

California

New State Legislation Introduced for Court-Ordered Rent Reduction and Eviction Process Modifications

KEY PROVISIONS OF ASSEMBLY BILL 828 (AB 828):

- On April 14, 2020, Assemblyman Phil Ting (San Francisco) introduced legislation for a temporary moratorium on foreclosures and evictions due to the economic impact of COVID-19.
- In an unlawful detainer action, if the tenant's inability to pay rent is due to increased costs of household necessities or reduced household earnings because of COVID-19, the landlord must show that a 25% reduction of rent for 12-months would cause a material economic hardship to the landlord.
- If the court determines no material economic hardship exists for the landlord, the court will order the monthly rent to be reduced by 25% for a 12-month period. The court will add on an additional 10% of any back, unpaid rent. The decreased rental payment will be due on the 5th day of each month.
- If a tenant fails to pay the new rent, then after giving the tenant 48-hours' notice to pay, the landlord may file declaration seeking immediate possession of the property and the balance of unpaid rent.
- If passed, the new law will go into effect immediately upon being signed by the governor and will stay in effect until 15 days after the state or local state of emergency ends.
- A material economic hardship means the landlord would have to limit spending on household necessities. A reduction in savings, profit margins, discretionary spending, or nonessential assets do not constitute a material economic hardship. If a landlord owns 2 or less rental units, the court will presume the landlord will suffer a material economic hardship. If a landlord owns 10 or more rental units, the court will presume the landlord will not suffer a material economic hardship.
- This bill is in addition to the April 6th modifications to the Rules of Court which placed a procedural 60-day moratorium on unlawful detainer actions.

PROCEDURAL BACKGROUND

- The bill is currently before the Senate. It is expected to be referred to the Senate Judiciary Committee in mid-May. It is likely to pass out of Committee and be voted on by the full Senate by the end of May.
- If the bill passes the Senate, it will go to the Assembly for approval in early June.

CALIFORNIA

New State Legislation Introduced for Moratorium on Commercial Evictions

KEY PROVISIONS OF SENATE BILL 939 (SB 939):

- On April 15, 2020, Senators Wiener (San Francisco) and Lena Gonzalez (Long Beach) introduced legislation for a temporary moratorium on commercial evictions due to the economic impact of COVID-19.
- The bill prohibits the eviction of commercial tenants, including businesses and non-profits, during the declared state of emergency.
- The bill stops any eviction proceeding which began after March 2, 2020. It does not stop or apply to any proceeding which began prior to March 2, 2020.
- Violation of this bill is a misdemeanor criminal offense as well as a civil violation of unfair competition and unfair business practice provisions of California law.
- This bill is in addition to the recently modified Rules of Court which placed a procedural 60-day moratorium on unlawful detainer actions.

PROCEDURAL BACKGROUND

- The bill is currently before the Senate. It is currently in the Rules Committee to be referred to the Judiciary Committee for review and vote in late May, early June. It is expected to pass out of Committee and be voted on by the full Senate in June.
- If the bill passes the Senate, it will go to the Assembly for review and approval in late July, early August.

WHAT YOU CAN DO

- If you want your voice heard on these bills, we strongly encourage individuals to contact their state senators. Contact information can be found here: <http://findyourrep.legislature.ca.gov/>

The above information is intended as an overview of proposed legislation only. It is not provided as commentary on legislation nor is it intended as legal advice. It should not be relied on for any investment, property, or other decision making. Please see your legal, financial, due diligence and other advisors for additional details and guidance.