

MODEL LEASE CLAUSE

Require Water Deposit from Tenant that Uses Water in Its Business

The following lease clause was provided by real estate expert Kevin M. Fogel and New Jersey attorney Marc L. Ripp. Use it with a tenant that's expected to consume water as part of its business (not just for personal use).

Paragraph a requires the tenant to pay a water deposit. Paragraph b lets you increase the amount of the deposit at a later date. Paragraph c lets

you hold on to the water deposit until the tenant has paid the last water bill.

Paragraph d allows you to apply the water deposit to the tenant's unpaid water charges. Paragraph e requires the tenant to replenish the water deposit if you use any part of it. Show this clause to your attorney before putting it into your lease. **CLLI0066**

WATER SECURITY DEPOSIT

- a. Water Deposit.** If water is used in the conduct of Tenant's business, other than for personal use (i.e., washing of hands and lavatories), Tenant agrees to provide Landlord with a security deposit ("Water Deposit") in the amount of *[\$insert amount]* within *[insert #, e.g., 10]* days after Landlord's demand therefor. The Water Deposit is in addition to the Security Deposit required under Clause *[insert #]* hereof.
- b. Adjustment of Water Deposit.** The Water Deposit is subject to review and adjustment by the Landlord. Tenant shall, from time to time as Landlord may deem necessary in its sole and absolute discretion, give Landlord any additional amounts needed to equal the highest annual or periodic water bill incurred by or accrued to Tenant, within *[insert #, e.g., 10]* days after Landlord's written demand for such additional amounts.
- c. Possession of Water Deposit.** Any unspent Water Deposit shall remain in Landlord's possession until a final meter reading has been performed, all outstanding charges have been paid in full by Tenant, and said payments have been credited to the Tenant's water account.
- d. Use of Water Deposit.** If Tenant fails to pay any charges on its water account, Landlord may elect to pay such charges on behalf of Tenant from the Water Deposit.
- e. Replenishment of Water Deposit.** If Landlord uses or applies any or all of the Water Deposit, Tenant shall replenish the Water Deposit to its original sum, plus any additional amounts which may have been subsequently delivered by Tenant to Landlord in connection with Paragraph b hereof, within *[insert #, e.g., 15]* days of being notified by Landlord of the amount due. Tenant shall be in material default of this Lease if the amount due is not paid in full within the required time period.