



Leasing Commercial Space

Things to look for in a lease:

1. Lease Terms

It is recommended that child care programs negotiate at least a 2-5 year term lease, with the option to renew. This will allow for the clientele to become acquainted with your business. You will want to plan for rent increases over the term and renewal options, this way there will not be any financial surprises upon contract renewal (Remember to budget lease increases into your yearly tuition increases).

- Lease – state when it begins, renewal options, and options to expand
- Rent, including allowable increases – and how it is calculated
- Types of Leases
 - Gross Lease - the rent includes insurance, property taxes, and maintenance costs
 - Net Lease - charged for insurance, property taxes, and maintenance costs separately
 - Occupancy Lease – if rent includes insurance, property taxes, maintenance costs, and utilities
 - Renters Agreement – if it includes the rental amount and is not inclusive of all other costs needing to be paid by the lease holder
- Security deposit – agreed amount and the conditions for payment and return
- Space for rent – all physical spaces included in rent
- Termination of contract –notice requirements and penalties for early termination
- Disputes – how they are resolved
- Hours of operation – discuss any restrictions on business hours or days you can operate

2. Build to Suit

Any renovations need to be discussed and written into the lease agreement prior to signing. Research the requirements of The Americans with Disabilities Act (ADA).

3. Maintenance & Utility fees

Define who is responsible for maintenance and utility fees.

4. Insurance Coverage

Insurance to consider:

- Liability insurance – to protect your assets and pay for damages
- Business property insurance- coverage for the cost of all property (furniture, appliances, toys, etc.) used in your business in case of fire, theft, damage etc.
- Business interruption insurance - if your business is unexpectedly interrupted (natural disaster)

5. Clarify the designated parking spaces, signage, drop off-pick-up locations, and security system

6. Potential add-on clauses to your lease

- Sublease - Allows you to sublet your space to another business
- Exclusivity– Prevents the landlord from leasing spaces on the property to a direct competitor
- Default on payment - Steps you can take during the lease negotiation process to protect your business

It is recommended to work with a real estate broker or an attorney when negotiating a lease.