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PRACTICAL LEGAL TIPS



How Your Contractor's Financial Difficulties Can Affect Your Ability to Collect Your Tenant Improvement Allowance

This is a problem that has come across my desk lately that you should avoid. Most commercial leases require that the tenant obtain a lien waiver from the general contractor and its subcontractors prior to receiving its buildout allowance from a landlord.

Contractor Financial Difficulty

If a general contractor cannot pay its subs in full for their work on the buildout the tenant can be held hostage as the subcontractors will not want to give a lien waiver without full payment. A potential solution to this problem is to ask the contractor for a list of the subs and the amounts owed to such subs for the buildout. You then request that joint checks payable to the contractor and sub be issued to ensure that the contractor and all subs are being paid in full for the work they are doing on the buildout. This is opposed to the situation where you pay the general contractor only and learn later that the general contractor decided to apply the payment to some project other than your buildout where they owe the same subcontractors. You may have a claim against the general contractor for doing this but you will be in line to get paid with the other creditors the struggling general contractor surely has.

As always, your trusted legal resource for practical advice.

For more information about me, click below.

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