

Negotiating a Commercial Lease Webinar Handouts

- Rachel's Bakery Startup Costs
- Landlord's Annual Reconciliation
- Bakery Layout
- Calico Construction Schedule
- Rachel's Letter of Intent

Bakery Start-up Costs

Build-Out Expenses:

Architect & Interior Design

| | | |
|---|---------|-------------------|
| Calico Construction Estimate - Attached | 128,494 | |
| Total Build-Out Expense: | | <u>\$ 128,494</u> |

Fixtures & Equipment:

| | | |
|--|-------|------------------|
| 1 Convection Oven/Stand/Hood/install | 6,835 | |
| 2 2-Door Refrigerators @ 2,750 ea | 5,500 | |
| 2 3-Door Freezers @ 4,200 | 8,400 | |
| 75 Sheet Pans & Wine Racks @ \$18 ea | 1,350 | |
| 6 Bun Racks @ 425 ea | 2,550 | |
| 1 Cooling Rack | 500 | |
| 1 Induction burner | 1,069 | |
| 1 Microwave, Food Processor, Sm Fridge | 600 | |
| 1 20 Qt Mixer | 1,925 | |
| 4 7 Qt Mixers @ \$400 ea | 2,800 | |
| 1 Display Case Cooler | 5,250 | |
| 1 Desk, Chair, Computer, Printer | 2,975 | |
| 1 Telephone System, Credit Card Equip. | 850 | |
| | | <u>\$ 40,604</u> |

Inventory

| | | | |
|------------------|-------------------|--------------|------------------|
| Inventory A | See Detailed List | 8,500 | |
| Inventory B | See Detailed List | <u>8,500</u> | |
| Total Inventory: | | | <u>\$ 17,000</u> |

Miscellaneous:

| | | |
|--------------------------------------|---------------|------------------|
| Legal - Entity Formation & Lease | 8,000 | |
| Permits & Fees | 500 | |
| Exterior Electric Sign | 8,000 | |
| First Months Rent & Security Deposit | 10,000 | |
| Pre-Paid Insurance | 1,000 | |
| Operating Capital | <u>25,000</u> | |
| Total Miscellaneous: | | <u>\$ 52,500</u> |

| | |
|------------------------------|-------------------|
| Total Bakery Start-Up Costs: | <u>\$ 238,598</u> |
|------------------------------|-------------------|

Bakery - Sources of Funding

| | | |
|--------------------------|----------------|-------------------|
| Checking Account | 50,000 | |
| Money Market Account | 100,000 | |
| Bank Loan | <u>100,000</u> | |
| Total Sources of Funding | | <u>\$ 250,000</u> |

Clarendon Real Estate Investment Trust

2875 Wilson Boulevard, Arlington, VA 22201

Year: 2015

Common Area Maintenance (CAM)

Tenant: Rachel's Bakery

Pro-rata Share = 3.75%

Expenses:

| | |
|----------------------------------|-----------|
| Management Fees | 8,600.00 |
| Electricity | 4,297.75 |
| Water/Sewer | 302.58 |
| General Payroll | 19,752.00 |
| CAM and Cleaning Payroll | 28,445.00 |
| Contract Cleaning | 1,280.40 |
| Supplies | 71.87 |
| Miscellaneous Service Contracts | 1,988.01 |
| Trash Removal Contract | 10,824.42 |
| Trash Removal - Other | 308.00 |
| Snow Removal Supplies | 1,228.50 |
| Snow Removal - Services | 19,400.00 |
| Repairs and Maintenance | 433.58 |
| Tools | 65.26 |
| Landscaping Contract | 11,166.60 |
| Landscaping - Other | 1,046.00 |
| Roof and Structural Repair | 259.31 |
| Plumbing Repair | 4.22 |
| Electrical Repair | 22.11 |
| Parking Lot Sweeping | 2,100.00 |
| Parking Lot Repairs and Striping | 7,584.00 |
| Parking Lot Lighting | 911.42 |
| Vehicle Maintenance | 2,060.50 |
| Signs | 977.10 |
| Fire Prevention | 1,268.82 |
| Communications | 4,161.94 |
| Depreciation - Capital Expenses | 16,458.00 |
| Insurance | 42,568.00 |

| | | |
|------------------------------------|-----|------------|
| Total Actual Common Area Expenses: | | 187,585.39 |
| Administrative Fee | 15% | 28,137.81 |
| Total CAM with Administration Fee | | 215,723.20 |

| | | |
|--|-------|------------|
| Pro-Rata Share - Rachel's Bakery | 3.75% | 8,089.62 |
| Less Estimate Previously Billed at \$750 per month | | (9,000.00) |

Total Amount Overpaid - Take Credit Against Next Rent Payment \$ (910.38)

Clarendon Real Estate Investment Trust

2875 Wilson Boulevard, Arlington, VA 22201

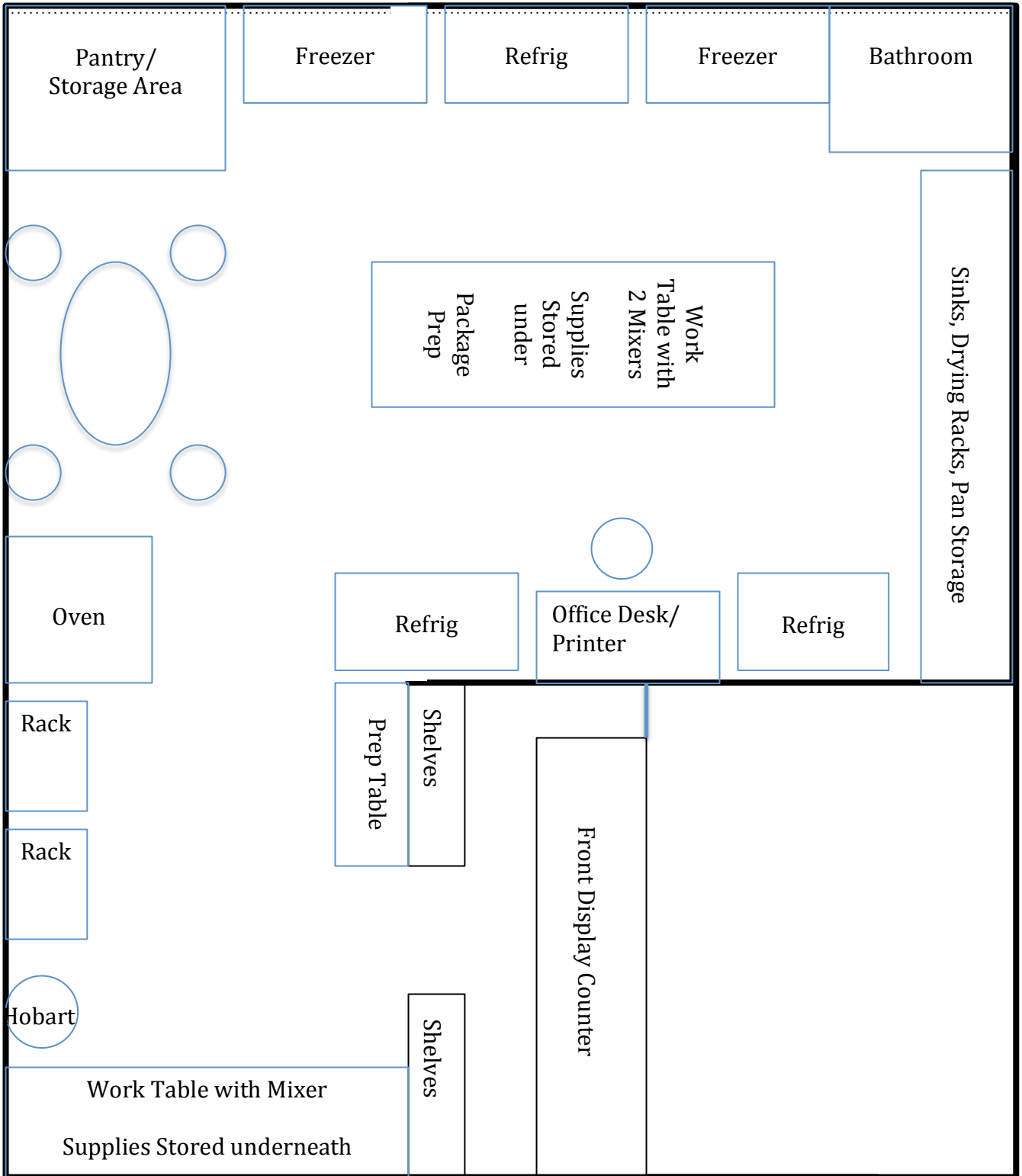
Year: 2015

Real Estate Taxes:

Tenant: Rachel's Bakery

Pro-rata Share = 3.75%

| | | |
|--|-------|-------------------|
| Real Estate Taxes | | 142,000.00 |
| Legal - Tax Appeals | | 646.00 |
| Refunds: 2014 | | (735.60) |
| Total Real Estate Tax Expenses | | 141,910.40 |
| Pro-Rata Share - Rachel's Bakery | 3.75% | 5,321.64 |
| Less Estimate Previously Billed at \$400 per month | | <u>(4,800.00)</u> |
| Total Amount Due - Net 30 Days | | \$ 521.64 |



FRONT DOOR

NORTH FAIRFAX DRIVE



Calico Construction, Inc.
 3306 University Blvd, Kensington MD 20895
 Tel: 703-915-6489 Fax: 703-964-9989
 License #: VA 2705 135334A MD 15566078
www.calicoinc.com

| | | | |
|--------------------------|----------------|----------------------------|-----------------|
| Project Name: | Bakery Project | Bid Type: | Single Contract |
| Project Location: | Arlington | Project Start Date: | TBD |
| | | Architect: | |
| Bid Date: | 11/19/15 | Project Duration: | 8-10 Weeks |
| Square Footage: | 900 | Plans Dated: | |

Construction Documents

| | |
|---------------------------|------------|
| Design Fees | |
| Architectural Design Fees | \$4,500.00 |
| Other Design Fees | \$0.00 |

Division 1000 - General Conditions

| | |
|--|------------|
| Contractor's General Conditions (All Indirect Job Costs) | \$5,000.00 |
|--|------------|

Division 2000 - Existing Conditions

| | |
|--|------------|
| Demolition | |
| X-Ray and Core Drill | \$6,800.00 |
| Additional Demolition Scope | \$500.00 |
| Termite Pre-Treat | |
| Termite Spray for Disturbed Soil in Utility Trenches | \$0.00 |

Division 3000 - Concrete

| | |
|--|----------|
| Pour Back Concrete in Utility Trenches | \$500.00 |
|--|----------|

Division 5000 - Metals

| | |
|-------------------------------|----------|
| Stainless Steel Corner Guards | \$300.00 |
| | |

Division 6000 - Wood & Plastics

| | |
|--|-------------|
| Rough Carpentry | |
| Provide Plywood Backing and Blocking in Walls for Support of Hung Fixtures | \$900.00 |
| | |
| Millwork | |
| Cabinetry and Countertops - Material Only Basic Laminate | \$13,900.00 |
| Installation of Cabinetry and Countertops | |
| | |

Division 7000-Thermal & Moisture Protection

| | |
|----------------|--|
| Roofing | |
| Roof Work | |

Division 8000 - Doors & Windows

| | |
|---|------------|
| Interior Doors, Frames & Hardware - Material Only | \$2,900.00 |
| Installation of Doors, Frames & Hardware | |

Division 9000 - Finishes

| | | | |
|---|--|-------------------------|--------------|
| | Drywall | | |
| | Frame, Hang and Finish Interior Drywall Partitions and Ceilings (L&M) | \$6,000.00 | |
| | Wall and Ceiling Insulation (L&M) | \$400.00 | |
| | USG Acoustical Ceiling Grid & Tile - Material Only | \$3,100.00 | |
| | Installation of USG Acoustical Ceiling Grid & Tile | \$2,900.00 | |
| | FRP - Material Only | \$1,800.00 | |
| | Installation of FRP | \$1,600.00 | |
| | Tenant Separation Walls | \$0.00 | |
| | Tile | | |
| | Tile- Work Area Quarry Tile, Service Area Tile, Bathroom Tile to Walls | \$10,000.00 | |
| | Painting | | |
| | Paint material only | \$987.00 | |
| | Prep, Caulk and Paint Interior Partitions, Misc. Metals | \$2,500.00 | |
| | | | |
| | Division 10000 - Specialties | | |
| | Fire Extinguishers / Cabinets | \$597.00 | |
| | Television Brackets | \$0.00 | |
| | | | |
| | | | |
| Division 11000 - Equipment | | | |
| | Installation of Kitchen Equipment Package | \$1,800.00 | |
| | | | |
| Division 15000 - Mechanical | | | |
| | Plumbing | | |
| | Water and Sanitary Sewer Piping | \$8,000.00 | |
| | Plumbing Fixtures | \$6,000.00 | |
| | Gas Piping | \$0.00 | |
| | Grease Trap | \$0.00 | |
| | Additional Plumbing Scope | \$0.00 | |
| | Fire Protection | | |
| | Fire Sprinkler System Allowance | \$4,200.00 | |
| | HVAC | | |
| | New Roof Top Unit(s) and Associated Curb(s) (L&M) | \$6,500.00 | |
| | Ductwork | \$6,000.00 | |
| | Diffusers/Filters/Grilles | \$500.00 | |
| | Thermostats | \$300.00 | |
| | Structural Framing | \$0.00 | |
| | | | |
| Division 16000 - Electrical | | | |
| 0.15 | Electrical Panel and Power Distribution | \$12,500.00 | |
| | Light Fixture Package | | |
| | Installation of Light Fixture Package | | |
| | Voice & Data Conduit and Wiring | \$750.00 | |
| | Additional Electrical Scope | \$0.00 | |
| | | Subtotal | \$111,734.00 |
| | | Contractor's Fee | \$16,760.10 |
| | | Grand Total | \$128,494.10 |
| | | | |
| We Propose hereby to furnish materials and labor – complete in accordance with the above specifications, for the sum of | | | |
| \$128,494.10 | | | |

Payment to be made as follows: 30% Down, Progressive Payments Made Bi Weekly With 10% due with punch out list completion.

Authorized Signature: _____

Note: This proposal may be withdrawn by us if not accepted within 30 days.

All materials are guaranteed to be as specified. All work to be completed in a professional manner according to standard practices. Any alterations or deviation from above specifications involving extra costs will be executed only upon written orders, and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents or delays beyond our control. Owner to carry fire, tornado and other necessary insurance.

Should collections action be required under the terms of this contract, the customer shall be liable for all court and attorney fees of 30% of an balance due or \$450.00 whichever is greater. If balance due is not paid within ten days from contract completion, interest will accumulate at a rate of 1.5% per month. Checks returned for insufficient funds will have a penalty of 25% of check amount added to balance.

When accept, sign both copies and keep top copy for your records.

Acceptance of Proposal – The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.

Date of Acceptance: _____

Signature: _____

Signature: _____

ABC Commercial Sales and Leasing

1100 Wilson Boulevard, Arlington, Virginia 22201 – 703-888-8888

March 1, 2021

Harry Smith
Smith Commercial Properties
2822 Clarendon Boulevard Arlington, VA 22201

Dear Mr. Smith:

This Letter of Intent sets forth the basic terms of a proposal from our client, Rachel Ross, to lease the subject property:

1. **Tenant:** To be formed LLC, T/A ***Rachel's Bakery.***
2. **Premises:** 2858 Wilson Boulevard, Arlington, VA. Consisting of approximately 1200 sq ft of retail space. The exact size to be confirmed by Tenant's architect.
3. **Use:** The retail sale of assorted cakes, pies, and pastries, etc. typically sold in a Bakery – and nothing else without Landlord's written permission.
4. **Non-Compete:** There will be no other bakery in the Center and no other Tenant in the Center will be permitted to sell more than 20% of similar merchandise.
5. **Lease Term:** The initial Lease Term shall be ten (10) years.
6. **Minimum Rent:** The minimum Base Rent shall be forty dollars (\$40.00) per sq ft triple net.
7. **Lease Commencement:** At Lease Execution
8. **Rent Commencement:** The earlier of 120 days from Lease Commencement or the date Tenant opens for business.
9. **Rent Increases:** The Base Rent shall increase 3% annually.
10. **Percentage Rent:** Percentage Rent at 6% applied to monthly sales above a normal break point.
11. **Taxes & CAM** Tenant shall pay its pro-rata share of Real Estate Taxes and Common Area Maintenance (CAM).
12. **Option to Extend:** One five (5) year option to extend at market rates.

- 13. Utilities:** Tenant shall have separate meters and be responsible for the direct Payment of gas, electric and water charges.
- 14. Condition of Premises:** As-is condition
- 15. Tenant's Work:** Tenant shall be responsible for all improvements including, but not limited to, HVAC, electrical, plumbing and trade fixtures. Tenant Plans will be subject to Landlord review and written approval.
- 16. Tenant Improvement Allowance:** Landlord will provide \$30.00 per sq ft Tenant Improvement Allowance. (TI) Tenant is responsible for all costs in excess of the TI Allowance. The TI Allowance will be paid within 30 days after Tenant is open for business and after Landlord has received Release of Lien documents from the General Contractors and all sub-contractors.
- 17. Signage:** Tenant shall install, at its expense, the signage allowed by code and in accordance with Landlord's criteria.
- 18. Deposits:** First Month's Rent and one month's Security Deposit due at Lease execution.
- 19. Personal Guaranty:** Rachel and Thomas Ross will sign a limited Personal Guaranty.
- 20. Lease Form:** Lease to be prepared by Landlord's attorney.

This letter of intent is merely an expression of interest and shall be non-binding upon the parties hereto. Each party shall have the unilateral right to terminate negotiations at any time, for any reason or for no reason, without liability to the other party. If and when a lease has been negotiated and executed, the terms thereof shall supersede the terms of this letter of intent. This proposal shall expire on (INSERT DATE)

TENANT:

LANDLORD:

Signature

Date

Signature

Date