Commercial Tenant-Landlord Transparency Legislation

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Purpose of Today's Discussion

Review proposed legislation to establish transparency requirements on commercial tenancies

Tiered Investments for Community Wealth Building

Common Commercial Tenant-Landlord Issues

1. No copy of the signed lease
2. Misunderstanding the allowed use of the space
3. Discovering faulty conditions or inadequate utilities only after signing a lease; and
4. Substantial increases to triple net expenses with short notice or lack of transparency around how costs are incurred and passed onto the tenant

Community and Stakeholder Considerations

- Legislation directly informed by supporting and reviewing leases from hundreds of small businesses
- Coordinated closely with landlords, industry organizations, Business Improvement Areas, and other key stakeholders
- OED will continue to work with stakeholders to finalize implementation details

Summary of Legislation

Amends SMC 6.104 to require transparency and disclosure:

1. A copy of the lease at signing and an additional copy once during the term of the lease;
2. The most recent certificate of occupancy attached to the lease;
3. Disclosure of the existing conditions of the space;
4. Disclosure of past and estimate of future triple net expenses; and
5. Opportunity for the tenant charged triple net expenses to access documentation of triple net costs incurred to the landlord.

Implementation Considerations

- Effective date of July 1, 2027
- Private right of action to pursue equitable relief for violations
- OED to develop rules, education, and outreach materials
- Coordinating with FAS and SDCI to ensure programs are aligned

Impact of this legislation - Help get the right businesses in the right space

Better outcomes for tenants, landlords, and property managers:

- Support fewer and shorter vacancies
- Avoid unexpected extensive renovations or permit processes
- Transparency for triple net expenses

Questions?