Whether you are starting a dental practice from scratch or purchasing an existing dental practice, your commercial lease agreement will be a very important part of the process, not to mention a huge investment.

Before you sign a lease agreement and spend thousands of dollars over a five to 10-year period, you should seek legal counsel.

Lease commencement date

Once your lease is signed, you and the property owner have opposite goals. The property owner wants the lease to start as soon as possible so that you can begin paying rent immediately, even though your office space may still be under construction.

Conversely, the tenant wants to delay the payment of rent as long as possible in order to preserve capital. If your property owner or contractor is building out your office space, it is important that you give him/her detailed construction plans in order to avoid any type of construction problems or delays.

However, it is also very important to ensure that your payment of rent does not start until the construction work has passed inspection, and you receive a Certificate of Occupancy, which will allow you to occupy your office space and start seeing patients.

Many lease agreements provide that the build-out will be deemed complete when the contractor or architect certifies that the construction has been “substantially completed.” (An architect should be consulted before construction begins.)

If you receive a Certificate of Occupancy and certain construction items still need to be completed, this is usually called a “punch list” of items that will be completed by the contractor after your dental practice is open for business. If you are building out your office space, you should select the most-qualified contractor and negotiate an appropriate build-out period (i.e., generally 90 to 120 days).

You may also want to insert a “liquidated damages clause” in your construction contract, which states that if construction delays occur through no fault of your own and the opening of your practice is delayed, the contractor will pay your rent for a specified period of time or pay you a certain sum of money.

In addition, if your property owner is building out your dental office, you may seek free rent for a specified period of time if the construction is not completed within a specified period.

Rent increases

Nearly all lease agreements have a rent escalation clause, which states how much your rent will increase over the term of the lease.

Escalation clauses may either be specifically outlined in the lease (i.e., rent increases 3 percent per year) or tied to an index, such as the Consumer Price Index (CPI). The best practice is to set an exact amount of rent you will pay each month over the term of the lease. Any type of yearly rent increase that is tied to an index is very unpredictable and can hinder the cash flow of a practice.

Rent during option periods

When negotiating your lease, you should always include an option period to renew your lease, and the option period should specify the exact amount of rent you will pay during the option period.

The lease agreement will usually contain one or two methods that will be used in order to calculate the amount of rent you will pay during the option period, which are: (1) rent increase that is tied to the CPI or (2) the prevailing market rent.

The option period should specifically state the rental period (usually five to 10 years), and the amount of rent you will pay for each option year (i.e., during months 61 thru 72, rent...
The Future of Dentistry
What’s In, What’s Out: Materials and Methods to Keep You on the Cutting Edge

Complacency
This Lane
Achievers
Merge Right

MOTIVATION SOLUTIONS SUCCESS
This EXIT
10 Miles
25 Miles

Just because the economy is unstable does not mean that your practice has to be.

LVI will steer you in the right direction!

Now is the time to take the driver’s seat and invest in yourself and your future.

Recession-proof your practice with an education from LVI.

Bring a new enthusiasm to yourself, your practice, your team, and your patients!

You can have the practice of your dreams, and we can show you how.

Victoria, BC      May 14-15
Austin, TX       May 14-15
Hilton Head, SC  May 21-22
Champagne, IL    May 21-22
Baltimore, MD    June 4-5
Santa Cruz, CA  June 11-12
Hamilton, ON     June 11-12
Destin, FL       June 11-12
S. Lake Tahoe, CA June 18-19

Chicago, IL      June 25-26
Windsor, ON     June 25-26
Williamsburg, VA July 9-10
French Lick, IN  July 16-17
Appleton, WI     July 30-31
Rapid City, SD  August 20-21
Helena, MT       August 20-21
Cincinnati, OH   August 27-28
Minneapolis, MN  September 10-11

Long Beach, CA   September 17-18
Rohnert Part, CA September 24-25
Calgary, AB      September 24-25
Lincolnshire, IL September 24-25
Portland, OR     September 24-25
Sudbury, ON      October 1-2
Sioux Falls, SD  October 8-9
Palo Alto, CA    October 15-16
San Diego, CA    October 15-16

LVI is bringing 11 CE credits TO YOU with
The Future of Dentistry in your area!

For complete details visit www.LVIPracticalEvents.com

No Interest Tuition Financing Available Through Chase.*

If paid in full within the promotion period of 12 months, interest will be charged to your account from the purchase if the balance is not paid in full within the promotional period 12 months, if you make a late payment, or if you are otherwise in default.

ADA CERP® Continuing Education Recognition Program

ADA CERP is a service of the American Dental Association to assist dental professionals in identifying quality providers of continuing dental education. ADA CERP does not approve or endorse individual courses or instructors, nor does it imply acceptance of credit hours by boards of dentistry. LVI Global designates this activity for 11 continuing education credits.

Sponsored by

LVI GLOBAL

CHANGING DENTISTRY. CHANGING LIVES.

MAC

Ersten Technologies LLC

Check with your provider to see which plans are available. Eligibility for purchase of $1,000 for women, $1,500 for men. Interest will accrue during the promotional period at an APR of 3.75% to 5.75% (depending on creditworthiness). Your use of this financing plan is subject to the terms and conditions set forth in the Disclosure and Authorization Agreement and the Chase Credit Card Terms and Conditions. Chase is not responsible for any errors or omissions in the above information. See rates for details. Chase reserves the right to change, cancel, or modify this offer at any time without notice. Chase is not responsible for verifying or confirming the information provided or any credit worthiness of the customer. moderate to severe, 75.75
to 100.00% (0.035-0.050% APR) depending on creditworthiness. You will be charged interest (and the above APR) if you do not make a minimum payment within the grace period. Minimum payment is 5% or $5, whichever is greater. Chase is not responsible for any errors or omissions in the above information or for any actions the customer or customer’s credit card makes.

Acknowledgments: Alexander Kulis, BlueSky Dental, Branding and Marketing Services, Inc., Experion Dental Group, The Towson Dental Team and Mac Dentistry.
shall be $2,500).

**Damage to office**

What happens if your dental office is damaged by fire or some other casualty loss, and you are unable to occupy the building for four to six months? Needless to say, this could devastate your dental practice.

Many lease agreements impose no real obligation on the property owner to rebuild the damaged premises. In fact, most lease agreements give the property owner the greatest flexibility in determining whether or not to rebuild a damaged office space.

By contrast, the tenant is typically required to move back into the office space within a short period of time after the office space has been repaired.

Therefore, every lease should include a provision that will allow a tenant to terminate the lease if the property owner has not completed restoration of the office space within a specified period of time. As a precaution, a lease should contain the following requirements:

- That the property owner carry full replacement-cost insurance on the building.
- The property owner commence repairs within 30 days of the loss and complete the repairs within 120 days of the loss.
- The tenant may terminate the lease agreement if repairs are not completed within a specified period of time. In addition, as a tenant, you should always carry insurance to cover the cost of any type of tenant improvements and equipment.

**Lease assignment upon sale of the practice**

The property owner always has the option to grant or deny a tenant's request for an assignment of an existing lease. Imagine if you enter into a contract to sell your dental practice, and your property owner will not assign your lease to the purchaser.

Ideally, a practice sale agreement should contain a clause that states the sale of the practice is contingent upon the property owner assigning your lease to the purchaser.

In today's market, the growing trend is to hold a previous tenant liable for the terms of their existing lease agreement, even though a new tenant (the purchaser of a dental practice) is now occupying the space.

**Other areas of concern**

What happens to a tenant's obligation under a lease agreement if a tenant dies or becomes disabled? Generally, a property owner will not permit a tenant or his/her estate to be absolved of liability in the event of death or disability.

In most cases, unless otherwise specified, a tenant or his/her estate will be required to pay the specified rent according to the terms of the lease agreement, even if a tenant dies or becomes disabled. Therefore, a tenant should always attempt to negotiate a release (“buy-out”) or termination of the lease in the event of his/her death or disability.

**Summary**

It is important to remember that the property owner or his/her attorney drafted the lease agreement. You should always seek legal advice before you sign a lease agreement.

As a tenant, if you fail to do your due diligence, it may be a very costly mistake.