



Commercial Rent Arrears Resulting from COVID-19

Item 6B

September 14, 2021

Tenant Services Committee

Report: TSC:2021-59

To: Tenant Services Committee (“TSC”)

From: Chief Operating Officer

Date: August 17, 2021

PURPOSE:

The purpose of this report is to provide an update on the status of and plan to address commercial rent arrears resulting from COVID-19 across the Toronto Community Housing (“TCHC”) portfolio.

UPDATE:

TCHC has 180 designated commercial retail units across its portfolio. Units are leased to a variety of tenants, which includes, but is not limited to coffee chains, restaurants, educational institutions, medical facilities, pharmacies, convenience stores, daycares and community agencies.

In March 2020, at the onset of the COVID-19 pandemic, the Ontario Government, by direction from Ontario Public Health, forced all non-essential businesses to close. Many TCHC commercial retail tenants were deeply affected by the health crisis and were unable to cover fundamental business costs, often including rent.

TCHC was excluded from receiving funding from the federal government’s Canada Emergency Commercial Rent Assistance (“CECRA”) program. This

initial relief program was not open to property owners or landlords that operate from government or government agency lands.

Many of TCHC's commercial tenants could qualify for the Canada Emergency Rent Subsidy ("CERS") funding program, a tenant based program that subsidizes up to 65% towards commercial rent between September 2020 and June 2021. TCHC has encouraged its tenants to apply for this funding by way of numerous communications with information on this program stream.

Prior to CERS, TCHC's Corporate & Commercial Facilities Management unit ("CCFM") launched a temporary rent deferral program of its own in order to provide timely relief for its commercial tenants. It involved:

- Participating gross and semi-gross leases were reduced to 50% minimum monthly payments; and
- Participating net leases were reduced to a minimum payment to cover additional rent (taxes, maintenance, insurance, utilities and other direct costs).

As a result, 64 commercial tenants elected to defer rent at some point over the past 16 months, totaling approximately \$1.6M in deferred rent. This uptake represents approximately 36% of our total commercial leases. As of July 2021, 32 tenants remained in deferral with the rest paying full rents again.

CCFM is working with the remaining commercial tenants who continue to defer rent with a primary focus on reinstating full monthly payments. For those who have returned to full payment, CCFM will continue to work with these tenants to try to establish repayment plans. It is important to note, however, that due to the subsidy gap, TCHC may have to consider forgiveness of rent arrears due to COVID-19 as a strategy to restore and normalize streams of commercial income. The City of Toronto has employed a similar strategy for its own commercial tenants.

Table 1: Deferred Commercial Rent During the COVID-19 Pandemic (2020)

Month	# of Lease	Lease Type				Deferred Rent
		Gross	Semi Gross	Net	Agency	
Apr	34	3	5	26	0	\$92,469.58
May	52	4	6	40	2	\$145,956.29
June	57	5	7	43	2	\$168,109.95
July	57	6	7	42	2	\$165,440.15
Aug	46	7	6	32	1	\$110,661.88
Sept	41	7	6	27	1	\$102,100.80
Oct	32	5	5	22	0	\$87,516.82
Nov	32	5	5	22	0	\$87,516.82
Dec	32	5	5	22	0	\$87,516.82
Total (April 2020 – December 2020)						\$1,047,289.09

Table 2: Deferred Commercial Rent During the COVID-19 Pandemic (2021)

Month	# of Lease	Lease Type				Deferred Rent
		Gross	Semi Gross	Net	Agency	
Jan	33	5	5	23	0	\$88,733.92
Feb	32	5	5	22	0	\$81,616.99
Mar	32	5	5	22	0	\$81,616.99
Apr	32	5	5	22	0	\$81,616.99
May	33	5	5	23	0	\$83,320.37
June	32	5	5	22	0	\$81,616.99
July	32	5	5	22	0	\$81,616.99
Total (January 2021 – July 2021)						\$580,139.21
Total (2020 & 2021)						\$1,627,428.30

SIGNATURE:

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