

CBPA IN REVIEW AND LOOKING FORWARD; LAST YEAR, 2021, AND BEYOND

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Please see the message below from Rex S. Hime, President and CEO, California Business Properties Association, looking back at a tough year, and setting the framework for moving forward.

California Commercial Real Estate Leaders:

Thank you for continuing to support California Business Properties Association (CBPA) through your association's affiliation and/or your company's direct membership. CBPA provides a critical service to the commercial real estate industry as your voice of on legislative and regulatory issues in California that would otherwise be dominated by non-business advocacy groups that do not see the benefits of growth, economic development, and having a thriving real estate sector.

CBPA maintains a very small staff – five – that endeavors to cover every legislative and regulatory issue that has a potential to impact our industry. A key to CBPA success is longevity and depth of knowledge of our industry. I have served our industry since 1984, and our two primary professional staff together have almost 30 years at CBPA combined!

2020 saw our staff stretched thin – not just because of the pandemic which impacted all of our members, but because of the increased amount of activity on the legislative and regulatory fronts, It was also an election year, which meant our political engagement obligations were also greatly increased.

Despite the world being turned upside down due to the pandemic, I am proud to report that CBPA has had great successes on several key issues in 2020.

First and foremost, CBPA was at the tip-of-the spear battling **Split Roll Property Tax** and **defeating Proposition 15**.

In 2020, public employee unions and tech billionaires sponsored a signature gathering drive and campaign that put the first split roll measure on the ballot. By raising funds, organizing our members, and running a coordinated statewide campaign with allied groups, we played a major role in defeating Prop 15.

Specifically, CBPA helped raise over \$70M that was needed to run a statewide campaign to protect you and your properties from an \$11B annual tax increase. This was the culmination of several years of preparing for the split roll fight through maintaining an active coalition of groups and a minimum amount of funding to track and respond to the chess moves from the very beginning of the game.

Even before the proposition efforts of the public employee unions coalesced into a proposition, CBPA led the efforts in in the Capitol to stop several legislative efforts to enact a split roll and several attempts to enact *de facto* split roll policies in the form of parcel taxes based on square footage. Meeting these efforts wherever they emerged were important in our final success.

The battle over Proposition 15 in 2020 was the final exciting conclusion to the year, but it took many less public and less exciting maneuvers in prior years to assure our industry was successful. Your ongoing support when there wasn't an imminent threat is what allowed that work to happen.

In 2020, CBPA along with leaders from all our affiliate groups came together to defeat SB 939, a bill that would have extended commercial eviction moratoriums statewide through 2021 and overturned many of your leases, leaving you with major debt from tenant improvements.

Under cover of a worldwide pandemic, this bill had the potential to completely change the way commercial real estate leases work in California and put our industry at a severe long-term disadvantage.

We expect a similar push in 2021, and a bill (AB 255) has already been introduced on this topic, though we hope our success in defeating SB 939 will level the playing field a bit as legislators go into the year with a much better understanding of the complicated Constitutional and pragmatic management issues raised by simply sweeping aside standing business-to-business contracts.

CBPA also worked with members to stop a third attempt to ban all dual agency commercial brokerage firms and transactions in the state. This is an ongoing effort by a well-funded company who has hired lobbyists and PR firms to undermine our industry. Its important to have a sentinel standing watch to identify these efforts as early as possible, before they evolve.

These are all major issues pushed by well-financed activists that threaten to turn your business on its head.

During COVID-19 CBPA has worked with the Governor and allied business groups to help shape re-opening plans, re-write those plans when the virus has surged and the state has pulled back the re-opening, and provided technical guidance for commercial real estate to assure our members know the rules and are able to open quickly and safely.

Each year – even during a pandemic – the California State Legislature introduces over 2,500 legislative bills. CBPA is the only group that reads every one of those with an eye on how the proposed policy will have an impact on retail, industrial, and commercial property owners, managers, and our tenants. Our small staff of five also covers the 10 state agencies that promulgate regulations – from air quality to building codes – that impact your operations and ability to hire and maintain employees.

CBPA helped lead the way in re-writing the state's benchmarking law and worked with the Energy Commission to show how rules on lighting code were increasing costs and actually stopping some upgrades from happening. We got the policy, which was getting in the middle of many lease transactions, changed. These changes to the energy code have cut costs and difficulty several fold while still enabling energy savings.

CBPA has led the five-year effort to make sure the state's mandatory benchmarking law was written re-written in a way that could be complied with at minimal cost and disruption to your business and set an example for other states and major cities to follow.

In 2020, CBPA continued to lead the effort to reform CEQA; craft a workable and affordable building code; and educate state regulators about challenges related to other onerous mandates such as Zero Net Energy.

And we are seeking to protect brokerage firms from proposed legislation that could change the way they do business. In 2020, CBPA helped avert a mandate for all buildings to install electric vehicle charging stations, whether their tenants wanted them or not. Through education and negotiation, we ultimately crafted and passed a policy that underscores property owner rights. In 2021, we expect to work with the state to come up with a plan for EV chargers that increases their numbers while incentivizing their installation and assuring a reasonable payback period.

CBPA has also worked with the state since 2007 to hold off on a commercial real estate solar panel mandate in the building code, biding time until it made sense. We have spent time and effort on several bills that would not only have mandated solar before market forces brought costs down but would have limited the ways in which your company could monetize your own rooftops. In 2021 we are again negotiating with the state and guiding them to a policy that will make sense and produce more rooftop solar in our industry.

Again, these are just the big items – each year we engage on more than 500 bills, most of which would have a negative impact on your business, as well as represent industry issues with state agencies and as part of regulatory processes.

2021, however, will again be critical. With supermajorities in both the Assembly and the Senate, we need your help and engagement now more than ever. Aside from the issues already mentioned, we expect to see a slew of bills that could impact your company's operations on everything from hiring and scheduling, to how you negotiate leases, to the taxes you pay.

As the only association in the State of California dedicated to commercial real estate issues, your membership is making sure that your industry and your company has representatives in the Capitol protecting your interests daily.

Thank you to the following organizations that make this work possible: The International Council of Shopping Centers (ICSC), the California Chapters of the Commercial Real Estate Development Association (NAIOP), the Building Owners and Managers Association of California (BOMA), the Retail Industry Leaders Association (RILA), the Institute of Real Estate Management (IREM), and the Association of Commercial Real Estate – Northern and Southern California (ACRE) the National Association of Real Estate Investment Trusts (Nareit), AIR Commercial Real Estate Association (AIR CRE), and the California Association for Local Economic Development (CALED).

This coalition means CBPA currently represents over 10,000 members, making it the largest consortium of commercial real estate professionals in California.

Again, thank you for “doing your part” and supporting the commercial, industrial, retail real estate industry through your membership in CBPA which makes all these successes possible.

Respectfully,

Rex S. Hime