

City Council Passed Commercial Rent Control... and Nothing Changes

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On May 23, 2024, Toronto City Council overwhelmingly passed a motion which purported to revolutionize the way commercial leasing is handled in the City... except it had no statutory authority to do so. Instead of changing any policy, the motion brought by councillor Josh Matlow merely made recommendations to the Government of Ontario. While the effort is noteworthy, the immediate policy consequences of this resolution are negligible.

Council's Recommendations to the Province

The COVID-19 pandemic hit small and locally owned businesses hard, causing immense struggles for many. In response, the *Better Way Alliance* has been lobbying governments to adopt a "Renters Bill of Rights". This initiative aims to address the inequalities faced by small and local renters compared to larger commercial leasers.

Council's motion called on the Province to adopt three parts of the *Better Way Alliance's* Commercial Renters Bill of Rights:

1. *implement commercial rent control for small, locally owned businesses;*
2. *establish a dispute resolution tribunal for commercial tenants and landlords; and*
3. *develop and require standardized leases for commercial tenants and landlords.*

Concerns With the Motion

While the idea of a Renters Bill of Rights proposed by the *Better Way Alliance* may appear beneficial to small tenants, there are notable concerns regarding its potential implications on commercial leasing as a whole, including the implementation of rent control for smaller commercial businesses. While aimed at protecting tenants, imposing rent control could inadvertently have a chilling effect on the market, making it increasingly challenging for small businesses to secure rental spaces. Landlords, facing limitations on potential income, may become less inclined to lease to small businesses and instead focus on national chains, exacerbating the already daunting task of finding suitable rental locations. As a result, while well-intentioned, the introduction of such measures could unintentionally hurt the very businesses it seeks to support.

Lack of Municipal Authority

In Ontario, the relationship between commercial landlords and tenants is largely governed by provincial legislation, specifically, the *Commercial Tenancies Act*. When it comes to commercial property rights in Toronto, the City's influence takes a back seat to provincial legislation. Ultimately then, any such transformative changes to commercial leasing law will need to come from the Province; the City's posturing here really amounts to nothing more than political theatre.

The information and comments herein are for the general information of the reader and are not intended as advice or opinion to be relied upon in relation to any particular circumstances. For particular application of the law to specific situations, the reader should seek professional advice.

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Robert Eisenberg is a commercial leasing lawyer who excels at identifying potential landmines and devising clear, creative, and proactive solutions.

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