

REAL ESTATE



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Q | A letter of intent for a full service commercial lease contains a “base year” for operating expenses. How will this impact the rent payments?

A | A “full service” lease is not exactly full service. In a typical full service lease the tenant makes a monthly rental payment in a designated amount and the landlord is obligated to pay operating expenses and property taxes for the premises; however, the landlord’s obligation to pay the full amount only applies to the base year, which is typically the first calendar year of the lease term. For subsequent years, the tenant is obligated to pay operating expenses and property taxes allocated to the premises in excess of the amount allocated and paid by landlord in the base year. Accordingly, the landlord’s obligation to pay operating expenses and property taxes during the lease term is capped by the amount established in the base year.