

Date of Hearing: April 13, 2021

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

AB 1146 (Cervantes) – As Amended April 6, 2021

**SUBJECT:** California Rental Forgiveness and Tax Relief Program

**POLICY FRAME:** Since March 4, 2020, when Governor Newsom proclaimed a COVID-19 State of Emergency, the Legislature has worked with the Administration to protect residents and businesses from the economic fallout of restricting public and private activities during the pandemic.

Recognizing the challenges commercial tenants were facing, Governor Newsome issued Executive Order (EO) N-28-20 on March 27, 2020, to provide limited eviction protections. Most recently, these protections were extended through June 30, 2021 by EO N-03-21. A number of local jurisdictions also took steps to help stabilize commercial districts by placing local restrictions on the eviction of commercial tenants.

As California transitions out of the pandemic and retail stores and restaurants reopen, these temporary protections will expire, and deferred rents will become due. Landlords have been excluded from several of the federal disaster programs and lacking full rent payments as income, many landlords have faced their own difficulty in payment of property taxes, utilities, and other maintenance costs. Without legislative intervention, California may not have the “reopening” that is required for a successful and inclusive recovery. Even under the best of terms, repaying substantial amounts of back rent over six months to a year would place extreme economic pressure on many small commercial businesses.

For communities, both evictions and bankruptcies of small businesses unable to repay debts represent the possibility of bordered up commercial districts and downtowns. AB 1146 takes a proactive approach to helping to close the challenge of unpaid commercial rents by establishing a state-funded locally administered program, which offers (not requires) landlords a 30% credit in exchange for releasing certain small commercial tenants from past due rents.

The analysis includes information on the California small business economy, the impact of the COVID-19 pandemic on small businesses, a residential rent forgiveness bill, and the California Infrastructure and Economic Development Bank (IBank). There is no known opposition to this bill. Should this bill pass the Committee, the bill will be referred to the Assembly Committee on Revenue and Taxation for further policy consideration. Suggested amendments are included in Comment 7.

**SUMMARY:** Authorizes the establishment of the California Rent Forgiveness and Tax Relief Program (Program) for the purpose of providing grants to qualified counties to implement local rent forgiveness and tax relief programs. Specifically, this bill:

- 1) Enacts the California Small Business Rent Relief Act, which authorizes the establishment of the Program, upon appropriation, for the purpose of providing grants to qualified counties to choose to implement a local small business rent forgiveness and tax relief program, as specified.
- 2) Specifies that participation in a local small business rent forgiveness and tax relief program by a qualified taxpayer is optional.

- 3) Limits qualifying tenants to those that satisfy all of the following requirements:
  - a) Rents or leases qualified property from a qualified taxpayer for an uninterrupted period from February 1, 2020, through May 31, 2021.
  - b) Employed 20 or fewer full-time equivalent employees during the month of February 2020.
  - c) The business activities of the tenant on the qualified property have been significantly impacted by COVID-19 emergency orders.
  - d) The tenant's operations at the qualified property are currently active and operating or the tenant has a clear plan to reopen when the state permits reopening.
- 4) Establishes the Small Business Rent Forgiveness and Tax Relief Account (Account) within the IBank Fund for the purpose of receiving moneys appropriated for the purpose funding the Program, as specified.
- 5) Requires the IBank, upon the transfer of funding, to adopt:
  - a) A resolution making a finding that there is sufficient moneys in the Account to cover the implementation of the program, including, but not limited to, appropriate oversight expenses.
  - b) Guidelines and requirements for implementing the program, including, but not limited to, a process for awarding grants to qualified counties. If more applications are received than funding available, the IBank is directed to reduce each applicant's grant amount by an equal percentage.
- 6) Sets conditions under which a county may become a qualified county and apply for Program funding. These conditions and requirements include:
  - a) Adopting a resolution or ordinance establishing a local small business rent forgiveness and tax relief program for the purpose of providing credits to qualified taxpayers (landlords).
  - b) Requiring the ordinance to identify which taxes or fees may be paid with the credit. The bill specifies that the county may only apply the credit against a tax or fee owed to the county and for which the county has authority to collect a credit in lieu of cash.
- 7) Requires the taxpayer, in order to qualify for a credit, to have entered into an enforceable agreement with a qualified tenant which forgives all past due rental or lease payments owed on the qualified property between April 1, 2020, and June 31, 2021.
- 8) Prescribes a calculation for determining the maximum value of credit for each qualified taxpayer. The value of the credit is based on 30% of the estimated value of 14 months of rental or lease payments, using the rental or lease rate for February 2020. The bill also includes a windfall protection provision, which prohibits the taxpayer from receiving more than 100% percent of the estimated amount of 14 months of rental or lease payments, when the value of the credit is added to the total amount of rent or lease payments paid to the landlord/taxpayer.
- 9) Specifies that the Program applies to taxes and fees owed to the county for the 2020–21, 2021–22, and 2022–23 fiscal years, including any past due or delinquent payments during those years.
- 10) Requires the submittal of an annual report to the Governor and the Legislature, which includes, but is not limited to, all of the following:

- a) The total amount of money in the account, at the beginning of the fiscal year and at the end of the fiscal year.
- b) The number of qualified counties that applied for grants.
- c) The number of qualified counties that received grants.
- d) The number of qualified taxpayers that received a credit.
- e) The number of qualified tenants assisted in each of the fiscal years that credits were provided.
- f) The total dollar amount of rents forgiven.
- g) Information on the number qualified tenants assisted that had fewer than five employees, five to 20 employees.

11) Defines the following terms:

- a) “Full-time equivalent” means either of the following:
  - i) In the case of an employee paid hourly, “full-time equivalent” means the total number of hours worked per month for the qualified tenant by the employee, not to exceed 140 hours per month per employee, divided by 140.
  - ii) In the case of a salaried employee, “full-time equivalent” means the total number of weeks worked per month for the qualified tenant by the employee divided by 4 multiplied by the fraction of full-time employment that the employee worked.
- b) “Qualified county” means a county that establishes a local small business rent forgiveness and tax relief program, as specified.
- c) “Qualified property” means commercial real property that is rented or leased to a qualified tenant.

12) Sunsets the Program on January 1, 2024.

**EXISTING LAW:**

- 1) Establishes the IBank within the Governor's Office of Business and Economic Development (GO-Biz) and authorizes it to undertake a variety of economic and infrastructure development related financial activities including, but not limited to, the administration of the Small Business Finance Center and the Infrastructure State Revolving Loan Fund.
- 2) Authorizes counties to impose various taxes and fees in connection with activity or property within those jurisdictions.

**FISCAL EFFECT:** Unknown

**COMMENTS & CONTEXT:**

- 1) **Small Businesses and Coronavirus:** Economic developers, finance professionals, and even the Office of the Legislative Analyst agree that small businesses have been particularly impacted by the coronavirus pandemic. According to a national survey and separate report on the impacts of COVID-19 on small and medium size businesses, both published by McKinsey in April 2020:

- a) 70% of businesses are delaying purchases, reducing current spending, and holding back on making major investments. [*While not an unexpected outcome, this level of delayed spending has significant multiplier effects as its impacts move throughout the economy.*]
- b) 50% of workers at small businesses with less than 100 employees are at risk of losing their jobs due to the pandemic. This represents over 2.2 million workers. This is a higher percentage of job losses than those projected for larger private sector employers.
- c) 40% of the vulnerable small business jobs fall within two occupational categories: food service and customer service and sales.
- d) 60% of the vulnerable small business jobs do not require a four-year degree, meaning that displaced workers will likely not have formally recognized skills to help them get their next job.
- e) 55% of businesses felt that the economic impacts of the coronavirus were going to last over one year, with 29% responding the impacts were going to be felt for three years.
- f) 25% of businesses said they would be filing for bankruptcy within six months.

The McKinsey report ranks California among the top states in which small businesses are and will be impacted by the COVID-19 emergency. The report finds that 92% of workers in small businesses that engage in the accommodation and food sectors are at risk. For workers at small construction firms, the report states that 54% are vulnerable, which is still a significant impact. Regulatory relief is one piece of a broader set of policies to support small businesses.

AB 1571, a committee bill, provides a framework for state agencies to take a heightened assessment of the how implementation of a regulation would impact small businesses during a Governor-declared state of emergency.

- 2) **The Challenge of Re-opening and Recovery:** After more than a year of restrictions on business operations, many commercial tenants are facing the difficult repayment of past due rents. Upon recognition of the futility of a request for tenants to pay rents on closed business locations, many landlords have allowed commercial tenants to make partial- or even to defer rental or lease- payments. While a good short-term policy, the length of the pandemic means that commercial tenants face significant unpaid rental obligations. Trying to repay a year or more's worth of back rent could result in otherwise viable businesses closing shop permanently.

Landlords also face their own financial difficulties and have had to continue to maintain building safety standards, pay property taxes, and in some cases make utility payments. However, unlike their tenants, landlord have been excluded from federal disaster response programs, such as the Paycheck Protection Program.

AB 1146 establishes the California Small Business Rent Forgiveness and Tax Relief Program for the purpose of reimbursing a county for the loss of property tax revenue attributed to the implementation of a local property tax relief program to commercial property owners who forgive a small business's back rent. No county is required to implement this local rent forgiveness and tax relief program, but for those that do, the state would cover the cost of the credits. The analysis also suggests that that state should pay a portion of the administration costs on a dollar-for-dollar matched basis.

In order to qualify for funding, the county would design a local property tax relief program that awards a credit that can be used by the taxpayer to offset any tax or fee liability owed to the county.

In exchange for the credit, a taxpayer would have to commit to and then forgive back rental or lease payments of a small business tenant. Qualifying rental forgiveness is limited to small commercial tenants that have been significantly economically impacted the pandemic.

- 3) **A Closer Look at California Businesses:** During the 2021-22 legislative session, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) held several hearings examining policy options for supporting an inclusive economic recovery. Dr. Robert Fairlie, University of California Santa Cruz, testified at the Committee’s February 23, 2021, hearing and provided an overview of the economic impacts of the COVID-19 pandemic on small business owners in the US and in California. His presentation began with his work, [The Impact of Covid-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey](#). In this report he used a simulation model to estimate that between February 2020 and April 2020 there was a decrease of 41% among Black-owned businesses, 32% among Latinx-owned businesses, and 26% among Asian-owned business. The report further stated that immigrant business owners experienced substantial losses of 36%. Female-owned businesses were also disproportionately hit by 25%.

Dr. Fairlie continued to track active business owners by demographic groups and found that by June 2020, some business activity had returned, but was still down from pre-pandemic levels, [“The Impact of COVID-19 on Small Business Owners: Evidence from the First Three Months after Widespread,”](#) published in August 2020 in the Journal of Economics and Management Strategies.

While overall business activity was down -8% in June, activity among Black business owners remained at -19% and for immigrant owners -18%. Business owners who were women (-10%), Latinx (-10%), and Asian (-10%), still fared worse than white business owners (-5%). **Chart 1** shows this transition on a monthly basis, for selected business-owners of color.

	African-American			Latinx			Asian		
	Relative to			Relative to			Relative to		
	Feb. 2020	Month in Prev. Yr.	Reg. Adjusted	Feb. 2020	Month in Prev. Yr.	Reg. Adjusted	Feb. 2020	Month in Prev. Yr.	Reg. Adjusted
Feb. 2020	0%	2%	0%	0%	5%	0%	0%	-1%	0%
Mar. 2020	0%	13%	-6%	-6%	-3%	-4%	5%	4%	6%
Apr. 2020	-41%	-38%	-52%	-32%	-28%	-32%	-26%	-36%	-29%
May 2020	-26%	-23%	-35%	-19%	-14%	-20%	-21%	-24%	-24%
<b>June 2020</b>	<b>-19%</b>	<b>-24%</b>	<b>-28%</b>	<b>-10%</b>	<b>-4%</b>	<b>-8%</b>	<b>-10%</b>	<b>-14%</b>	<b>-10%</b>
July 2020	-10%	-18%	-18%	-11%	0%	-10%	-9%	-5%	-7%
Aug. 2020	1%	-2%	-5%	-3%	2%	-3%	-11%	-11%	-9%
Sept. 2020	2%	-6%	-6%	1%	0%	0%	-17%	-12%	-20%
Oct. 2020	7%	-3%	-4%	3%	1%	-1%	-15%	-5%	-17%
Nov. 2020	3%	0%	-5%	5%	-1%	-2%	-22%	-16%	-27%
<b>Dec. 2020</b>	<b>-3%</b>	<b>-10%</b>	<b>-12%</b>	<b>-3%</b>	<b>-1%</b>	<b>-7%</b>	<b>-20%</b>	<b>-20%</b>	<b>-23%</b>

Notes: (1) Estimates are a continuation from those reported in Fairlie, Robert. 2020. *“The Impact of COVID-19 on Small Business Owners: The First Three Months after Social-Distancing Restrictions”* Journal of Economics and Management Strategy. (2) Reg. Adjusted estimates are based on regression analysis accounting for trends and seasonality (monthly).

Source: Robert W. Fairlie, Professor of Economics, University of California, Santa Cruz, <https://people.ucsc.edu/~rfairlie/current/>

- 4) **California Small Businesses in the Pandemic:** According to Dr. Fairlie’s testimony at the February 23, 2021, hearing, there were an estimated to be over 1.8 million small businesses in California at the end of January of 2020. By the end of January 2021, he reported that the number of small businesses in California had fallen to 1.6 million. In the First Quarter of 2020 business activity decreased by an estimated loss of 100,000 businesses, followed by a 200,000 decrease in the Second Quarter. In the Third Quarter, as businesses began reopening, business activity increased by 165,000 businesses in California. In the final Quarter of 2020, business activity was up by 10,000.<sup>i</sup> In considering this rise in business activity, it is important to note that this data is reported in aggregate numbers and does not distinguish between new businesses activity and activity attributed to the continuation of existing businesses.

*Chart 2 - California Small Businesses<sup>ii</sup>*, part of the slide deck provided by Dr. Fairlie at the February 23 hearing, tracks business activities from January 2019 through January 2021. Among other features, the data shows that although there has been some recovery from the steep drop in business activity experienced in April, California has not recovered to pre-pandemic small business activity levels.

In addition to measuring business activity, policy makers may also find it helpful to track evolving perspectives of business owners. In conjunction with the February 23 hearing, Small Business Majority released the results of a California survey it undertook in December 2020, “[California Small Businesses Face Difficult Decisions As Pandemic Continues And Funding Freezes](#),” which found:

- **Temporarily Close:** 28% of entrepreneurs of color reported they may be forced to temporarily close their business in the next three months. Of those, 27% say they may lay off employees permanently, as compared to 15% of white entrepreneurs.
- **Permanently Close:** 17% of entrepreneurs of color reported they are likely to permanently close their business in the next three months, compared to 12% of white business owners.
- **Struggling to Make Pay Bills:** Nearly 6 in 10 (57%) small businesses who own or rent commercial spaces, reported they are currently struggling to pay their rent or mortgage, with 64% of entrepreneurs of color reporting the same. Entrepreneurs of color are more likely to be struggling, with 37% having missed their payments and 32% behind on payments, as compared to all small business respondents, 28% and 25%.
- **Operating Capacity and Employment:** Nearly half say operating capacity has decreased, with 16% reported their capacity has decreased by more than 50%. More than 60% reporting that they have not restored their headcount to pre-pandemic levels.
- **Limited Access to Capital:** While about half of small businesses say they applied for PPP loans. Of those who didn’t apply, they largely attributed their reasons to confusion about how to apply, fear over taking on debt, inability to secure a loan through their bank or thinking they were ineligible.

The Small Business Majority results are based on a survey of 418 California small business owners (*nearly evenly split between white entrepreneurs and business owners of color*) taken between November 10 and 23, 2020.

- 5) **Residential Rent Forgiveness:** Earlier this year, the Legislature passed SB 91 (Committee on Budget and Fiscal Review), Chapter 2, Statutes of 2021, which extended the moratorium on residential

evictions for non-payment of rent due to COVID-19 financial hardship, which was subject to numerous conditions.

In addition, the bill established the State Rental Assistance Program to allocate \$1.5 billion in federal rental assistance funds to residential renters that had been economically impacted by COVID-19. Among other provisions, the program included a process whereby a landlord could agree to accept 80% a household’s unpaid rental debt (April 1, 2020, to March 31, 2021) in exchange for deeming those moneys payment in full.

AB 1146 proposes an optional grant program for counties that choose to implement local commercial rent forgiveness programs that target small businesses. To be successful, AB 1146 will also need substantial funding. The author has stated that this measure will be on the list of key small business initiatives that need funding in the 2021-22 budget.

6) **The Historic Role of Small Businesses within the California Economy:** California’s dominance in many economic areas is based, in part, on the significant role small businesses play in the state’s \$3.1 trillion economy. Two separate studies, one by the US Census Bureau and another by the Kaufman Foundation, found that net job growth was strongest among businesses with less than 20 employees. Among other advantages, small businesses are crucial in the state’s international competitiveness and are an important means for dispersing the economic positive impacts of trade within the California economy.

- In 2017 (most recent full set of data), of the 4.1 million firms in California, there were 3.3 million nonemployer firms as compared to 763,803 employer firms.
- Total revenues for nonemployer sole proprietorships, across all industry sectors, were \$118 billion in receipts in 2017.
- Businesses with less than five employees are classified as microenterprises. In 2017, there were 473,641 microenterprises which had one or more employees.
- Microenterprises, including both nonemployer and up-to-5-employee businesses, comprise the single largest segment of the California business community, representing 92.9% (3.8 million) of all businesses in the state.

*Chart 3* displays 2017 data (*most recent full set of data*) on California employer businesses, including payrolls, employment, and number of firms, which may comprise of one or more establishments.

<b>Chart 3 - California Employer Businesses by Size (2017)</b>				
<b>Enterprise Employment Size</b>	<b>Number of Firms</b>	<b>Number of Establishments</b>	<b>Employment</b>	<b>Annual Payroll</b>
0-4	473,641	474,301	737,168	\$45.0 billion
<20	676,913	682,756	2,605,213	\$125.5 billion
0-99	743,830	768,456	5,143,522	\$250.5 billion
100-499	13,628	39,757	2,081,423	\$125.0 billion
<500	757,458	808,213	7,224,945	\$375.6 billion
500+	6,345	133,164	7,671,680	\$579.4 billion
Total All Employers	763,803	941,377	14,896,625	\$955.0 billion

▪ An establishment is a single physical location at which business is conducted or performed by one or more

paid employees.

- A company or enterprise may consist of one or more establishments.
- An establishment with 0 employment is an establishment with no paid employees in the mid-March pay period but with paid employees at some time during the year.
- This series excludes government establishments except for wholesale liquor establishments (NAICS 4248), retail liquor stores (NAICS 44531), federally-chartered savings institutions (NAICS 522120), federally-chartered credit unions (NAICS 522130), and hospitals (NAICS 622).

Source: US Census, SUSB Series

Excluding sole proprietorships, businesses with less than 20 employees comprise over 88.6% of all businesses and employ approximately 17.4% of all workers. Businesses with less than 100 employees represent 97.3% of all businesses and employ 34.5% of the workforce.

Microenterprises have many unique features and provide important benefits to local communities, according to a recent study from the Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD) at the Aspen Institute. These benefits include:

- Providing products and services tailored to meet local and neighborhood needs.
- Stimulating an inflow of revenues to and within local communities.
- Serving as catalysts for neighborhood reengagement.
- Revitalizing neighborhoods that may otherwise have vacant storefronts.
- Providing role models and support for future entrepreneurs.

These non-employer and small employer firms create jobs, generate taxes, support important industry sectors, and revitalize communities. While their small size allows them to be more flexible in meeting niche foreign and domestic market needs, it also results in certain market challenges. These challenges include having difficulty in meeting the procedural requirements of the state's complex regulatory structure and the traditional credit and collateral requirements of mainstream financial institutions. Specialized technical assistance, access to credit enhancements, and targeting of state procurement activities help many small businesses overcome or at least minimize these difficulties.

#### 7) **Recommendation for a State Administered Model and Possible American Rescue Plan**

**Challenges:** AB 1146 proposes the establishment of an optional grant program to counties that want to administer an optional local commercial rent forgiveness and tax relief program. The California Association of County Treasurers and Tax Collectors (CACTTC) have expressed concern about an optional locally run program. The CACTTC, instead, recommends a state-run program to address specific COVID-related hardships for businesses. "In that way, the program could be enacted statewide, and would ensure consistent criteria for applicants."

In their letter to the author, CACTTC suggests, to the extent that offsetting of tax liabilities is a priority, that the IBank be replaced with either the California Department of Tax and Fee Administration (CDTFA) or the State Controller. "CDTFA can potentially credit against certain taxes or fees owed to the State, and the Controller's office runs a very successful and efficient program for qualified applicants [including seniors and individuals with disabilities] who struggle to make their property tax payments to Counties."

As the bill moves forward, it may be useful to examine the applicability of a state program model, like the State Controller's Property Tax Postponement Program. Under this program, an eligible property



owner applies to the state and, if warranted, is provided with a document that can be submitted to the county in lieu of a property tax payment. The state then backfills the county for the value of postponed taxes. Applying this type of delivery model to AB 1146, could provide a different way to give the landlord a credit to offset property taxes, in exchange for forgiving small business tenants' past due rental or lease payments. [https://www.sco.ca.gov/ardtax\\_prop\\_tax\\_postponement.html](https://www.sco.ca.gov/ardtax_prop_tax_postponement.html)

One challenge to a state administered program to directly offset tax liability, however, is the current uncertainty of the impact of restrictions on federal State Fiscal Recovery funds under the American Rescue Plan. A US Senate amendment prohibits states from “directly or indirectly” taking actions that would “reduce net revenue.” States are waiting for guidance from the US Treasury as the practical application of this prohibition. Should AB 1146 pass this committee, the bill will be referred to the Assembly Committee on Revenue and Taxation where this issue can be further discussed.

- 8) **Background on the IBank:** The IBank was established in 1994 to finance public infrastructure and private development that promotes a healthy climate for jobs, contributes to a strong economy, and improves the quality of life in California communities. Housed within GO-Biz, it is governed by a five-member board of directors comprised of the Director of GO-Biz (chair), the State Treasurer, the Director of the Department of Finance, the Secretary of the Transportation Agency, and an appointee of the Governor. The day-to-day operations of the IBank are directed by the Executive Director who is an appointee of the Governor and is subject to confirmation by the California State Senate.

The IBank is essentially self-funded receiving minimal General Fund support. The IBank uses the fees, interest income and other revenues that derive from its public and private sector financing activities, as the foundation of its operations budget. State contracts to small business financial development corporations (FDCs) are supported through an annual General Fund appropriation of \$1 to \$2 million.

The IBank administers five core programs:

- The Infrastructure State Revolving Fund, which provides direct low-cost financing for public infrastructure projects and economic development facilities.
- The Bond Financing Program, which provides tax-exempt and taxable bond financing for manufacturing companies, public benefit nonprofit organizations, public agencies and other eligible entities.
- The California Small Business Finance Center, which assists small businesses access private financing through loan guarantees, direct loans, and performance bond guarantees.
- The California Lending for Energy and Environmental Needs Center or CLEEN Center, which provides financing for environment-related projects to municipal governments, public universities, schools, and hospitals (MUSH).
- The Climate Catalyst Revolving Loan Fund, which is available to receive funds from non-state governmental entities and private sources for the purpose of financing climate catalyst projects that further the state's climate goals. Operationally, the Strategic Growth Council sets the non-financial program requirements and the IBank serves as the bank. Categories of projects are set by the Legislature in consultation with the Strategic Growth Council.

Since its inception, the IBank has loaned, financed, or participated in over \$40 billion in infrastructure and economic expansion projects, including \$434.8 million in industrial development bonds. This includes over \$822 million to local and state agencies.

The IBank also serves as the state's only general-purpose financing authority with broad statutory powers to issue revenue bonds, make loans, and provide guarantees. There is no pledge of IBank or state general funds for any of the conduit revenue bonds. Over \$8 billion in conduit revenue bonds have been issued by the IBank since 2015, \$2 billion in green and clean water projects included.

The IBank estimated that, since its inception, it has supported the creation and retention of over 462,000 jobs, including over 23,000 jobs from the ISRF program; 41,000 from bond financing activities; and 398,000 through the Small Business Finance Center.

- 9) **Proposed Amendments:** Below is a list of amendments the committee members may wish to review when considering the bill.
- a) Increase the number of employees a qualified tenant may have from 20 to 50.
  - b) Clarify that a qualified tenant may be legally organized as a sole proprietor, independent contractor, 1099 employee, C-corporation, S-corporation, limited liability company, partnership, cooperative or limited partnership, or a registered 501(c)(3), 501(c)(6), or 501(c)(19).
  - c) Specify that the maximum grant amount to a qualified county is the value of 25% of the county's share of property tax assessed on commercial property in the 2020 tax year. A qualified county may also request an additional allocation equal to 50% of estimated and reasonable administration costs.
  - d) Clarify that in exchange for the credit, the landlord has an agreement to release any and all claims for nonpayment or rental debt owed for the specified time period.
- 10) **Related Legislation:** Below is a list of bills from the current and prior sessions.
- a) ***AB 255 (Muratsuchi) COVID-19 Emergency Small Business Eviction and Rent Relief Act:*** This would have bill required a landlord who receives a certificate of hardship from a commercial tenant to conduct a good faith negotiation to form a plan to allow the commercial tenant a reasonable opportunity to repay COVID-19 lease debt while minimizing the hardship to the landlord. Status: Pending in the Assembly Committee on the Judiciary.
  - b) ***SB 91 (Senate Committee on Budget) Residential Rent Relief:*** This bill, a budget trailer bill, extended the moratorium on evictions for non-payment of rent due to COVID-19 financial hardship, subject to numerous conditions from January 31, 2021, to June 30, 2021. The bill also contained an appropriation of \$1.9 billion of federal funds and statutory changes necessary to implement a rental assistance program. Status: Signed by the governor, Chapter 2, Statutes of 2021.
  - c) ***SB 939 (Weiner) Commercial Tenancy and COVID-19:*** This bill would have established a temporary eviction moratorium and a 12-month rent repayment period, as specified, and procedures for the renegotiation or termination of certain commercial tenancy leases where a commercial tenant was impacted by COVID-19, as specified. Status: Held in the Senate Committee on Appropriations, 2020.

- 11) **Double Referral:** The Assembly Committee on Rules has referred this measure to the Assembly Committee on Jobs, Economic Development, and the Economy and to the Assembly Committee on Revenue and Taxation (R&T). Should this measure pass the committee, it will be referred to R&T for further policy consideration.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

California Association of REALTORS® (C.A.R.)

##### **Opposition**

None on File

**Analysis Prepared by:** Toni Symonds / J., E.D., & E. / (916) 319-2090

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<sup>i</sup> Robert Fairlie, "California State Assembly, Feb. 2021- Written: Testimony", <https://people.ucsc.edu/~rfairlie/current/>, accessed February 24, 2021 and United States Census Bureau, "2017 SUSB Annual Data Tables by Establishment Industry", <https://www.census.gov/data/tables/2017/econ/susb/2017-susb-annual.html>, accessed November 25, 2020

<sup>ii</sup> Robert Fairlie, "California State Assembly, Feb. 2021- Written: Testimony", <https://people.ucsc.edu/~rfairlie/current/>, accessed February 24, 2021