

Senate Bill 1103

Commercial Tenant Protection Act of 2024

Senator Caroline Menjivar (D – San Fernando Valley)

SUMMARY

SB 1103 provides common sense commercial tenant protections for small businesses (with 25 or less employees), and nonprofits (with 50 or less employees), that will reduce the risk of displacement through transparent and fair commercial leasing practices.

PROBLEM

Small businesses and nonprofits are being forced out of business and displaced from their communities at an alarming rate. A survey of nonprofits working with thousands of small business owners in California found that 86% of respondents reported that small businesses often (54%) or sometimes (32%) face displacement.¹ As commercial tenants, these pillars of our local economy have far fewer protections than residential tenants. Rent increases, unclear and unfair lease terms, as well as exorbitant added fees make it extremely difficult to find and stay in a commercial space. Small business owners with limited English proficiency often encounter complex commercial lease agreements that are difficult to navigate. While existing state law requires many contracts, including residential leases, to be translated when negotiated in other languages, commercial leases are not included. This has a devastating chilling effect on immigrant entrepreneurship and runs counter to the State's commitment to language and economic justice.

On top of rising rents, small business owners and small nonprofits also commonly encounter exorbitant added fees. For example, security deposits routinely exceed multiple months of rent and common area maintenance fees that often compound the costs of a lease without adequate explanation or notice. Small businesses and nonprofits are also afforded only 30 days' notice for a rent increase or termination of a tenancy. This short window often precludes a business or small nonprofit from remaining in their existing location or relocating within the same community, leading to preventable business closures and the loss of critical community based and culturally significant goods and services in low-income and immigrant communities across California.

BACKGROUND

As the cost of living in California rises, many small businesses have been forced to close or have been displaced due to

gentrification. While significant time and resources have been put into studying and fighting residential displacement, strategies to prevent commercial displacement of small businesses and small nonprofits have not been as deeply explored.

During the height of the pandemic, state and local emergency commercial eviction protections and federal grants provided much needed support to small businesses and nonprofits. Now that these protections and grants have largely expired, small businesses and small community-serving nonprofits are more vulnerable than ever as they continue to recover from the effects of the pandemic.

SOLUTION

SB 1103 will expand existing translation requirements to commercial leases that are negotiated in a language other than English. In these situations, the commercial tenant will be provided with a translation of the lease in the language in which the lease was negotiated. Furthermore, SB 1103 limits security deposits to one month's rent for commercial tenant small businesses and nonprofits. SB 1103 also increases required notice periods for small business and small nonprofit commercial tenants facing a rent increase or termination of tenancy so that they are commensurate with those periods available to residential tenants.

STATUS

Introduced February 13, 2024

SUPPORT

Bet Tzedek Legal Services (Co-Sponsor)
Inclusive Action for the City (Co-Sponsor)
Lawyers' Committee for Civil Rights of the San Francisco Bay Area (Co-Sponsor)
Public Counsel (Co-Sponsor)
CAMEO (Co-Sponsor)

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