the rent subsidies, businesses that are mandated to close by government order – such as indoor restaurants, bars, gyms and casinos in certain regions in Quebec and Ontario – will be eligible for an additional rent subsidy of 25 per cent.

That means a business could get up to 90 per cent of its rent covered by taxpayer funds. A version of the program will last until June of next year, though the subsidy levels may change after December.

Rent is the biggest fixed cost for most small businesses, which has led to waves of empty storefronts across the country. The new program is effective Oct. 1, and will not be retroactive to previous months.

The first rent relief program repeatedly came under fire from small businesses who said they were powerless to get help if their landlords refused to apply. The federal-provincial program had spent \$1.8-billion of the \$2.97-billion allocated to it as of last Sunday. Research from the Canadian Federation of Independent Business found that about 400,000 businesses should have qualified for rent relief, but Ottawa said just 128,000 were supported as of last Sunday.

The small business lobby group praised the new rent relief program, but said it was disappointed that businesses that lost most of their revenue from April to September could not apply for funding retroactively.

“Many businesses have taken on tens of thousands of dollars in new debt to stay afloat during the last six months and they should not be left to deal with it with no help,” CFIB executive vice-president Laura Jones said in a statement.

Ottawa has also announced further details on the extension of the Canada Emergency Wage Subsidy (CEWS). The program provides funding to employers based on the severity of the revenue drop their business has experienced. The government announced in July that it would gradually decrease the maximum benefit from 85 per cent of pay to 45 per cent in December.

The maximum benefit is currently at 65 per cent and the government announced Friday it will remain at that level until Dec. 19. The government announced last month the subsidy will continue until the summer, but Ms. Freeland said decisions on the benefit percentage beyond Dec. 19 will be announced later.

In addition, Ottawa increased its small business loans to a maximum of \$60,000 from \$40,000, of which \$20,000 would be forgiven if the rest of the loan was paid back by the end of 2022. Ms. Freeland warned that the new aid was “not for everyone.”

“Some businesses are able to work at full capacity despite COVID-19 and they are doing well,” she said. “This support is not designed for them.”

It is not clear whether the rent-relief program will expand the qualifications for small businesses. Under the previous program, tenants were only eligible if they pay less than \$50,000 a month in gross rent and have less than \$20-million in gross annual revenue.

Ms. Freeland told reporters Friday the new rent program is expected to cost about \$2.2-billion, but cautioned that estimates are uncertain as it will depend on the trajectory of the coronavirus.

The minister also said freezing the wage subsidy at current rates, rather than following the previously planned phase-out, will cost \$6-billion.

Canadian Chamber of Commerce president Perrin Beatty called the wage subsidy announcement a “strong start,” but said in a statement that the percentage “falls short of a return to the full amount that had been called for.”

In an interview, Canadian Manufacturers and Exporters president and CEO Dennis Darby said both the rent and wage subsidy measures will be welcomed by his members, even though some may have wanted a more generous wage subsidy.

“This will help,” he said. “We understand that governments are trying to balance how they can help as many people and businesses as possible without completely breaking the bank.”

Conservative MPs Pierre Poilievre and Pat Kelly said in a joint statement that the government’s original rent subsidy program was “a disaster” and the new program should have been announced sooner. “During this pandemic, the Liberals have continuously got emergency programs wrong for small business and Canadian workers have been left behind,” they said.

NDP small business critic Gord Johns said the government erred by initially creating a “landlord driven” rent support program and he welcomes the changes that allow business owners to apply for the program directly.

“The uptake has been very minimal. It’s been a boondoggle of a program,” Mr. Johns told reporters.

Mr. Johns said the NDP wants the new program to be backdated to help businesses who couldn’t access the support under the original rules.

“They shouldn’t be going bankrupt because they closed their doors to protect public health,” he said.

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