



## Legislative Alert – SB 1103

California Senate Bill 1103 (“SB 1103”), the Commercial Tenant Protection Act, provides commercial tenant protections for microenterprises (with 5 or less employees), restaurants (with 10 or less employees) and nonprofits (with 20 or less employees), and is aimed at reducing displacement through transparent and fair commercial leasing practices. The law requires: 1) commercial leases negotiated in Spanish, Korean, Chinese, Vietnamese, or Tagalog be provided in writing in those languages; 2) longer written notice for rent increases and termination of tenancies; and 3) supporting documentation and adherence to certain standards for building operating costs charged to commercial tenants.

*The law becomes effective January 1, 2025. The law applies to leases executed or tenancies commenced or renewed on or after January 1, 2025, month to month tenancies, and leases executed or tenancies commenced before January 1, 2025 that do not contain a provision regarding building operating costs.* This legislative alert is intended to provide information about the new law for legal practitioners and other interested stakeholders.

\* \* \*

**Background.** The purpose of SB 1103 is to combat the displacement of small businesses and small nonprofits and increase transparency in commercial leasing. Small businesses and nonprofits provide critical goods and services to communities across the state. The bill’s author and co-sponsors underscored how small businesses and nonprofits are being forced out of business and displaced from their communities at alarming rates as a consequence of increasing rents, unclear and unfair lease terms, and exorbitant fees. For years, the Legislature has worked to pass legislation protecting the rights of residential tenants in the face of skyrocketing rents across the state. SB 1103 extends some of these protections to smaller commercial tenants.

**SB 1103 only applies to “qualified commercial tenants.”** The bill defines qualified commercial tenants as 1) a microenterprise that has 5 or fewer employees and generally lacks

sufficient access to loans, equity, or other financial capital;<sup>1</sup> 2) a restaurant with fewer than 10 employees; and 3) a nonprofit organization with fewer than 20 employees.<sup>2</sup>

**Qualified commercial tenants must notify commercial landlords of their qualified status to be afforded the protections provided by SB 1103.** In order to avail themselves of the protections provided by SB 1103, qualified commercial tenants must have provided the landlord, within the previous 12 months, a written notice that the tenant is a qualified commercial tenant and a self-attestation regarding the number of employees. Unless the tenancy is from week to week, month to month, or other period less than a month, the tenant must provide the notice and self-attestation before or upon execution of the lease, and annually thereafter, at such time the protections come into place.

**SB 1103 requires that written commercial leases be translated into the language in which they were negotiated.** SB 1103 amends Cal. Civil Code Section 1632 to require a written translation of commercial leases negotiated in Spanish, Chinese, Tagalog, Vietnamese, or Korean<sup>3</sup> regardless of whether the tenant negotiates the lease through their own interpreter.<sup>4</sup> Only a qualified commercial tenant has the right to rescind a contract that violates Cal. Civil Code Section 1632.<sup>5</sup>

**SB 1103 requires longer notice of a rent increase and termination of tenancy.** SB 1103 amends Cal. Civil Code Sections 827 and 1946.1 to increase notice periods for rent increases and termination of tenancies.

- Section 827(b)(3)(A) as amended requires landlords to give qualified commercial tenants at least *90 days' notice* before the effective date of a rent increase that is greater than 10 percent of the rental amount charged to that tenant any time during the 12 months before the effective date of the increase. At least *30 days' notice* is required for rent increases that are 10 percent or less of the rental amount charged to the tenant any time during the 12 months before the effective date of the increase.
- Section 1946.1(b) as amended requires landlords to give qualified commercial tenants at least *60 days' notice* prior to the proposed date of termination unless the qualified commercial tenant has occupied the property for less than one year, in which case they are to be given at least *30 days' notice* prior to the proposed date of termination.<sup>6</sup>

**SB 1103 creates standards for charging qualified commercial tenants fees for building operating costs.** SB 1103 adds Section 1950.9 to the Cal. Civil Code. 1950.9(a) states that a

---

<sup>1</sup> Microenterprises as defined by Section 18000 of the Business and Professions Code means a sole proprietorship, partnership, limited liability company, or corporation that meets both of the following requirements: (1) has five or fewer employees, including the owner, who may be part time or full time. (2) generally lacks sufficient access to loans, equity, or other financial capital.

<sup>2</sup> Nonprofit organization means any private, nonprofit organization that qualifies under Section 501(c)(3) of the United States Internal Revenue Code of 1986.

<sup>3</sup> California Civil Code Section 1632(b)(8).

<sup>4</sup> California Civil Code Section 1632(h)(3).

<sup>5</sup> California Civil Code Section 1632(k)(2).

<sup>6</sup> California Civil Code Section 1946.1(c).

landlord *shall not* charge a qualified commercial tenant a fee to recover building operating costs *unless*:

- the costs are allocated proportionately per tenant, by square footage, or another method as substantiated through supporting documentation;
- the costs have been incurred within the previous 18 months, or are reasonably expected to be incurred within the next 12 months based on reasonable estimates;
- the landlord provides the prospective qualified commercial tenant a notice before the lease is executed stating that the tenant may inspect supporting documentation of building operating costs upon written request;
- within 30 days of a written request, the landlord provides the qualified commercial tenant supporting documentation of the previously incurred or reasonably expected building operating costs;
- the costs do not include expenses paid by a tenant directly to a third party; and
- the costs do not include expenses for which a third party, tenant, or insurance reimbursed the landlord.<sup>7</sup>

**SB 1103 requires landlords to provide “supporting documentation” for building operating costs.** A landlord cannot charge a qualified commercial tenant building operating costs until the landlord provides supporting documentation to the tenant.<sup>8</sup>

- *Building operating costs* are defined as costs that are incurred on behalf of a tenant for the operation, maintenance, or repair of the commercial real property, including, but not limited to, maintenance of common areas, utilities that are not separately metered, and taxes or assessments charged to the landlord pursuant to property ownership.<sup>9</sup>
- *Supporting documentation* is defined as a dated and itemized quote, contract, receipt, or invoice from a licensed contractor or a provider of services that includes, but is not limited to, both of the following: (A) a tabulation showing how the costs are allocated among tenants in compliance with 1950.9(a)(1); (B) a signed and dated attestation by the landlord that the documentation and costs are true and correct.<sup>10</sup>

Also of note is that the bill prohibits landlords from altering the method or formula used to allocate building operating costs to the qualified commercial tenant in a way that increases the tenant’s share of these costs unless the qualified commercial tenant is provided written notice of the change with supporting documentation for the basis of the alteration.<sup>11</sup> A landlord’s failure to comply with the building operating cost requirements of the bill may be used by a qualified commercial tenant as an affirmative defense in an unlawful detainer action based on failure to pay building operating costs.<sup>12</sup> Landlords who violate this section shall also be liable to a

---

<sup>7</sup> California Civil Code Section 1950.9(a)(1)-(6).

<sup>8</sup> California Civil Code Section 1950.9(b).

<sup>9</sup> California Civil Code Section 1950.9(h)(1).

<sup>10</sup> California Civil Code Section 1950.9(h)(6).

<sup>11</sup> California Civil Code Section 1950.9(c).

<sup>12</sup> California Civil Code Section 1950.9(d).

qualified commercial tenant in a civil action for actual damages, in the court's discretion, reasonable attorney's fees and costs, and possibly punitive damages.<sup>13</sup>

**For more information about this alert, please contact:**

**Ritu Mahajan at [rmahajan@publiccounsel.org](mailto:rmahajan@publiccounsel.org)**

**Nadia Segura at [nsegura@bettzedek.org](mailto:nsegura@bettzedek.org)**

**Jassmin Poyaoan at [jpoyaoan@lccrsf.org](mailto:jpoyaoan@lccrsf.org)**

---

<sup>13</sup> California Civil Code Section 1950.9(e).