

5 things to do with commercial real estate ASAP

What location issues should you accomplish in the first quarter of 2017?

I believe these five items are essential: Locate a copy of your lease (even if you own the building) and review the key dates, audit your operating expenses, update your insurance coverages, renew your maintenance contracts and accomplish a five-year sprinkler certification.

Your lease: Have you looked at your lease since you signed it? Do you know where it is? If not, the owner (or property manager) of your building should have one. Make sure the lease contains signatures by both parties and all amendments, addenda, renewals, etc., are located and included. Once you have located the lease, file it in a safe place for easy access.



**ALLEN
BUCHANAN**
CONTRIBUTING
COLUMNIST

I would suggest compiling an abstract of the key dates - commencement, expiration, rent increases, options to renew, options to buy, rights of first refusal, etc. Time is of the essence with options (you must exercise them within the time frames outlined).

If you own the building that you occupy, there still should be a lease in place. I would suggest calendaring the key dates of the lease - especially your lease expiration and rent increases.

Audit your operating expenses: If you own your location, review the property taxes and compare the as-

essed value vs. the market values. If your assessed value exceeds the market value, you may be able to appeal the property taxes and secure a reduction.

Insurance coverage of your location is an essential piece of your operating expenses. Other expenses to review are the maintenance contracts (discussed below) and common area utilities.

If you lease your location, request a budget for the 2017 operating expenses from your owner or property management.

Update your insurance coverages: As insurance is not my expertise, I contacted George McLaughlin of Tutton Insurance, a commercial insurance broker. He recommends:

- Post your OSHA 300 A Notice from the prior year (summary of injuries) by

Feb. 1 and keep the notice posted until April 30. If the Occupational Safety and Health Administration inspects your location and doesn't see the notice, a fine may be assessed. The form can be retrieved from the Cal OSHA website osha.gov/recordkeeping/RKforms.html.

- If you own your location and/or have tenants, make sure that tenants provide you with a copy of their annually updated certificate of insurance. If you are a tenant, you should provide the landlord with an updated insurance certificate for the coverages outlined in your lease.

- Evaluate your contents insurance to make sure there are proper limits to replace the machinery and equipment, furniture and fixtures, inventory, tenant

improvements and property of others in the event of a fire or other loss.

- Update your business interruption benefits, which should include loss of rents (if you own your location).
- Liability and worker compensation insurance are based on estimates at the beginning of a policy and adjust to actual sales or payroll at the end of a policy. Prevent surprise insurance billing by keeping track of such figures and adjusting as your business changes.

- If your core business expands into multiple revenue streams, review your liability and errors and omissions policies to incorporate such changes.

- **Renew your maintenance contracts:** As an owner/occupant of a location, you (or the operating company that

you own that occupies the location) should make sure a maintenance program for the key components in the building is accomplished. As an occupant (but not an owner) of a location, you typically have the burden of putting in place maintenance programs for the heating, air conditioning, plumbing (most leases), roof (if it is a NNN lease), etc. Typically, maintenance and repairs (up to 50 percent of replacement) are your responsibility.

- **Check your location's fire sprinkler certification:** As an owner/occupant of a location, check and see when the last five-year certification was performed. Check the riser coming into your building and you should find a sticker or set of stickers that outlines the most recent inspections.