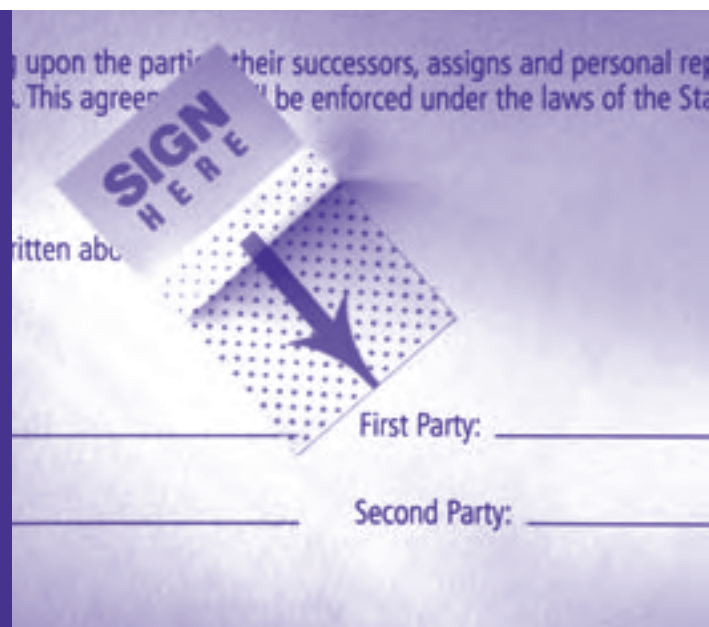


CONSIDERATIONS FOR NEGOTIATING A LEASE AGREEMENT



TERM AND RENEWAL:

- If you can negotiate a favorable rent, try to secure as long a term as possible.
- Given the high cost of relocating, try to secure the right to renew the lease for one or more additional terms. The renewal clause should provide guidance on future rent increases based on market conditions at the time of renewal.
- If you are making a large investment in tenant improvements, it is in your interest to have a long-term lease and the option to renew.

RENT TO BE PAID:

- “Useable square feet” is the actual space occupied by the program and “rentable square feet” is the amount of square feet used by the program plus a proportion of the building’s common area used by multiple tenants (such as elevators, hallways, or the lobby). Rent is typically calculated based on the higher “rentable square feet” figure.
- Rent usually includes a per square foot price plus one or more of the following:
 1. Triple Net Lease: A prorated portion of the building’s overall operating costs, such as utilities, maintenance, insurance, and real estate taxes.
 2. A “rent escalator” that provides for future rent increases.

USE:

The lease should describe how the tenant will use the space so that it is clear that the landlord is approving of the child care use.

TENANT IMPROVEMENTS:

If the space needs renovation, you will need to negotiate with the landlord over how much they will invest in the “build-out.” The lease often includes a “work letter” that includes what the landlord will provide in terms of materials or dollars (a per square foot amount or a percentage of the total), and indicates who is responsible for hiring the architect and builder and approving the plans. If the landlord is making the improvements, the lease should include financial penalties if the space is not ready for occupancy when promised. If the landlord will be doing the build-out, be sure to ask your attorney to propose language for the lease agreement that ensures your satisfaction with the quality of the work and materials.

SERVICES:

The agreement will specify which building services (such as custodial) are provided by the landlord and the hours of building operation.

OTHER ISSUES:

The lease should specify the type and amount of insurance each party will carry, and the liability each will have in a variety of situations.