



March 21, 2024

The Honorable Jesse Gabriel
California State Assembly
1021 O Street, Suite 8230
Sacramento, CA 95814

Re: Assembly Bill 2550 –The Small Business Support Act - Support

Dear Assemblymember Gabriel,

On behalf of the Council of Infill Builders, we write in support of Assembly Bill 2550, The Small Business Support Act. This measure supports small businesses by updating outdated regulations that prevent small businesses from opening and succeeding. This bill will help by alleviating unnecessary regulatory burdens that contribute to “dead rent” periods.

The Infill Builders is an organization of real estate professionals committed to improving California through infill development. Infill development revitalizes neighborhoods and communities, provides transportation choices, creates viable close-knit mixed-use areas, reduces greenhouse gas emissions and improves the overall economy.

Local businesses face immense economic pressure from the lingering economic impacts of the COVID-19 pandemic and inflation. California’s brick-and-mortar businesses continue to face challenges that threaten their survival and success. Profit margins in food service—one of the state’s largest employers—have fallen to the lowest levels in decades , jeopardizing the future of countless women- and minority-owned business enterprises and the community gathering places that lend so much vitality and safety to our neighborhood streets.

Over 75% of small businesses nationally report that rising interest rates has made it more difficult for them to raise capital or financing to support their business. This poses barriers to entry for both new brick-and-mortar small businesses and existing small-businesses, particularly restaurants, seeking to open, expand, or update their operation.

Certain outdated building codes and regulations in state and local law create significant barriers for small businesses. So-called “zombie” building requirements impose higher costs on an already struggling sector and create a lower level of capital investment in our older building stock. Many rules have had the effect of preventing the renovation of older buildings or, when renovations proceed, imposing requirements that work against business survival, social progress, and sustainability objectives.

“Dead rent” references the period when new businesses have to pay rent as they’re getting a space ready, or when an existing small business is being remodeled. It is a big concern for many small businesses because it can cost businesses between \$1,000 and \$2,000 a day as they address

regulatory obstacles that delay the period between when they start paying rent and when they can open their doors.

In some case studies, outdated regulatory code can be vague and misleading, which makes it difficult for small businesses to interpret when they are preparing to open or make changes. Additionally, these changes can add exorbitant extra costs for small businesses with small footprints and low profit margins. Without significant capital resources, they typically struggle to survive, jeopardizing the enterprise and the critical jobs that they create.

This bill will provide relief to California's small businesses by implementing various solutions to help reduce the burden of "dead rent." It will reduce unnecessary regulatory burdens by updating regulations that have yet to account for changes in technology, or that are unclear and do not increase worker or customer safety. Including allowing small neighborhood restaurants to operate without a drinking fountain. Drinking fountain requirements are not only redundant for restaurants that are designed for food and beverage service, but can also cost \$10,000, which can often be as high as 10% of a small business's opening cost. Allowing a small business to operate without the requirement for separate gender restrooms and instead allowing gender-neutral restrooms. Separate-gender restroom policies are outdated and expensive, given that a new restroom can amount to \$25,000 - a price many small businesses cannot afford. And providing clarity to small businesses when conducting outdoor community events utilizing food preparation, food storage and ware washing areas by providing clarification on what overhead protective measures are needed.

Thank you for your leadership on these critical issues and for all these reasons, we support this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Mott Smith", written in a cursive style.

Mott Smith
Chairman