



Most commercial leases will be customized to a landlord's needs, as a tenant it is a good idea to assess whether that lease also works for your business' needs and negotiate for clarifications or modifications.

THINGS TO CONSIDER:

- What is the **real cost of renting** in a given space? Be sure to factor in Triple Net, Tenant Improvements, and clauses for rent increases.
- Are there alternatives to up front hefty **security deposits**? What are the conditions for the security deposit return?
- Who will pay for needed **tenant improvements** (called "build-outs" when a new space is being finished to your specifications)? Who will then own those improvements? *Note: If a tenant pays for retrofitting a space as a restaurant, things like hoods and grease traps will likely stay with the building after the tenant leaves and become property of the property owner.*
- Know ahead of time any **code compliance** issues that will need to be resolved (and who will be responsible for resolving them) and factor those costs into your start-up calculations.
- Know what maintenance costs are included in **Triple Net**, how the cost per tenant is calculated, and when those charges will come through (monthly, annually, etc.) *Note: As a tenant, you have a right to see line items for all charges.*
- It is good to be prepared for anything – **the good, the bad, and the unexpected** – and to build flexibility into your lease so you can expand, renew, and even leave early if need be.
- Know exactly what space you are renting (including common areas such as hallways, rest rooms, and elevators) and how the landlord measures the space. *Note: some measurement practices include the thickness of the walls.*
- Know who will maintain and repair premises, including heating and air conditioning systems (HVAC).
- How will disputes be resolved? Can mediation or arbitration be used as an alternative to court?
- Can the lease be assigned or subleased to another tenant?
- Parking, when available, is it included in the rent or charged as an additional fee?



Commercial leases typically extend over many years, and they are not easily broken or changed, so it is a smart idea to take careful consideration before signing a lease to make sure you understand all of the terms and to ensure that those terms work for you.

CRITICAL LEASE TERMS:

- **Lease term** – the length of the lease, when it begins, and whether there are renewal options
- **Rent** – the cost per month including allowable increase and how they will be computed
- **Gross Lease** – rent includes insurance, property tax, and maintenance costs
- **Net Lease** – tenant will be charged separately for insurance, property tax, and maintenance
- **Triple Net Lease** – a lease in which 100% of all taxes, insurance, and maintenance associated with the property is paid by the tenant
- **Tenant Improvements** – customized alterations to a rental space in order to configure the space for the needs of a particular tenant. These can be paid for by the property owner or tenant.
- **Sign Specifications** – size and location of allowed signage. Note: landlords may have a master sign permit for their building, which may restrict what a tenant can do with their commercial sign
- **Exclusive Use Clause** – a tenant with this clause will be the only party in that build to conduct that type of business. If you are a shoe store, for example, an exclusive use clause would prevent any other shoe stores from leasing in your same building.
- **Lease Termination** – if your lease can be terminated know what the notice requirements are and if there are any penalties for leaving early

HAVE QUESTIONS? NEED ADDITIONAL INFORMATION?
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