



MAKING LEASE WORK LETTERS WORK!

UT LAW CLE

Bernard O. Dow Leasing Institute

November 10, 2017

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CAUTION!

The purpose of this paper is to highlight only some of the more significant issues a party might consider in connection with the negotiation and drafting of lease work letters.

The examples of work letters attached are not intended to be forms but are only examples of work letters which might be referred to for the purpose of enhancing the presentation materials.

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Work Letters

The typical commercial lease will provide the tenant with rights to make alterations to the premises, but reserve to the landlord control over this process.

The Lease may include general provisions which address this approval process which are usually contained in a document attached to the lease called a “**Work Letter**”.



Work Letters

The work letter frequently contains terms that not only speak to the approval process for the construction of the improvements, but also....

- May address the method for determining the date rent will begin to become due under the term of the Lease;
- May address the economic participation of each of the parties in the cost of such improvements and
- May address the allocation of risk related to the construction process.

In light of these important terms, the parties to a lease should carefully consider the **take the time to review** the work letter



Work Letters

Lets look at the general structure of lease work letters:

- Landlord creates the design deliverables for the work, with tenant input, and landlord carries out the work;
- Tenant creates the design deliverables for the work with landlord approval, and landlord carries out the work.
- Tenant creates the design deliverables for the work, with landlord approval, and tenant carries out the work.



Work Letters

General Structure of Lease Work Letters:

Our experience:

- the more impactful the finish out may be upon the building and Landlord's other tenants, the more involved the landlord will want to be in the construction process
- the more impactful the finish out may be upon the tenants business, the more involved the tenant will want to be in the construction process.
- The level of a parties control will be affected by the parties tolerance for the risks relating to the construction process

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First appeared as part of the conference materials for the
2017 Bernard O. Dow Leasing Institute session

"Finish-Out and Work Letters"