



OUT OF CONTROL

**WHY SMALL BUSINESSES NEED URGENT ACTION
ON THE COMMERCIAL RENT CRISIS**

ACKNOWLEDGMENTS

TO ALL THE SMALL BUSINESS OWNERS who spoke with us and shared their experiences, either confidentially or publicly; thank you for your contribution to this report. Thank you to the Better Way Alliance Interim Coordinator Gwen Feeny for launching and analyzing the survey on small business experiences with commercial rent. And, thank you to everyone who shared and filled out the survey, giving us a direct look at the growing commercial rent affordability crisis and the need for long-term solutions.



ANITA AGRAWAL

Anita Agrawal is CEO of the multi-award winning Toronto jewellery manufacturing company Best Bargains, and is a three-time international design award recipient for jewellery design from INSTORE magazine. Anita has also been a professor at the School of Business at Centennial College since 2014.

As a small business expert, Anita has been interviewed for leading Canadian and international magazines and newspapers, including the Globe and Mail, BNN, CBC, Canadian Jeweller and more. A founding member of the Better Way Alliance, Anita is deeply committed to issues of economic justice including fair wages. She is a feminist advocate and in her 2020 TEDx Talk “Oh! You’re the Political Candidate?” was able to discuss her experiences as a woman of colour running for office.



AUTHORS



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Gilleen Pearce has been a member of the Better Way Alliance (BWA) since 2017 and lead coordinator since 2018. The BWA is a network of Ontario businesses supporting decent work policies and practices. A small business owner living in Hamilton, Gilleen is experienced in founding and growing successful businesses in diverse sectors. She also holds an MA from the Munk School of Global Affairs and Public Policy at the University of Toronto.

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INTRODUCTION

THE COVID-19 PANDEMIC has deepened a pre-existing crisis: unaffordable commercial rent that is shutting down small businesses. Even before the pandemic, rents were so high that it was difficult – sometimes impossible – for small businesses to break even or tuck away a small profit for a rainy day. Media headlines regularly shared news of businesses forced to close because of increasingly insurmountable rent costs.

In Ontario, there are 400,000 small businesses, and across Canada small businesses employ almost 70% of people in the private sector.¹ Small businesses are the heart of vibrant, friendly communities – places to gather, do some shopping, and take care of errands. Entire neighbourhoods are named for the diversity of the small businesses and people that inhabit them. Places like Little Jamaica, Little India, and Chinatown enliven our cities.

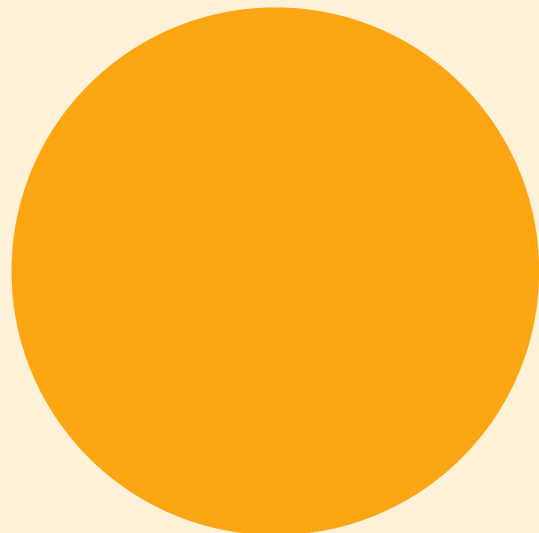
But a lack of commercial rent protections in Ontario is threatening small businesses, the jobs they have created, and the vibrancy they bring to our communities. People who are not small

business owners may be shocked to learn there are neither guidelines for fair and predictable rent increases nor set standards for leases and shared costs. Commercial landlords can charge, change, and do almost anything they want.

It is legal to increase rent by any amount. Landlords can evict small businesses in favour of new tenants or leave the space vacant, even after small business owners have paid out-of-pocket to renovate their space. Landlords can pass on surprise bills for thousands of dollars at their sole discretion. They are not held to basic building maintenance repair or heating and cooling standards.

Commonly accepted guidelines and standards that exist for residential tenants are not in place for small business tenants. And, there is no official mechanism to resolve disputes between commercial landlords and tenants.

This leaves small business tenants at the mercy of landlords, whose property investment appreciates in value with or without rental income. Even the most savvy small business owners have little leverage to negotiate fair lease agreements.



SUMMARY OF FINDINGS AND RECOMMENDATIONS

THE FINDINGS AND POLICY RECOMMENDATIONS in this report are based on surveys completed by over fifty small business owners throughout 2020 and 2021, and follow-up interviews in early 2022. Small businesses were surveyed from diverse sectors: hospitality and food, arts and entertainment, professional services, finance, transportation and warehousing, trade, and retail.

Across the board, all small business owners are clear that the issue of commercial rent affordability is a critical challenge.

This report highlights the experiences of small business owners who face the ongoing stress of instability and mounting rent costs, and who have had to move their business or close entirely.

The commercial rent affordability crisis is threatening their livelihoods, the jobs they create, and benefits they bring to neighbourhoods.

It is clear that we need action by the Ontario provincial government to remedy the commercial rent affordability crisis for small businesses.

This report concludes with policy solutions.

KEY FINDINGS INCLUDE:

RENT IS A TOP EXPENSE FOR SMALL BUSINESSES:

- 9 in 10 list rent as one of their top three expenses.
- For over half, rent accounts for more than 60% of overall expenses.

DRAMATIC RENT INCREASES ARE THE NORM FOR SMALL BUSINESSES:

- Three quarters have experienced a one-time rent increase of 10% or more.
- 1 in 6 have experienced an increase of 50% or more.
- 1 in 10 have seen their rent double during a single increase.

SMALL BUSINESSES WORRY ABOUT HAVING TO MOVE OR PERMANENTLY CLOSE:

- Over 40% of small businesses have moved in the past due to rent increases or difficulties with their leases or landlords.
- Over half anticipate being forced to move at the end of their current lease for these reasons.

THE PROVINCIAL GOVERNMENT MUST:

- Create rent guidelines for year-over-year increases that apply to all commercial tenants, including new tenants.
- Standardize leases to ensure fairness and transparency for shared costs, and ensure priority is given to existing tenants when lease term is up.
- Create a mechanism to enforce rules and resolve disputes.



THE COMMERCIAL RENT AFFORDABILITY CRISIS

RENTS ARE HIGHER THAN EVER, and small businesses are feeling extreme pressure. New businesses face significant barriers to opening, and operating businesses can barely keep up. Thousands have been forced to close.

Rent is a major cost for small businesses. Nine in ten small business owners list rent as either their single biggest expense or one of their top three expenses. For more than half of small businesses, commercial rent accounts for over 60% of their overall expenses and operating costs, and for one in five, rent accounts for more than 80% of all expenses.



92%

OF SMALL BUSINESSES LIST RENT AS ONE OF THEIR TOP THREE EXPENSES.

FOR MORE THAN HALF OF SMALL BUSINESSES, COMMERCIAL RENT ACCOUNTS FOR OVER

60%

OF THEIR OVERALL EXPENSES AND OPERATING COSTS.

The lack of guidelines for commercial rent increases means rent can double overnight. The majority of business owners have experienced large rent increases. Three quarters of businesses have experienced a one-time rent increase of 10% or more, 17% experienced an increase of 50% or more, and 12% have actually had their rent more than double in a single increase.

75%

OF BUSINESSES EXPERIENCED A ONE-TIME RENT INCREASE OF 10% OR MORE.

17%

EXPERIENCED AN INCREASE OF 50% OR MORE.

“

COMMERCIAL RENT IS THE BIGGEST EXPENSE I HAVE.

My landlord expects full rent even if we are legally mandated to operate at reduced capacity. It makes me stressed and anxious about how I can afford to pay my business expenses, personal expenses, and retain staff without going into debt.

WATERLOO SMALL BUSINESS OWNER
speaking on condition of anonymity

Over the last 15 years, the cost of commercial rent across the country has increased by 25%. While aggregate commercial rent dipped slightly in the early the pandemic, it hit an all time high again in 2021.² In just one year between 2020 and 2021, average Toronto rates per square foot increased by a shocking 38%.³

The growing unaffordability of commercial rent is destabilizing to small businesses and detrimental to local economies. With no commercial rent guidelines, tenants are left with little choice: accept rent hikes, accept building conditions, or move out.

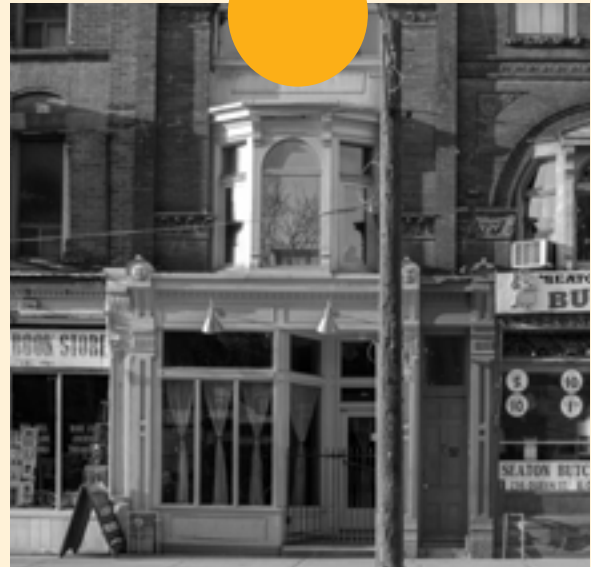
As the evidence shows, too many small businesses have been left with no other choice than to move or close due to unaffordable rent and related issues. Our survey shows 42% moved in the past due to rent increases or difficulties with their leases or landlords. And, the majority – 54% – anticipate being forced to move at the end of their current lease for these reasons.

54%

OF SMALL BUSINESSES ANTICIPATE BEING FORCED TO MOVE AT THE END OF THEIR CURRENT LEASE DUE TO HIGH RENT, INCREASES OR OTHER DIFFICULTIES WITH THEIR LEASES OR LANDLORDS.

Guidelines must also protect new tenants. A growing proportion of commercial space is going unused because commercial landlords are pricing out their small business tenants, then keeping space vacant to hold out for a bigger tenant who can pay more. That's why it is essential that commercial rent guidelines apply to new tenants.

Being forced to leave a unit is especially damaging for small businesses after financially investing in the space and building up a customer base. It is not uncommon for small business tenants to spend thousands of dollars upgrading their space, just to have their landlord force them out in favour of a new tenant paying higher rent.



Mohamad's experience being forced out of his restaurant's space in Hamilton shows how devastating sudden rent hikes can be for small business owners. After investing \$75,000 of his own money to renovate the space for his new restaurant, he couldn't afford the 50% rent increase his landlord handed down and had to close.

Commercial rent guidelines would help small businesses plan for future expenses. The least small businesses deserve, especially after weathering the COVID-19 pandemic, is fair and predictable rent increases year over year. Without this basic level of stability, small businesses will continue to suffer and close.

Small businesses are considered the economic engine of communities because they create the most jobs. In Mohamad's case, he had planned to expand his business, and create even more local jobs. When his landlord hiked the rent and refused to negotiate further, those plans for expansion were put on hold, and the community lost the additional jobs that would have been created by Mohamad's expansion.

To ensure small businesses can succeed and invest in quality employment opportunities, they need to be able to afford to stay in their units for the long term. This is critical because we need small businesses in communities for the vibrancy they bring and the jobs they create.

After Mohamad reluctantly agreed to shut down his family restaurant due to a 50% rent hike, his landlord put up an online ad for the space with photos of the renovations paid for by Mohamad – \$75,000 out of pocket.



Mohamad paid \$75,000 out of pocket to renovate his space.

A photo on the “for lease” ad features the restaurant’s tasteful sign: Tomah, Taste of Syria Restaurant and Cheesemaker.

Mohamad came to Hamilton, Ontario with his family from Syria in 2018. Experienced business owners back home, they launched a local restaurant selling fresh, homemade Syrian food. While their son and two daughters served customers, Mohamad and his wife cooked in the back.

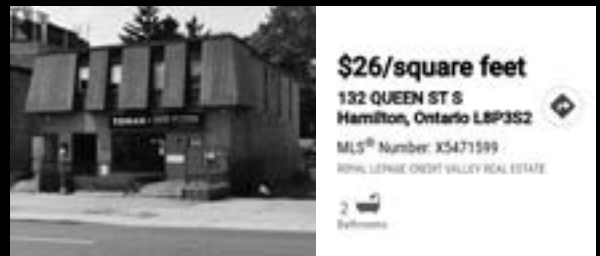
When the COVID-19 pandemic hit, times were hard. But Mohamad’s new community rallied around him. He turned his family’s business into a takeout and delivery operation during lockdowns. The family built up a customer base, and planned to expand their business by opening a cheese factory nearby.

Suddenly, in early 2022 when Mohamad requested to renew his lease, his landlord increased the rent by more than 50%. The rent would go from \$3,730 to \$5,700 monthly.

He had to cancel his plans for expansion and shut down the restaurant.



He turned it into a bright and beautiful family restaurant.



Seeking higher rent, Mohamad’s landlord put up a “for lease” ad featuring photos of the newly renovated space.

“It was a big shock to us. I am sad my landlord didn’t work with me on a human level. He knows my kids work here. The pandemic didn’t break me down, my landlord did. The commercial rent crisis, for me, is worse than the pandemic.”

Mohamad asked a lawyer for help, and learned that the only thing small businesses can do about commercial rent is negotiate with their landlord. Mohamad offered to gradually pay more in rent, “but the landlord told me I can either take the full increase, or leave.”

So Mohamad agreed to vacate.

“I’m thinking of other small business owners. Maybe they don’t know how to survive something like this. I paid a lot of money to learn this lesson. I hope the government helps other small businesses.”

UNRESTRICTED COSTS PILE UP ON TOP OF RENT

IN ADDITION TO INCREASINGLY UNAFFORDABLE RENT, it is common for landlords to pass on other costs to tenants. Currently, there are no rules about what costs can be passed on to tenants and how those costs should be shared.

Landlords can pass on any amount of taxes, insurance, or maintenance costs to their small business tenants. Without notice, landlords can bill tenants for “incidentals” or “operating cost adjustments.” A landlord can even pass on the extra cost of their self-appointed salary increase. They can require small business tenants to pay to upgrade the property, then price them out of their space.

Often, costs are “adjusted” throughout the year without warning, and tenants foot the bill. Sixty-five percent of small businesses had operating cost adjustments passed on to them. One quarter of those businesses experienced one-time cost adjustments amounting to more than 50% of their rent.

65%

OF SMALL BUSINESSES HAD
OPERATING COST ADJUSTMENTS
PASSED ON TO THEM BY THEIR
LANDLORDS.

1/4

OF THOSE BUSINESSES EXPERIENCED
ADJUSTMENTS AMOUNTING TO MORE
THAN 50% OF THEIR RENT.

When costs are passed on arbitrarily by their landlord, less than a quarter received a detailed accounting or itemized bill. Many received additional information only when they requested it, but even then, several business owners were not provided with transparent information about costs passed on to them by their landlord.

The inability to plan for one-time costs, charges or bills passed on by landlords adds to the unpredictability of rent costs. This is a major stressor for small business owners and creates an incredibly uncertain environment for small businesses building and planning for the long term.

“

Commercial rent is our biggest financial stress. My landlord is killing me right now.

I GOT A BILL FOR \$6,000 FOR OPERATING COST “ADJUSTMENTS” WHICH IS SOMETHING WE PAY ALMOST EVERY YEAR ON TOP OF OUR RENT.

That one bill could fund a whole program like paid sick days for employees. I would rather pay our workers more than pay our landlord more.

It keeps us up at night. Tenants are scared to talk about it in case our lease won't be renewed. There are huge repercussions to speaking out about this. Bigger landlords will let spaces go vacant for years to get higher rent, each business is 100% replaceable. It's a dehumanizing process.

OTTAWA SMALL BUSINESS OWNER
speaking on condition of anonymity

NO STANDARDS TO BACK UP SMALL BUSINESSES

THERE IS NO STANDARDIZED LEASING for commercial tenants in Ontario. This means all terms including rent, shared costs, additional fees, and responsibilities of the landlord and tenant can vary vastly from lease to lease. With little negotiating power, small businesses are too often forced to accept unfair terms that offer no stability.

In practice, a landlord can do whatever they want with the space, including interfering with the tenant's business operations and avoiding basic building maintenance. The lack of clear guidelines for landlord responsibilities puts small business owners in incredibly difficult situations.

Landlords are not even legally required to turn on heating or cooling. After 23 years in their former location, Toronto jewelry company Jewels 4 Ever was forced to move due to neglect of the maintenance of their space, including a burst pipe and losing heat in the middle of winter.



Icicles inside Best Bargains' former location

It is critical that landlords and tenants share costs more fairly. Small businesses need to know what expenses to expect so they can budget and plan. Even when businesses have good relationships with their landlords, the lack of guidelines puts them at a severe disadvantage. One Toronto small business owner explained that in addition to their high monthly rent costs, they were forced to pay for maintenance to make the space usable and had to deal with repairs after flooding entirely on their own.

“

From 1996 to 2019, we were located in the heart of downtown Toronto in a heritage building.

When the lease was up for renewal in 2014, the rent went up from \$4,800 per month to \$6,200 per month overnight. But when routine maintenance was required, the landlords would delay all necessary fixes.

In February 2019, the building burst a pipe. The landlords took no responsibility. **WE DIDN'T HAVE HEAT IN FEBRUARY FOR TWO WEEKS.** Finally in March of 2019, we had to relocate to new locations because the constant damage and neglect was becoming cumbersome and our lease was set to expire.

DESPITE PAYING WELL OVER A MILLION DOLLARS IN RENT OVER 23 YEARS, THE LANDLORD SHOWED NO LOYALTY TOWARDS US.

ANITA AGRAWAL

Best Bargains/Jewels 4 Ever, Toronto

Standard guidelines for commercial leases will bring clarity to what landlords can and cannot include in a lease. It will make the negotiation process more fair and transparent, and provide commercial tenants and landlords alike with a clear outline of rights and responsibilities. This is particularly important for new business owners who are navigating the fine print and legal jargon of commercial leases for the first time.

Without common standards, small businesses have nothing to back them up if they have a disagreement or conflict with their landlord. Tenants only have their leases, which vary by landlord and rental unit. Moreover, when a landlord breaks a lease agreement, there is no practical recourse for small businesses. The only options for small business tenants are to negotiate directly with the landlord or pursue expensive and time-consuming legal action.

“

I have paid my rent on time every month ever since I opened my shop nearly ten years ago.

Despite this, our landlord is attempting to prematurely terminate all leases. Notice was received during the Distillery District Winter Market – a busy time.

Right up until receiving this notice, I had been planning for my final spring and summer season in this location.

As an independent artist and small business owner, planning and organizing to transition my studio and shop to a new location by my signed lease end date was already a colossal task.

NOW I AM EXPECTED TO VACATE MY STUDIO AND SHOP FIVE MONTHS IN ADVANCE OF MY SIGNED LEASE END DATE.

No fair compensation has been offered.

HOI-AN TANG
MEHOI, Toronto

“

Even a good relationship with the landlord does not mean we get fair treatment when it comes to negotiating.

For example, we still have to pay for half of building repairs that affect our space or face having them not happen at all.

WE HAD A BIG FLOOD IN THE STORE BASEMENT DUE TO RAIN AND WE HAVE TO FIND A WAY TO DEAL WITH IT BECAUSE OUR LANDLORD HASN'T FIXED IT.

Landlords should have to maintain the building including window glass, doors, and bathroom fixtures that need replacement from age and wear from use.

Commercial rent is grossly overinflated considering the size, condition, and location of the unit, the cost of utilities, and maintenance we are forced to pay in order to make the space usable.

TORONTO SMALL BUSINESS OWNER
speaking on condition of anonymity



MEHOI gift shop and studio, Toronto

Small business tenants financially invest in their space, often spending thousands on renovations and repairs. They also work to build up a local customer base. This leaves small businesses even more vulnerable in the lease negotiation process, because they don't want to lose that investment and those connections.

Standardizing commercial leases will help level the playing field for small business owners negotiating with commercial landlords. It will also help make costs more predictable and allow small businesses the stability they need to plan ahead, stay open, and create good jobs.

SMALL BUSINESSES GETTING SQUEEZED OUT OF COMMERCIAL REAL ESTATE

SMALL BUSINESS OWNERS ARE FEELING SQUEEZED OUT by the commercial real estate industry. Many have experienced rent hikes or outright evictions from landlords that own multiple properties. The results have been devastating for small business owners and local communities have suffered from the resulting job losses.

The commercial real estate industry has attracted large multinational companies and Real Estate Investment Trusts (REITs). Commercial landlords increasingly derive profits from capital markets – buying and selling financial securities and assets – as well as buying and selling properties.

It's big business. In Canada alone, SmartCentres REIT has \$10.2 billion in assets and owns 34.2 million square feet of retail space; their "intensification program" is expected to add an additional 58.3 million square feet in the next five years.^{4,5} Brookfield Properties owns 155 million square feet of retail space across nine countries, and 18 million square feet of commercial space in Canada.⁶ RioCan is valued at \$13.9 billion, and has more than 200 properties and 36.4 million square feet of leasable space.⁷

Small businesses owners are feeling left behind in the face of powerful financial and corporate forces.

In the commercial property industry, many landlords do not rely on monthly rental income to get by. The resale value of their property can outweigh their financial relationship with small business tenants. This dynamic amplifies the uncertainty small businesses face about being able to stay in their space for the long term.

If they feel like hiking the rent, commercial landlords can often afford to leave a space vacant – while the unit continues to appreciate in value – until a new tenant comes along. A landlord can even choose to decline tenants altogether, or take on only "month-to-month" tenants. Preferred tenants tend to be big businesses and chains. Yet, small businesses continue to create more jobs in our communities and are the foundation of vibrant and diverse local economies.

“

I opened Holy Oak in 2009 and ran it for 8 successful years. It was a community cafe and bar hosting live music and LGBT events nightly. It ended up being quite the community hub.

Slowly the rent went up and eventually, the building was bought by someone who owns multiple buildings in the city, whose father is a developer. It seems like he is amassing land to build condos.

THE NEW OWNER DIDN'T WANT US THERE AND I COULDN'T EVEN SELL THE BUSINESS. I HAD TO CLOSE.

JUSTIN OLIVER

Holy Oak, Toronto (closed)

“

My biggest concern with commercial landlords is that **THEY ARE PURPOSEFULLY SETTING RENTS AT LEVELS NO ONE CAN POSSIBLY PAY**, resulting in commercial deserts. Downtown can't get enough small businesses going.

I say, simply call the phone numbers in some of these street-level commercial spots and ask them what the rent is. Many of them will tell you they are not allowing any leases. Which means they want you to make a huge investment and then go month-to-month, where they can kick you out at any point.

Multiple locations, near my business, are owned by people who are not interested in having tenants. They've been sitting empty for years, prior to COVID.

TOM LUCIER

Phog Lounge, Windsor



In many cases, there is minimal incentive for landlords to keep small business tenants. It may come as a surprise that small business tenants do not have the right to stay in their space, even if they have financially invested in improving the building and pay their rent on time every month.

Small business owners are on uneven footing with big players in commercial real estate. The growth of the commercial property industry exacerbates inequities between landlords and small business tenants. Without guidelines or standards, small business tenants don't know when they may be forced to leave. They face hurdles that are sometimes impossible to overcome in their search for decent spaces, even as units that would be perfect for local businesses are left vacant.

Action is needed to level the playing field and ensure all small businesses in Ontario have access to affordable, stable rental units from which to run their businesses and employ staff over the long term.

COVID-19 HIGHLIGHTS LONGSTANDING ISSUES

THE COMMERCIAL RENT AFFORDABILITY

CRISIS is not a brand new or temporary challenge for small businesses. But the COVID-19 pandemic has revealed a lot – how expensive commercial rent has become, and the power of landlords in determining whether businesses stay open, or close permanently.

When the pandemic started in 2020, small businesses rallied for supports, including rent subsidies.⁸ A partial rent relief program – Canada Emergency Commercial Rent Assistance (CECRA) – launched in just the first few months. Unfortunately, the program required landlords to apply for help on behalf of tenants, and many refused.⁹

Other government initiatives such as wage subsidies, tax payment deferrals, and lower-interest business loans helped some businesses mitigate the financial impact of pandemic restrictions. Altogether these measures did not have the impact some small businesses hoped for: many continue to struggle to keep up with costs.

Taking on more debt wasn't a helpful option for many small businesses. When Jen Bundock, a restaurant owner in Toronto, accessed the pandemic small business loan, she did so as a last resort. That money ended up in the pocket of her landlord who charged full rent, and ultimately the small restaurant was still forced to close.

Jen Bundock tried to negotiate with her landlord, who then evicted her small business anyway. The restaurant closed and jobs were lost.

A temporary commercial rent subsidy program paid for by the federal government eventually replaced CECRA, but it still did not address the long-term issues caused by the lack of commercial rent guidelines and standards in Ontario.¹⁰ Rent costs have remained inaccessibly high, and small businesses still have no choice but to pay the full cost of all bills passed on to them. They still operate with the anxiety of not knowing when their landlord will hike the rent or evict them without warning.

We need to change tack and put in place long-term solutions to address commercial rent affordability, and redress the dramatic power imbalance between landlords and small business tenants. Small businesses must be able to weather crises, like global pandemics, in order to preserve good quality, local jobs.



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My landlord had purchased a building on Bloor Street as an investment, and when COVID hit he was completely unwilling to lose money on that investment.

I held on to the restaurant as long as I could. **MY \$40,000 PANDEMIC SMALL BUSINESS LOAN WAS SWALLOWED ENTIRELY BY 3 MONTHS' RENT.** I went into debt to cover my landlord's investment property.

And after more than 6 years and tens of thousands of dollars in renovations, we were evicted.

WE HAD THE CUSTOMERS AND THE INFRASTRUCTURE, BUT COULD NOT MAKE THE BILLS. I closed the restaurant and all my staff lost their jobs.

We left the space in much better condition than we found it. We had personally financed all the cosmetic renovations in the space: new floors upstairs and down, and new drywall. We replaced the windows. We installed new seating and benches, and two air conditioning units. We had to leave those behind when we were evicted because anything you renovate that is attached to the building becomes the property of the landlord.

Our employees were diverse, and most were members of the LGBTQ2+ community. We had folks who were immigrants, recovering addicts, people doing sex work, people with criminal records – a number of people who had difficulty finding work in traditional kitchen environments. We trained people from entry level to management positions.

We had a completely open staff meal policy where any employee at any time could eat or drink whatever they wanted, even if they were not working that day. We had health benefits.

I employed dozens of people – at the peak, 20 employees at one time. For some, it was stable, reliable employment over a span of years. Other employees worked for me multiple times. I always found them a place.

JEN BUNDOCK

Apiecalypse Now!, Toronto (closed)



Apiecalypse Now!'s storefront in Toronto

SWEEPING CLOSURES DEVASTATE LIVELIHOODS AND COMMUNITIES

THIS IS ABOUT MORE THAN A FEW SMALL BUSINESSES CLOSING because they can't compete. Small businesses across the board are being driven out of their communities – or not even getting off the ground – because of skyrocketing and unpredictable rent.

Small businesses have difficulty expanding because rent is unaffordable and they can be evicted at any time. New business owners face unnecessary barriers to opening. Many small

businesses are closing permanently after being suddenly priced out. All of this means a loss of local jobs.

Countless small businesses could still be open if commercial rent guidelines and standards were in place. It's about giving small businesses a fair chance to stay open for the long term and create good jobs in their communities. Small businesses need stability, predictability, and basic fairness to thrive.

140 bars and restaurants that closed in Toronto since the start of the pandemic

Beloved Toronto steakhouse shuts down after more than 30 years due to rent hike

Popular Toronto florist closing because of rent increase

Papa Leo's Restaurant has permanently closed in Hamilton

Toronto restaurant that was a local favourite for Indian food has permanently closed

Southern Accent gave Toronto its first taste of Cajun and Creole cuisine. The eatery is yet another one of a growing number of Toronto bars, restaurants and shops that are gone for good.

TOO MANY SMALL BUSINESSES ARE CLOSING¹¹

Mabel's Fabels bookstore facing closure due to rent hike, Toronto explores rent control for small businesses

End of an era for Eddie's Fresh Grill due to health issues and massive rent increase

Cosmic Treats to close after rent triples

Kensington vegan bakery's rent hiked from \$3,000 to \$9,000 after building's sale, owners say

Despite celebrity cameos, Toronto coffee shop forced to close due to increasing rent

Lee Valley Tools permanently closes its last remaining Toronto store

Highlander Pub on Rideau Street closing after almost two decades

Another Uptown Waterloo business closing for good

Marbles Restaurant will remain open until November 27

Mississauga's popular Muddy Duck restaurant closes after more than four decades

When small businesses close, it's a loss for the people they employ, the local economy, and the cultural landscape of the neighbourhood. Small businesses are places where people meet, plan, and celebrate life's milestones. When storefronts become vacant, it hurts our main streets by diminishing their appeal as shopping destinations and reducing traffic that bolsters nearby businesses in the community.¹²

Local businesses are more likely to showcase Ontario-made products, and to sell products that are not available in big box stores.¹³ Small businesses attract visitors and local spending. Typically, tourism in Ontario generates \$38 billion annually.¹⁴ Can you imagine Niagara-On-The-Lake or Port Hope without the cozy stores and cafes?

“

The draw for tourists and people from different areas is having that unique neighbourhood character. But if when your lease comes up, your rent triples – then you have another Shoppers Drugmart.

GETTING “RENOVICED” IS SOMETHING THAT CONCERNS ME MORE THAN THE COST OF RAISING WAGES FOR MY EMPLOYEES.

I've seen this happen first hand. People are attracted to neighbourhoods by the unique businesses. The neighbourhood becomes more vibrant, people start to view the area as a destination for shopping. But once the neighbourhood has enough cachet the small businesses – and also the original residential tenants – end up being priced out and replaced with bigger chain stores.

We need greater transparency to help with the threat of “renoviction.” It would be really helpful to have guidance on dealing with landlords and setting up a fair commercial lease.

SAM CONOVER

Broad Lingerie, Toronto

Without commercial rent protections, small businesses persevere or fail based on the whims of landlords. For those who hang on, the high cost and unpredictability of commercial rent means they aren't able to invest in other things that would serve their communities better, like higher wages or expanded benefits for employees. This is a missed opportunity for local communities, who need small businesses to flourish and create good jobs.

If the commercial rent crisis is left unaddressed, small businesses and the benefits they provide our communities and economies will dry up. New business owners with fresh ideas won't get the chance to launch their businesses. When small businesses are forced out of their spaces, they take community investment and good jobs with them. And in their place, we see large multinational chains move in, often providing worse jobs and changing the character of our communities.



PROTECTING SMALL BUSINESSES CRITICAL FOR OUR COMMUNITIES

SMALL BUSINESSES ARE THE ECONOMIC ENGINE OF OUR PROVINCE – vital to the betterment of jobs and neighbourhoods.¹⁵ Without action from the provincial government, the small businesses so essential to local communities will continue suffering due to a lack of commercial rent protections.

What kind of future do we want for our communities? Do we want homogeneous chain stores dotting our skylines, or do we want diversity to proliferate? Do we want to encourage the spirit of entrepreneurship, or do we want to hold new entrepreneurs back because they can't afford it? Do we want to see more precarious employment, or do we want to support small businesses to create good jobs?

All small businesses surveyed said commercial rent is a concern.



“

It's hard enough running a business but when landlords use tactics like bumping up rent by hundreds of dollars per month or 5% to 10%, they then say, if you don't like it, leave.

THIS HAS TO STOP. BUSINESSES NEED PROTECTIONS.

Landlords routinely offer attractive rates for the first year and then hit us with hefty increases after we've invested in renovating their space.

My current example is that the property owner decided they would start charging for common space areas and each unit would pay for those areas. It's an increase of 32.5% on top of what I pay per month. And they started charging for my complimentary parking spaces.

Since I moved into my unit five years ago, the rent itself has gone up 60% — from \$3,300 to \$5,300 per month.

TREVOR SHERWIN

Provocateur Images, Toronto

For small businesses to recover, prosper, and proliferate, basic fairness and accountability is necessary. This means fair commercial rent guidelines, standardized leases, and a mechanism to enforce rules and resolve disputes.

The Ontario provincial government needs to take action to remedy the commercial rent affordability crisis for small businesses, and address the power imbalance between commercial landlords and tenants.

When we make commercial rent affordable and fair for small businesses, both people and local economies will thrive. Affordable commercial rent means more leeway for launching and expanding businesses, creating more and better jobs for employees – who will in turn become customers supporting other businesses in our communities.

Addressing the commercial rent crisis means small businesses can continue to do what they do best: create good jobs and bring communities to life.

The experience of COVID-19 has been devastating. But we have a real opportunity to learn from the crisis and develop policy solutions that will not only support the small business sector, but ensure better outcomes in the event of future pandemics or economic crises.

Fair commercial rent guidelines are critical for small businesses and our communities. As the biggest job creators, small businesses are essential to a thriving economy. To help small businesses recover and grow, these important changes to commercial rent must be enacted now.

RECOMMENDATIONS TO ADDRESS THE COMMERCIAL RENT CRISIS

THE PROVINCIAL GOVERNMENT MUST:

1

Create guidelines for year-over-year rent increases that apply to all commercial tenants, including new tenants.

2

Standardize leases to ensure fairness and transparency for shared costs, and ensure priority is given to existing tenants when lease term is up.

3

Create a mechanism to enforce rules and resolve disputes.

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APPENDIX

SURVEY METHODOLOGY

FIFTY-TWO SMALL BUSINESS OWNERS from Ontario whose businesses employ 1-50 people completed the Better Way Alliance's online survey on commercial rent between September 2020 and March 2021. This was the first survey of its kind exploring small business experiences with commercial rent and leasing. Respondents were from urban, semi-urban and rural locations, and a cross-section of industries, including hospitality and food, arts and entertainment, professional services, finance, transportation and warehousing, trade, and retail.

The online survey was public-facing and shareable. It asked small business owners about their worries, stresses, and concerns; their top financial costs; their business relationship with their landlords; the cost of rent, rent increases,

and extra costs, bills, and "adjustments" on top of rent; and the priority commercial rent issues they would like to see addressed.

The authors of this report had follow-up conversations with several of the survey respondents who indicated an openness to sharing more. The experiences featured in this report are based on qualitative survey responses and those follow-up conversations.

Most survey respondents asked that their experiences be kept confidential, for fear of reprisals from current or future landlords. Others agreed to share their experiences publicly to build awareness of the challenges they and other small businesses are facing.
