

July 8, 2024

Honorable Lindsey P. Horvath, Chair  
Los Angeles County Board of Supervisors  
500 West Temple Street  
Los Angeles, CA 90012

Re: 07-09-2024 Meeting – Oppose Agenda Item 2 – Commercial Leases

Dear Chair Horvath,

We strongly oppose the motion introduced by Supervisors Holly J. Mitchell and Hilda L. Solis, which aims to implement various restrictions on leases for small businesses and nonprofits in Los Angeles County. While the intent of this motion is commendable, its implementation will cause significant harm to small and minority-owned businesses by inadvertently imposing stricter hurdles when property owners review creditworthiness and viability assessments.

NAIOP SoCal, the leading nonprofit association for owners and investors of office, industrial, retail and mixed-use real estate, has highlighted several concerns that resonate with the challenges faced by small businesses. NAIOP SoCal advocates for a vibrant and inclusive commercial real estate community, including small business owners who are integral to our local economy.

The proposed motion, while having good intentions, introduces measures that could disproportionately impact small and minority business owners. Our concerns with the proposed motion include the following:

- **Fundamental Differences Between Commercial and Residential Leases:** Commercial leases are business-to-business contracts negotiated between sophisticated parties. Imposing residential-style protections on these leases disrupts established business practices and fails to consider the unique dynamics of commercial real estate.
- **Relocation Expenses:** Mandating relocation expenses for landlords when rent increases reach a certain threshold imposes unsustainable financial burdens. Small property owners, already operating on thin margins, may be forced to raise rents preemptively, ultimately reducing available commercial spaces and increasing costs for tenants. Property owners should not be mandated to "foot the bill" for tenants to relocate.
- **Increased Scrutiny on Creditworthiness and Viability:** Small and minority-owned businesses, which often face systemic barriers in accessing credit and financial services, may find it even more challenging to meet these stringent requirements. This could result in fewer opportunities for such businesses to secure and maintain affordable commercial spaces. Property owners will need to carefully assess tenants' ability to pay and the potential for commercial leases to repay tenant improvement costs.
- **Barrier to Entry for New Small and Minority-Owned Businesses:** The implementation of new leasing terms and conditions, including mandatory relocation expenses, the development of a "model lease," and health and safety standards, could create additional entry barriers for new small and minority-owned businesses. These businesses already struggle with higher initial costs and limited access to capital, and the proposed motion could exacerbate these challenges.
- **Development of a Model Lease:** The motion directs the Department of Economic Opportunity to work with County Counsel and various organizations to develop a "model lease" with fair terms for small commercial tenants. While the intent is to standardize lease terms, a one-size-fits-all "model lease" will not account for the unique circumstances and needs of individual landlords and tenants. Further, such lack of flexibility can deter landlords from entering into leases with small businesses, thus reducing the availability of commercial spaces and harming the very businesses the motion aims to protect.

It is crucial for the Board of Supervisors to carefully consider the broader implications of this motion on all small businesses, particularly those owned by minorities. Instead of imposing additional regulatory burdens, the County should focus on providing targeted support to small and minority-owned businesses through grants, low-interest loans and technical assistance programs.

I urge you and the Board to oppose the proposed motion and work towards developing solutions that genuinely support and uplift small and minority-owned businesses without imposing undue hardships. Collaborative efforts with organizations like NAIOP SoCal and other stakeholders, including on the County's proposed economic analysis of commercial rents, can help create policies that promote equitable growth and development for all businesses in Los Angeles County.

Thank you for your attention to this important matter. I look forward to the Board's thoughtful reconsideration of this motion and the development of more inclusive and supportive policies for our diverse business community. If you have any questions, please contact Jose Cornejo at [jose@cornejost.com](mailto:jose@cornejost.com) or 818.486.3322.

Sincerely,



Timothy Jemal  
CEO  
NAIOP SoCal