

Memorandum

To: New Westminster City Council

Date: February 9, 2026

From: Councillor Tasha Henderson

Re: Background: Triple Net Lease Reform

To provide background information on triple net (NNN) commercial leases, their potential impacts on small and locally owned businesses, and the broader policy context of commercial leasing practices in British Columbia.

Types of Commercial Leases

In British Columbia, there is no single “standard” commercial lease — and typically vary based on property type (retail, office, industrial), building age and condition, market strength and tenant bargaining power.

There are several common lease structures used across retail, office, and industrial properties, and generally they follow the following structures:

- Retail = usually triple net (often with percentage rent)
- Office = usually gross or modified gross
- Industrial = often triple net

Triple Net Leases

A triple net lease (NNN lease) is a commercial lease structure in which the tenant pays base rent to the landlord, plus

1. Property taxes (their proportionate share)
2. Property insurance
3. Operating and maintenance costs (repairs, common area maintenance, utilities in some cases, property management fees, etc.)

In NNN leases, tenants carry most of the operating cost risk, with costs often fluctuating year to year and the landlord receives more predictable “net” income. NNN leases are widely used in commercial real estate markets across Canada and the U.S., especially for multi-tenant retail properties.

Gross Lease (Full-Service Lease)

Gross leases are more common in professional office buildings, where the tenant pays one all-inclusive rent. The landlord pays:

1. Property taxes
2. Insurance
3. Maintenance and operating costs

A tenant has predictable monthly costs with the landlord assuming risk of rising expenses. However, rent is usually higher than base rent in NNN leases to cover these costs.

Modified Gross Lease

These leases, common in multi-tenant office and smaller commercial buildings, are a hybrid between gross and triple net, where the tenant pays base rent as well as some additional costs (often utilities or a portion of operating expenses). The landlord pays the remaining building costs. In these scenarios, expenses may be split in various ways and balances risk between landlord and tenant.

NNN Impacts on Commercial Tenants

While common in the market, NNN leases can create challenges for small and independent businesses in particular:

- Cost Volatility and Unpredictability – tenants may experience year-to-year fluctuations in property taxes, insurance premium increases, unexpected maintenance or capital repair costs, depending on lease terms.
- Information Asymmetry – commercial leases are typically privately negotiated contracts, and small businesses may lack legal and financial expertise to fully understand complex lease clauses. In tight retail markets tenants may also have limited leverage.
- Business Viability and Turnover – higher or unpredictable occupancy costs may contribute to business closures or relocations, shorter tenancy durations, and challenges for businesses with thin margins.

Implications for Municipalities

Although municipalities are not parties to private commercial leases, they have an interest in how leasing practices affect:

- Local Economic Resilience – Small and locally owned businesses circulate more spending within the local economy, contribute to unique neighbourhood character and provide local employment and services.
- Commercial Area Vitality – High turnover or vacancies can reduce pedestrian activity, affect perceptions of safety and vibrancy and weaken the success of public investments in streetscape and placemaking.



- Property Tax Perception – Although municipalities set tax rates through established policy processes, under NNN leases, tax increases directly affect tenants, not just property owners. This can create tension between municipal fiscal decisions and small business affordability.

Current Legislative Context in British Columbia

In BC, commercial tenancies are largely governed by contract law, and there is no provincial framework specifically regulating the structure of commercial lease types, such as the *Residential Tenancy Act*. Disputes are typically managed through private negotiation or civil court processes, which can be costly and time-consuming. As a result, there are few standardized disclosure requirements and limited statutory protections specific to small commercial tenants.

Triple net leases are a standard commercial real estate practice, but they can shift cost risk and financial uncertainty onto tenants, with disproportionate effects on small and independent businesses. While municipalities do not have authority to regulate commercial lease terms, they have a policy interest due to the connection between commercial tenancy conditions and commercial area vitality, employment, and local economic development. A review of the commercial leasing framework to improve transparency, fairness, and predictability, while maintaining a functional and investable commercial property market, would support healthy local business districts.

