442
Sept. 28, 1957

Commonwealth of Puerto Rico
ECONOMIC STABILIZATION ADMINISTRATION
P. O. Box 4183
San Juan, Puerto Rico

RENT REGULATION FOR BUSINESS PREMISES

Section 1.- Authority.- Definition

a. Authority.- Act No. 464, of April 25, 1946, Section 5, paragraph (d).

b. Definitions.- Unless the context otherwise requires, when used in this regulation, the term:

(1) "Act" means Act No. 464, of April 25, 1946, known by the short title of "Reasonable Rents Act".

(2) "Administrator" means the Price Administrator of Puerto Rico.

(3) "Administration" means the Office of Price Administration of Puerto Rico.

(4) "Landlord" includes an owner, lessor, sublessor, administrator, or natural or artificial person, manager and attorney for the purposes of administration of one or more rental properties receiving or entitled to receive rent for the use or occupancy of any rental property.

(5) "Tenant" includes a lessee, sublessee, or other person entitled to the possession or to the use or occupancy of any rental unit.

(6) "Rental property" includes house, room, apartment, group of houses and/or any portion thereof, used for dwelling purposes; land in which one or more dwellings belonging to owners other than that of

the land are located; structure and building or portion thereof used for commercial, industrial, or business purposes, as well as land where structures used for such purposes are located, as long as the land belongs to an owner other than that of the structures.

(7) "Rent" means the consideration demanded or received by any landlord for or in connection with the use or occupancy of a rental unit.

(8) "Contract" and "Lease" include all lease contracts and all verbal or written agreements through which the owner allows the tenant to use a rental property or any part thereof, through the payment of a rent.

(9) "Dwelling" means any building, structure, or part thereof, or land appurtenant thereto, rented or offered for rent for living or dwelling purposes, together with all services connected with the use or occupancy of such property.

(10) "Business premise" means any building, structure, or part thereof rented for commercial, business or industrial purposes, including clinics, private hospitals, consultation rooms, hotels and boarding houses, as well as land where structures used for such purposes are located, and which belong to an owner other than that of the land.

All units used as hotels or boarding houses by any person who is not the owner of the building, shall be considered "business premises" provided

they are not subject to the regulations of the U. S. Office of Price Administration, Rent Division, or the federal agency which takes over the work performed by the former; provided that if the unit is under federal rent jurisdiction, same shall be considered as a "business premise" as soon as federal jurisdiction ceases.

(11) "Services" include repairs, decorating and maintenance, the furnishing of light, heat, hot and cold water, telephone, elevator service, storage, kitchen, bath, and laundry facilities and privileges, maid service, linen service, janitor service, the removal or refuse and any other privilege or facility connected with the use or occupancy of housing accommodations.

Section 2.- Scope of this Regulation

a. This Regulation applies only to business premises as defined in Section 1 b(10). When a rental property or part thereof is rented on the basis of combined dwelling and business use, the application of this Regulation will be determined as follows:

(1) Separability.- If the business and dwelling portions are separable, only the business portion is subject to the Regulation. The business and dwelling portions are separable in either of the following cases:

a. When they are in separate structures.

b. When they are on the same structure, but there are separate means of access, and the dwelling

portion is usable as a dwelling without the need for access to the business portion, and the use of the business portion does not require access to the dwelling portion.

(2) Predominant use.- If the business and dwelling portions are not separable according to the tests set out above, the two portions are to be treated as a single unit, and the regulation will apply if the commercial use predominates over the dwelling use.

The predominant use is determined on the following basis:

(a) Space.- If a predominant part of the space is used for business purposes, the property is subject to the Regulation.

(b) Rental value.- In the absence of the "space" factor, the regulation applies if the rental value of the business portion exceeds the rental value of the dwelling portion.

b. The provisions of this Regulation shall not apply to the following:

(1) Dwelling units

(2) Land in which dwellings belonging to other persons are located.

(3) Properties belonging to the P. R. Housing Authority, Municipal Housing Authority, Land Authority, the Model Housing Board, the Federal Housing Administration, and the agencies or

instrumentalities of the U. S. Government, the Government of Puerto Rico, the Government of the Capital, or the municipal government of Puerto Rico.

(4) Hotels and boarding houses in relation to the person who operates such business and the boarders of transient guests.

(5) Structures or part thereof, or lands which are subject to the Rent Regulation for Housing or the Rent Regulation for Hotels and Rooming Houses issued by the Rent Division of the Office of Price Administration of the United States of America.

(6) Business premises whose construction started on or after January 1, 1946 and terminated within a period of one year counting from said date, as regards the amount of the rental to be charged, unless the Administrator, for justified reason, should extend said term for an additional period which shall, in no case, exceed one year. These premises shall be subject to the other provisions of this Regulation.

(7) Professional offices

Section 3.- Prohibition against higher than maximum rents or reduction in services. On or after the effective date of this regulation:

a. Regardless of any contract, agreement, lease, or other obligation heretofore or hereafter entered into, no

person shall demand or receive any rent for or in connection with the use or occupancy of any property higher than the maximum rents provided by this regulation or the rent fixed by the Administrator. Lower rents than those provided by this regulation or those fixed by the Administrator may be demanded or received.

b. Every landlord shall, as a minimum, provide with the business premise the same essential services as those provided on the date determining the maximum rent and as to other non-essential services, not substantially less than those provided on such date. If the landlord, on the date determining the maximum rent, had been receiving separately any amounts representing the cost of those services, he may continue effecting the collection of these amounts, provided that in no case these shall exceed the cost of the services to the landlord.

c. Any person who obtains possession of a leased property in subject to the provisions of this regulation and may not claim rights other than those established in favor of the original owner.

Section 4.- On or after the effective date of this regulation and unless changed by the Administrator, as established under Section 5, the maximum rent of a business premise shall be:

a. Rented on July 17, 1946: the prevailing rent on July 17, 1946, provided that it does not exceed 50% of:

(1) the prevailing rent on Oct. 1, 1942 if the business premise was rented on that date; or

(2) the first rent after Oct. 1, 1942, if the premise:

(a) was not rented on Oct. 1, 1942 and was rented after that date; or

(b) was constructed and rented after that date; or

(c) was subject, after that date, to a changed or division resulting in an increase or decrease in number of units within the building; or

(d) was changed from unfurnished to furnished after that date, in which case an increase of 20% over the last rent fixed before the change will be granted; or

(e) was changed from furnished to unfurnished after that date; or

(f) after Oct. 1, 1942 was subject to major capital improvements other than mere replacements or ordinary repairs.

b. Rented after July 17, 1946: the first rent fixed to the premise if it is rented for the first time after July 17, 1946; but, if it was not rented on July 17/46 but was rented prior to that date under any of the circumstances mentioned on Section 4 a(1) and (2), the maximum rent shall not exceed 50% of the applicable

rent under any of the circumstances mentioned hereinbefore.

c. The maximum rents fixed under the preceding paragraph a shall be retroactive to July 17, 1946. In case that the maximum rent so fixed is less than that fixed provisionally under Administrative Order No. 1 of July 16, 1946, the landlord should reimburse the tenant any excess between the fixed rent and the rent charged, retroactive to July 17, 1946. The reimbursement should be made within 30 days after the effective date of this Regulation, and may be effected in cash, or if the tenant remains in occupancy, it may be credited against future rents.

Any tenant who considers that the maximum rent fixed under Section 4a is still excessive or unreasonable may, within 30 days after the effective date of this Regulation, file a complaint requesting reduction in the maximum rent. The reduction which might be effected as a result of such complaint, shall have retroactive effect to July 17, 1946. The reductions effected as a result of complaints filed after the period of 30 days, will be prospective, in accordance with the provisions of Section 5.

d. In cases covered under Section 4b in which a business premise has been rented between July 17, 1946 and the effective date of this regulation, the maximum rent fixed by that section will be retroactive to the date of the first rent. All provisions of Section 4c

will apply to those cases, with the exception of the effective date of the maximum rent, as hereinbefore indicated.

e. In cases covered under Section 4b in which the date of first renting is subsequent to the effective date of this regulation, the landlord shall be obliged to register the business premise within 30 days after the date of first renting, in the forms described in Section 7. If within the specified time the landlord files the registration statement and subsequently the Administrator fixes a maximum rent lower than that collected by the landlord, the reduction will be prospective. If the registration statement is filed after the 30-day period has elapsed, any reduction in the rent shall be retroactive to the date of first renting. The refund shall be effected within 30 days after the date of the order issued by the Administrator fixing the maximum rent. If the landlord can prove that the late registration was due to justified reasons, the order fixing the maximum rent may be issued relieving him from effecting the refund. The above disposition, as well as any refund which might be effected, in no way affects the civil or criminal responsibility in which the landlord might have incurred for reason of the late registration as provided by Section 7.

f. Any maximum rent is subject to revision by the Administrator on the grounds stated in Section 5.

g. In those cases covered by Section 4a (2) (c) to 4a (2) (f), in which the rent was fixed by a lease agreement in effect at the time of the change or improvement, the maximum rent shall be the rent prevailing on July 17, 1946, but it shall not exceed 50% of the first rent fixed after the expiration of the contract.

h. The maximum rent of a lot wherein a business premise belonging to an owner other than that of the lot is located, shall be the prevailing rent on July 17, 1946, but same shall not exceed 12% per annum of the assessed value of the lot for the purposes of property taxes.

i. The above rulings are applicable to subleases, provided that the sublessor shall not received for sublease a rent higher than that which proportionately corresponds to the part of the property subleased.

Section 5.- Adjustments and other Determinations

In cases covered by this section, the Administrator may issue orders adjusting the maximum rents as well as the minimum services required. In such cases, the order issued by the Administration will be prospective and will be applicable to the rent period commencing after the date of the adjusting order. Not included in this ruling are cases covered by Section 4c and 4d and cases in which the Administrator issues an interim order increasing the maximum rent and the final order fixes a lower maximum rent. In this case, the final order will order reimbursement to the tenant of any excess collected by landlord, retroactive to the date of the interim order.

In determining the maximum rent of a business premise, the commercial value of same will be taken into consideration.

In cases of a major capital improvement, increase or decrease in the number of tenants or other occupants, or deterioration of the structure, the adjustment made by the Admisistration shall be for the amount that reasonably represents such change on the date determining the maximum rent.

Notwithstanding the above, no adjustment will be granted if such major capital improvement, increase, decrease, or deterioration had been taken into consideration by the contracting parties when the rent was fixed at that time.

In cases of a lot wherein a business premise belonging to an owner other than that of the lot is located, the maximum rent shall not exceed 12% per annum of the assessed value of the lot.

a. Ground for increase in maximum rent. Any landlord may file a petition for adjustment to increase the maximum rent only on the grounds that:

(1) Major capital improvement.- The business premise was subject to a capital improvement other than a mere maintenance or ordinary repair, and the rent does not consider such improvement. A capital improvement falls into one of three categories: (a) a structural addition, (b) a structural betterment, and (c) a complete rehabilitation.

(2) Substantial increase in services or furniture.- There has been a substantial increase in the services or furniture provided with the unit

since the date or order determining its maximum rent. No increase in the maximum rent shall be ordered on the ground set forth in this paragraph a(2) unless the increase in services or furniture occurred with the consent of the tenant; provided that an adjustment may be ordered, although the tenant refuses to consent to the increase in services or furniture, if the Administrator finds that such increase is reasonably required for the operation of a multiple structure or other structure of which the unit is a part, or is necessary for the preservation or maintenance of the building. When a change from unfurnished to furnished occurs, the increase in rent by reason of such change shall not exceed 20% of the rent before the change.

(3) Special relationship between landlord and tenant.- The rent on the date determining the maximum rent was materially affected by the blood, personal or other special relationship between the landlord and the tenant and as a result was substantially lower than the rent generally prevailing for comparable units on the rent date.

(4) Peculiar circumstances; unreasonable or oppressive rent.- The maximum rent by reason of a substantial increase in the number of subtenants or other occupants or by reason of peculiar circumstances other than those expressly accepted in this

section, appears unreasonable and oppresive and bears no relation with prevailing rents of similar units on the date determining the maximum rent.

(5) Increase in taxes.- On the date determining the maximum rent, the structure was tax exempt and the benefit of such an exemption was enjoyed by the tenant, thus resulting in a lower rent than that generally prevailing for similar units, and the tax exemption no longer exists; or special or additional taxes have been imposed lately, which account for an increase in the maximum rent.

(6) Commercial Zone; Cost of Construction.- The importance of the zone wherein the unit is located or the cost of construction of this unit, if it was built after Oct. 1, 1942, account for an increase in the maximum rent. The increase so granted shall not exceed 50% of the prevailing rent on Oct. 1, 1942, or the rent which might be fixed by comparability.

(7) Option to Buy.- The tenant has an option to buy prior to the date determining the maximum rent and stipulation has been made to the effect that the rent will be credited at the selling price, this payment being higher than the maximum rent. Upon tenant's request, the Administrator may authorize a higher rent, provided that due evidence of the agreement is furnished.

b. Reduction in Minimum Services and Furniture

(1) Reduction prior to the effective date of the regulation. If on the effective date of this regulation, the minimum services of furniture are less than those required under Section 3b, the landlord must restore same within 10 days, or must file within the same period a report with complete details of the reduction effected. If such a report were not filed and a reduction of the maximum rent were effected in accordance with the provisions of Section 5c (3), the reduction order will be retroactive to the effective date of this regulation. The refund will be governed by the provisions of Section 5b (3) (b).

(2) Reduction after the effective date.

(a) The landlord is bound, until such time as the tenant has vacated the property, to maintain the same minimum services and furniture, and unless agreed to the contrary, to effect in the property all necessary repairs during the period of the lease, in order to maintain it in a condition suitable for the use to which it has been devoted. If the landlord fails to make the necessary repairs or fails to maintain all the services in operation, after having been requested to do so by a health officer or by the tenant through a written notice, the Administrator shall summon the landlord and the tenant to

a hearing in order to determine the need for the repairs, or the reduction effected, and either of those having been verified, he shall fix the reasonable amount thereof and shall order the landlord to correct the reduction or carry out the repairs, as the case may be, provided that if the landlord should not comply with this order, the Administrator shall authorize the tenant to correct the reduction or effect the repairs and to deduct the amount thereof in the best possible manner. No deduction shall be authorized until such time as the tenant has submitted evidence of the amount spent by him. The above does not apply to repairs which may become necessary because of malicious damages caused by the tenant. In case that it is impossible to effect the necessary corrections, the Administrator shall fix a new rent, in accordance with the provisions of Section 5c (3).

(b) Any landlord may request the Administrator that he be relieved of supplying a determined service, including furniture, but until such time as his petition is approved, no reduction shall be effected in the services by the landlord.

(c) If it is not possible for the landlord to continue supplying a determined service, and

he should be forced to reduce or eliminate it, he shall submit within five days from the date of the reduction or elimination, a petition to be relieved of the obligation of supplying the service.

(d) When the tenant has vacated the property, the landlord may reduce any minimum service, but shall file immediately after renting a written report describing the reduction effected.

(3) Adjustments by reason of reduction in services.

(a) The order fixing the maximum rent as a result of the petition or report made under the provisions of Section 5b, except as provided under Section 5b (2) (a), shall provide for a reduction of the maximum rent according to the provisions of Section 5c (3).

(b) If the landlord does not file within the specified term the petition or the report mentioned in Sections 5b (1) or 5b (2) (c) or (d), or without having been previously authorized to do so effects a reduction or an elimination of services, aside from the provisions of Section 5b (2) (a), the landlord shall be compelled to refund the tenant any amount as determined by the Administrator, that represents the value of the reduction effected, this refund retroactive to the date

of the reduction in services. Such amount shall be refunded within 30 days after the date of the order issued by the Administrator. If the Administrator finds that the landlord did not file his petition or report on time due to justified reasons, the Administrator may relieve the landlord of the obligation to refund. Neither the above dispositions nor the refunds effected by virtue of the reduction, will affect the civil or criminal responsibility in which the landlord may have incurred for failing to the fulfillment of the provisions of Section 5b.

c. Grounds for reduction in rent.- The Administrator, on his own initiative, or at the request of the tenant, may, at any time, order the reduction of a maximum rent, only on the following grounds:

(1) Rent higher than prevailing rents. The maximum rent under Section 4 is unreasonable, excessive or oppressive.

(2) Substantial deterioration. Since the date determining the maximum rent, the property has suffered substantial deterioration other than ordinary wear and tear.

(3) Reduction in Services or Furniture. Since the date determining the maximum rent, there has been a decrease in the furniture or in the minimum services required by Section 3b.

(4) Special relationship between landlord and tenant, or peculiar circumstances. The rent on the date determining the maximum rent was materially affected by the blood, personal, or other special relationship between the landlord and the tenant, or by peculiar circumstances, and as a result was substantially higher than the prevailing rent on Oct. 1, 1942.

(5) Reduction in the number of occupants. There has been a substantial reduction in the number of subtenants or occupants. This applies only when the maximum rent has been fixed under Section 5a (4).

(6) Reduction in case of option to buy. When, on the date determining the maximum rent there was in effect an option to buy, as a result of which the rent paid at that time was higher than the prevailing rents for comparable properties and the tenant did not make use of said option, the Administrator, upon request from the tenant, may fix the maximum rent on the basis of prevailing rents on Oct. 1, 1942 for similar properties.

d. Orders where facts are in dispute, in doubt, or unknown. If the maximum rent or any other fact necessary to the determination of the maximum rent is in dispute between the landlord and the tenant, or is in doubt, or is unknown, on petition of the landlord filed within 30 days after the effective date of the regulation, or at any

time at the initiative of the Administrator, the Administrator shall determine the maximum rent upon the facts disclosed.

c. **Interim Orders.** Where a petition is filed by a landlord on one of the grounds set out in paragraphs "a" or "d" of this section, or a proceeding is initiated by the Administrator under paragraph "d", the Administrator may enter an interim order fixing a maximum rent higher than the one prevailing at that moment. Said increase shall be received by the landlord in the understanding that if the rent fixed by the final order is lower than that of the interim order, the landlord shall reimburse the tenant the excess that may result. The refund may be made either by payment in cash, or where the tenant remains in occupancy after the effective date of the final order, by credit against future rents, or in both ways as determined by the Administrator.

Section 6.- Any landlord who demands, requires, requests, receives or accepts from the tenant the giving of a cash bond, or the constitution of a deposit of money to guarantee the payment of the stipulated rent, or who obtains payment thereof in advance, shall credit the tenant monthly with interest at the rate of three per cent per annum on the amount of said bond, deposit, or advance payment, when it exceeds the rent for two months; the landlord shall pay the same since the effective date of the Law, i.e., July 17, 1946, or since the date of the giving of the

security deposit, if after July 17, 1946. When paying the rent, the tenant may deduct the earned interest.

Section 7.-

a. Within 30 days from the effective date of this regulation, or within 30 days from the date of first renting of a property, if rented after the effective date of the regulation, every landlord shall file the form known as "Registration form". The original shall remain on file with the Administrator and one copy is to be delivered to the landlord and another to the tenant, both duly stamped to show that they are true copies of the original. When the maximum rent is changed by order of the Administrator, the landlord shall deliver to him his copy of the registration form to enter the corresponding changes.

b. In any subsequent change of tenancy, the landlord shall exhibit to the new tenant his stamped copy of the registration form, and shall obtain the tenant's signature and the date thereof, on the back of such form. Within five days after renting to a new tenant, the landlord shall file a notice on the form known as "Change in Tenancy".

c. Where after the effective date of the regulation, there has been a change in the identity of the landlord by transfer of title or otherwise, the present landlord shall, within 5 days after the change of identity, file a notice of such change in the form known as "Change in Identity of Landlord". If the new landlord

indicates on the notice of change in identity that he has not obtained the landlord's copy of the original registration form, the Administrator shall prepare and deliver to him a true copy of said original, which may be used to satisfy all requirements of Section 7b.

Section 8.- The Administrator, through the agents he may designate to the effect, may, from time to time, perform the necessary inspection to any property covered by the regulation, and both landlords and tenants shall permit such inspection.

Section 9.-

a. The requirements provided in this Regulation shall not be evaded, either direct or indirectly. No landlord shall require a tenant or prospective tenant to purchase or agree to purchase furniture or any other property as a condition to rent a property. No landlord shall require a commission or an amount in excess of the maximum rent.

b. All refunds ordered by the Administrator shall be made within 30 days after the date of the order and may be effected in cash, or if the tenant remains in occupancy, by credit against future rents, or both. If the refund is not made within the term specified above, the tenant may, in accordance with the provisions of Section 8 of the Law, file a civil action against the landlord for damages, either for fifty dollars or three times of the excess collected by the landlord, whichever is the greater, plus the costs and legal fees incurred in the proceedings. The claim may only be made within one year from the date of the payment of the rent; provided

that such claims will be limited to rents earned and paid after the effective date of this Law.

Section 10.- This regulation shall take effect on Nov. 1, 1946. The registration period established in Section 7a will start on Nov. 1, 1946.

(Signed) Rodolfo F. Aponte
Administrator

It is a translation of its original in Spanish.