



Entering into a Lease for Medical Office Space? Key Issues You Need to Know

By Thomas A. Gattozzi

IN NEGOTIATING WITH A landlord to enter into a lease for medical office space, it is important that the lease agreement clearly expresses your expectations as to the rental relationship with the landlord. Oftentimes, the lease is unclear or does not accurately reflect the deal terms. The following are some key lease provisions to think about before signing your lease so as to avoid any surprises down the road.

Rent

The lease must expressly define the amount of rent to be paid during the term of the lease and when such rental payments are due. If rent is based on an amount per square foot of the office space, the square footage should be fixed or clearly defined so that the rental amount is able to be calculated without debate. In some circumstances, monthly rent is to include amounts owed for real estate taxes, building insurance, and other charges that landlords often pass through to tenants. So it is critical to ensure that the rental rate as set forth in the lease accurately

reflects what your expectations are as to the costs to be paid to the landlord.

CAM Charges

When you are leasing space in a multi-tenant building, landlords often charge tenants “common area maintenance charges” (CAM charges) to reimburse the landlord for costs and expenses the landlord incurs to maintain, repair, or replace common areas servicing all of the tenants in the building such as parking areas, landscaping, elevators, hallways, and the like. The CAM charges provision of the lease must be negotiated carefully so that the landlord is not passing on costs and expenses that you do not expect to pay. You should expressly exclude certain items such as capital expenditures for the building, reserves for replacement of portions of the building, and leasing commissions. Also, if possible, you should request caps on CAM charges so that there is more certainty and consistency in these costs from year to year.

Maintenance

When the air conditioning unit is not

working properly or the plumbing needs to be repaired, who is responsible for the performance and payment of such repairs and replacements? In some circumstances, the lease terms are contrary to the tenant’s expectations. The maintenance provisions in the lease must clearly allocate the responsibilities of landlord and tenant in order to limit any disputes if a maintenance issue arises. Also, it is prudent to include language in the lease which provides the tenant a remedy if such repairs and maintenance are not promptly performed by the landlord such as holding back rent or allowing the tenant to perform such work at the landlord’s cost.

Disputes over lease provisions become costly and time-consuming, and interrupt the ability to operate your medical practice in the leased space. It is well worth the time and effort for you or your legal representative to carefully review and negotiate the lease agreement at the outset in an effort to avoid such disputes in the future.

Thomas Gattozzi is Chair of the Real Estate Practice Group at Brouse McDowell in Akron. ■