

BUSINESS

10.28.08



Community FoodBank of New Jersey has opened its latest Kids Cafe program, in Lodi. **2**



New-home sales saw unexpected rise as m prices hit a 4-year lo

DOW

203.18
Close
8,175.77

S&P 500

27.85
Close
848.92

NASDAQ

46.13

ASK A LAWYER

Possible costs for renters of office space

Q. In addition to paying rent for commercial office space, what other expenses will I be obligated to pay under my lease?

Most commercial office leases contain numerous provisions regarding a tenant's obligation to pay rent to a landlord. Typically, there are two components of rent – base rent and additional rent. Base rent is the annual amount agreed upon by a landlord and a tenant for the premises being leased, and is usually payable in advance of the due date by a tenant to a landlord in equal monthly installments during the term of the lease. Sometimes, the base rent contains "bumps," whereby the base rent automatically increases from time to time. Additional rent is the payment of all other sums of money and often is divided into three categories: (1) utility charges; (2) pass-throughs or escalations; and (3) penalties.

Depending upon the type of property being leased, a tenant is sometimes responsible for paying utility charges, whether payable directly to the public utility company or to a landlord. Utilities may include heat, air conditioning, electricity, gas and water. A tenant must keep in mind that there is often a surcharge for utilities that are furnished outside "normal" business hours or those that exceed the usage considered normal and ordinary for a particular type of business.

A tenant also is responsible for paying his or her company's proportionate share of a landlord's costs in connection with the repair, maintenance, operation, insurance and management of the building in which the premises are located. These costs may include operating expenses or common area maintenance, real estate taxes and cost-of-living increases. These expenses are known as pass-throughs or escalations.

Penalties imposed upon a tenant by a landlord typically consist of a late charge to cover landlord's administrative expenses, and/or interest to cover landlord's loss of the use of the money had it been paid by a tenant in a timely manner.

It is important to consult with an attorney before entering into a lease in order to ensure that a tenant pays for only those items of rent that appropriately reflect the business terms of the lease.

Jan Alan Lewis is a member of the real estate department of Cole, Schotz, Meisel, Forman & Leonard PA, the largest law firm in Bergen County. He can be reached at jlewis@coleschotz.com, or 201-525-6228. This article is not intended to be legal advice, which can be given only after the attorney understands the facts of a particular matter and the goals of a client.

Do you have a business question for a lawyer? Send it to BusinessNews@northjersey.com.