



Los Angeles Regional SBDC Network
www.smallbizla.org
1-866-588-SBDC

Business Lease Checklist

(Before you sign the lease agreement)

HVAC and PARKING

- Is there sufficient electrical power?
- Are there enough electrical outlets?
- Are there enough parking spaces for customers and employees?
- Is there sufficient lighting, heating and air-conditioning?

ZONING AND PERMITS

- Will your city's building and zoning departments allow your business to operate in the facility?
- Will the health department approve your business at this location?
- Will the fire department approve the operation of your business at this location?
- Include a clause that holds the landlord responsible if the facility is not up to code.

SIGNAGE

- Do you know how large a sign and what type you can erect at your facility?
- Have you retained the right to obtain your own bids for signage?
- If applicable, make sure there is no extra charge to have your business included on the mall/lobby directory.

WHO PAYS

- Do you pay the taxes?
- Do you pay the insurance?
- Do you pay the maintenance fees?
- Do you pay the utilities?
- Do you pay the sewer fees?
- Must you pay for returning the building to its original condition when you move?

COMPETITIVE ISSUES

- Does the lease prohibit any competitors from setting up shop near you in the same center?

LEASE DOCUMENTATION

- Have you included a written description of the real property?
- Have you attached drawings of the property to the lease document?
- Do you have written guidelines for renewal terms?
- Do you know your date of possession?
- Have you asked your landlord for a cap of 5 percent on your rent increases?
- Have you listed the owner's responsibility for improvements?
- Have you included penalty clauses in case the project is late and you're denied occupancy?
- Can you escape if the center is never more than 70 percent leased?
- Do you know when your lease payment begins?

RELOCATION EXPENSES

- Most leases give the landlord the right to move you to another location during the lease term. Make sure the lease states that the landlord pays these and they include:
 - The installation of phones and computers, etc.
 - The replacement of all your printed materials such as business cards, brochures, invoices, and advertising materials.
- Make sure that you will not have to pay more rent in your new location.

RELOCATION EXPENSES CONT'D

- ❑ Determine the amount of time necessary to notify the landlord as to whether you will accept the move.
- ❑ Bargain for the right to refuse any relocation in the last year of the lease.

SUBLEASING

- ❑ Include a provision in your sublease that allows you to terminate the sublease at anytime by giving reasonable notice.
- ❑ If you are the sub lessee:
 - Understand the terms the tenant is under.
 - Try to bargain as much as possible to mitigate your risk.
- ❑ If you are the tenant:
 - Do you have to get the landlord's approval before subleasing?
 - Always ask if there are fees associated with subleasing and negotiate these to a minimum.

MISCELLANEOUS

- ❑ Is there any indication of roof leaks?
- ❑ Is the cost of burglary insurance high in the area?
- ❑ Can you secure the building at a low cost against the threat of burglary?
- ❑ Have you bargained for one to three months' free rent?
- ❑ Has a real estate attorney reviewed your contract?

SECURITY DEPOSIT

- ❑ Try to have initial deposit reduced during the term of the lease.
- ❑ If you lack initial cash for a deposit, talk to your broker about having a letter of credit issued to cover the security deposit.
- ❑ Stipulate that the landlord must return the full security deposit, minus the cost to repair any damage other than normal 'wear and tear.'
- ❑ Make sure the lease addresses whether your security deposit will be collecting interest and who will get to keep the interest.

WATCH OUT FORs

- ❑ Operating expenses that include phrase "without limitations".
- ❑ Never make any important decisions on what the landlord promises – if it's not in the lease, it's not yours.
- ❑ Never sign the lease with the idea that the landlord will make changes or corrections later.
- ❑ Make sure you keep an original copy of the lease.
- ❑ If you and the landlord negotiate something that is not on the lease, have him/her draft another lease contract or have the landlord write down the change to be made and initial it.
- ❑ Aside from base rent, the landlord might also include additional rent or excess use – negotiate! Pay extra attention to every word and have the landlord define, in great detail, additional rent.
- ❑ Option to Renew (very important) – without this option, you could be forced to move or pay higher rent to remain in your current location.
- ❑ Keep an eye out for "administrative fees" for any tenant improvements negotiated. Negotiate these fees down or eliminate them altogether.