

Leaser Beware!

Don't sign anything until you read this article



By Michael J. Sacopulos, JD

With economic uncertainty and turmoil in the real estate market, many plastic surgeons are considering leasing space instead of buying. Although leasing does have its share of advantages, including increased flexibility, tax benefits, and reduced responsibilities, it's important to ask the right questions up front to make sure a particular space is the right fit.

Take it from Jeffrey H. Spiegel, MD, the chief of facial plastic and reconstructive surgery at the Boston University School of Medicine. He has been practicing for 13 years and opened a new office in a suburb of Boston about a year and a half ago.

"I chose to lease because the places I wanted to be in didn't have anything appropriate for sale," he says.

Spiegel was careful not to sign the contract too quickly. He considered the layout of the office, city codes, and signage laws before making it official.

"There are specific rules regarding the number of bathrooms, size of rooms, egress, ingress, etc.," he says. Understanding these nuances is where experts like Jay Shorr, founder and managing partner of The Best Medical Business Solutions, in Sunrise, Fla, can be especially helpful. For starters, Shorr says never sign a lease without a lawyer or real estate professional examining the document to make sure all the terms and provisions are in proper order. "If somebody wants me to negotiate their potential real estate space, first I will conduct a feasibility study. I will negotiate the square footage and whether it is a single, double, or triple net lease," Shorr says.

FIVE QUESTIONS TO ASK WHEN LEASING OFFICE SPACE

Asking the right questions up front can make sure you don't get yourself into a jam. These include:

1) Is it in writing?

Beware of memorandums of understandings, Shorr says.

"I had a client who put tons and tons of stuff in the building and was not able to take it with him when he left," Shorr says. "He was told he could, as long as he restored the space back to its original condition. Then in a paragraph in the lease it said, 'Anything installed must remain.'" He connected his anesthesia machine into the vent to the outside. Therefore, it became a permanent fixture. The landlord made him leave this \$25,000 piece of equipment.

It is also important that you understand the level of authority of the person you are dealing with during negotiations. This person may not have signature power.

2) What are the rules of the building or association? Are multiple, similar specialties prohibited? Shorr recommends demanding exclusivity if you are the first of that specialty to lease space in a huge complex.

3) What services does your space come with? Snow removal? Whose liability is the parking lot? View their insurance policy before you negotiate the lease as well. Are you adequately covered if someone slips, falls, and then sues? Another important question for cosmetic physicians in particular: If the typical voltage is 110 volts, but you want to put in lasers and need 230 volts, who pays for the new service? If the breaker blows, who pays for the retrofitting to upgrade the system?

4) How can you advertise your new location? Can you put up signs? Your landlord may say yes, but city officials may

say otherwise. Certain towns prohibit specific types of signage. Can you have your name on the face of the building? Can you advertise the location of the building using a photograph? Check the lease terms and local ordinances before signing on the dotted line.

5) Is this the property really the right fit? Commercial leases are much longer than residential leases. Typically, you are signing for a 3-, 5-, or 10-year term. Make sure that the property is appropriate for your clientele. Furthermore, if the location and exterior are up to par, will the design of the space suit your needs? A plastic surgeon may require a different layout than a primary care doctor. Will you have the right amount of space to handle your anesthesia equipment, battery generator, and oxygen tank? Is there a VIP exit?

Leasing space can be a sound economic decision as long as you are careful to avoid some common but pricey pitfalls.

Happy office hunting! ■

Michael J. Sacopulos, JD, is the CEO of Medical Risk Institute (MRI) and serves as General Counsel for Medical Justice Services. Additionally, he is the Legal Analyst for several national publications, including Plastic Surgery Practice. He may be reached via PSpeditor@allied360.com.

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