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Reducing, Suspending, or Terminating Rent Amidst COVID-19

Currently, many companies are trying to determine how to deal with their leases. As many commercial tenants have experienced, the current economy is highly volatile and uncertain. COVID-19 has reduced income streams for most businesses and caused financial strain throughout our economy, which impacts commercial tenants everywhere.

The patchwork of current statutes and orders designed to protect businesses creates a fair amount of uncertainty. To combat the effects of COVID-19, California and many other states, cities, and counties throughout the US have enacted various moratoria which prohibit commercial landlords from evicting their tenants for non-payment of rent, and which give tenants the right to pause their rent payments and repay them at a later date when they are more financially capable.

There may be eviction protections available to your business. Depending on your area, the moratorium in effect may:

- Prohibit your Landlord from evicting you for non-payment of rent you until May 31, 2020 or even later;
- Prohibit your Landlord from evicting you for reasons other than the non-payment of rent such as on the basis of a “No-Fault” eviction;
- Prohibit your Landlord from charging you late fees and interest;
- Give you a period of time to repay your back-owed rent (in the City of Los Angeles, for instance, commercial tenants will have 3 months after the expiration of the local emergency to repay their back-owed rents);
- Create certain other important rights for you or your business.

Businesses may be able to reduce or eliminate paying rent during this crisis.

These moratoria are not the only protections available to your business. Other legal doctrines may also provide grounds to reduce your rent payment, suspend, or even terminate your performance under your lease. And for those businesses deemed “non-essential,” the options available are even greater.

To learn more about whether you have the ability to reduce, suspend, or terminate your rent payments, and how to best protect your business in these times, feel free to reach out to the attorneys in Raines Feldman's Real Estate and Trials and Litigation Departments:

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