

Commercial Rent Reform: Enhancing Fairness and Stability for Ontario Businesses

Ontario Pre-Budget
Submission 2024





Commercial Rent Reform: Enhancing Fairness and Stability for Ontario Businesses

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Dear Minister Bethlenfalvy,

As we enter 2024 and look forward to a brighter future for small Canadian businesses. It is imperative that we do so with creativity and an eye for long-term planning. **2024 is a critical year for supporting Ontario's small businesses.** They are carrying more debt than ever in continually difficult market conditions.

The Federal government's lax approach to CEBA has impacted many communities across Canada with closures and vacant storefronts. To avoid more of this, we urge your government to support Ontario businesses with new tools that focus on the foundation of main street - affordable commercial rent and updated leasing standards.

Within our recommendations, we propose a pathway for this Ontario government to enable stronger relationships between landlords and tenants - while maintaining a competitive real estate marketplace. Main Street businesses have been impacted by rising costs on all fronts - few as great and unrecognized as skyrocketing commercial rent prices.

We are grateful for the chance to inform you of our work with Ontario businesses and how, together, we can build promote the environment that creates thriving main streets across the province.

Sincerely,
The Better Way Alliance

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Standardized Commercial Leases in Ontario

- **Proposed Action:** Add a clause to the Commercial Tenancies Act mandating the use of a standardized lease template for commercial rentals, ensuring clarity and fairness in leasing terms.
- **Rationale:** Standard Leases are becoming common in other jurisdictions and represent benefits to landlords, tenants, and potentially reduce usage of Ontario Courts.

A standard lease provides a commercial lease framework, in plain language and math, so both parties entering the lease agreement are more clearly aware of the contents of the contract. Tenants often desire predictability that is often hard to ascertain in lengthy lease contracts.

Current commercial lease contracts can extend upwards of 70+ pages, representing large legal costs for both landlords and tenants – if they can afford to have the contract reviewed by a lawyer at all. A standard lease provides a simple and basic framework with the capability to add clauses specific to the property and relationship.

This measure simplifies the leasing process, reducing administrative burdens and disputes. Standard Leases provide an easier to understand framework between parties. Protecting both parties from unfair terms like unforeseen cost burdens and unjustified rent increases.

Benefits:

For Landlords: Streamlined leasing, fewer disputes, steadier markets.

For Tenants: Clear understanding of terms, fair agreements, predictability in costs.

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Restricting Unfair Rent Increases

- **Proposed Action:** Implement legislation to cap rent increases during lease renewals and renegotiations, and prohibit clauses that enable unchecked “profiteering” or shift undue financial burdens onto tenants.
- **Rationale:** Capping rent increases during these critical periods can benefit both tenants and landlords. For tenants, particularly small businesses, it provides financial predictability and stability, enabling better planning and budgeting.

For landlords, it ensures steady occupancy and reduces tenant turnover, as businesses are less likely to relocate due to sudden, steep rent increases. This approach fosters a more balanced and sustainable commercial rental market, where both parties can plan for the long term with greater certainty.

Benefits:

For Landlords: Sustainable lease agreements, long-term tenancies, pricing stability improves revenue predictability.

For Tenants: Financial predictability, better business planning, reduces risk of losing leasehold improvements.

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Out-of-Court Dispute Resolution

- **Proposed Action:** To create an accessible, efficient out-of-court dispute resolution mechanism, such as professional mediation, for disputes between Landlords and Tenants under the Commercial Tenancies Act.
- **Rationale:** Professional mediation is faster and more affordable than lawyers and court costs for businesses & landlords. Out-of-court resolution support would provide a quicker, more cost-effective alternative to litigation, which is time-consuming and financially burdensome for both parties.

It would ensure that disputes are resolved fairly and efficiently while relying less on Ontario's burdened court system for resolution.

Benefits:

For Landlords: Reduces the time and expenses associated with court proceedings, minimizes disruption to business operations, reduce reputational risk from lawsuits.
For Businesses: Reduces the time and expenses associated with court proceedings, minimizes disruption to business operations.

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Policy Submission Summary

The Better Way Alliance (BWA) is dedicated to creating a fairer main street economy in Ontario by advocating for substantial commercial rent reforms and decent work practices.

Our proposal for the 2024 Pre-Budget submission focuses on addressing the challenges faced by small businesses due to the current unregulated commercial rent landscape.

We propose progressive reforms to ensure the stability and growth of Ontario's main street businesses. We know the government is committed to supporting small businesses in Ontario.

These businesses are essential in creating good jobs for local workers. They also create important pathways for newcomers to establish themselves economically in the province via enterprise and job creation.

The Ontario government's budget priorities of supporting small business and building safer and more inclusive communities are shared goals between us.

Our member businesses create good jobs, often in industries fraught with precarious employment. We know there's a better way forward - and ensuring the longevity of our local businesses is key through commercial rent reforms.

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