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SB 939 (Wiener) Would Exacerbate the State’s Financial Crisis by Replacing a Short-Term Loss in Business Revenue Problem with a Mortgage Default Crisis

SACRAMENTO – As part of the state’s effort to flatten the curve and slow the spread of COVID-19, businesses have been forced by elected officials to close their doors. No surprise, many have suffered a significant drop in revenue and are concerned about their ability to pay rent. Counties have already mandated rent forbearance programs; meaning property owners are already no longer receiving rent payments from their tenants but are still obligated to pay their mortgage payments.

In an apparent effort to help struggling businesses owners with their rent payments, Senator Scott Wiener has introduced SB 939 that would allow certain businesses to simply walk away from their contractual obligations. This misguided approach would replace a short-term loss in business revenue with a longer-term mortgage default crisis.

The following is a statement by Rex Hime, President and CEA, California Business Properties Association (CBPA):

“All Californians – especially property owners - want businesses to thrive and be able to pay their rent, but SB 939 flies in the face of basic economics and would exacerbate the financial problems imposed on all residents and businesses by COVID-19’s mandated business shut-down.

- **“SB 939 is based on the false premise that property owners benefit from evicting businesses. In fact, property owners are far more motivated to keep existing tenants:** Nobody wants an empty building. And trying to find new tenants is far more costly than finding creative ways to keep current tenants.

- **“SB 939 seeks to reduce rent amounts paid by businesses but does nothing to reduce the mortgage payment still owned by the property owner:** Property owners, like businesses and restaurant operators come in all shapes and sizes. But the vast majority rely on rent from their
tenants to pay their mortgage, just like restaurants rely on customers to pay their food and beverage tabs.

- **“SB 939 will trigger a commercial mortgage crisis:** By unfairly requiring property owners to carry rent for more than a year, and also giving certain tenants the ability to walk away from a lease contract altogether, SB 939 trades a short term business revenue problem for a long term commercial property foreclosure crisis.

“CBPA calls on the legislature to reject SB 939 and its divisiveness and focus instead on constructive solutions to COVID-19 challenges faced by both renters and property owners, including those referenced by legislative leadership.”