

BY THOMAS DUDEK
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Expansion Options

If you need more production space, leasing may be an option

Want to expand production, but you're not yet ready to make the commitment to add more growing space? Or maybe you've gotten a last minute order that you don't want to pass up, but your growing space is completely maxed out.



Make sure facility maintenance is laid out in the lease agreement

Consider leasing greenhouse space from another grower. You may only need part of a structure to fill the order or an entire greenhouse. Or if you're not using all of your production space, consider leasing that space to another grower.

There are many factors to consider when entering into a lease agreement.

Payment of rent

Is the rent to be paid in advance or installments? Will security be required from the greenhouse operator to secure

the unpaid installments? If so, what type? Is the rent based on usable or total square feet? Is there a security or damage deposit required?

Property maintenance

If the operator is to provide his labor for facility maintenance, at what point can

an outside professional be hired? Does the operator seek owner approval, or is approval already granted if a repair is less than a predetermined maximum cost? Can the operator purchase materials, and, if so, should there be a defined dollar limit before obtaining owner approval?

Costs of operation

If both owner and operator use the same utility meters, how will the cost be split if one party requires different temperature settings, water-

ing frequency, supplemental lighting, etc. than the other?

Auxiliary electrical equipment

Is auxiliary electricity generation equipment necessary, and, if so, which party will provide it? Who will pay the operating and maintenance costs?

Conflicts between owner and operator

A method to resolve conflicts that is specified in the lease can save all parties potential legal fees. How will conflicts be settled? Will conflict resolution be limited to mediation, arbitration or some other method?

Capital improvements

Will the operator be allowed to construct or add improvements? If so, your lease should provide a method to reimburse the operator for improvements made to the facilities. It establishes in advance the timetable for reimbursement.

Facilities and equipment

What facilities and equip-

ment is the owner providing? These should be clearly stated, as well as their condition.

Subordination, non-disturbance and attornment agreement

This is an additional document that can be used along with the lease, if applicable. It is between the operator and the owner's mortgagee. It ensures that the operator remains in possession of the leased premises throughout the term of the lease and in ownership of all of the operator's products present on the leased premises despite any foreclosure action against the greenhouse owner, as long as the operator is not in default of the lease. The applicability of this agreement should be discussed with a banker and attorney. **NM**

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SAMPLE GREENHOUSE FACILITY LEASE

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