Set Limits on Rent Credit Return

The following Model Lease Clause was drafted with the help of Chicago attorney Daniel J. Kopp. It sets out a compromise approach if you and the tenant disagree over whether the tenant should pay back its rent credit when it defaults.

Paragraph a specifies which months the rent credit (or "Rent Abatement") applies to and what the rent credit covers. Paragraph b conditions the rent credit on the tenant's not committing a monetary default that exceeds a minimum dollar amount. Paragraph c discusses the pay-back of the rent credit upon the tenant's default.

Show this clause to an attorney in your area before putting it into your lease.

RENT ABATEMENT

a. Abatement Months. No Base Rent or Additional Rent shall be due for the following months (the "Abatement Months") collectively: [*insert months and years*] (the "Rent Abatement").

b. Conditional Rent Abatement. The Rent Abatement is conditioned upon Tenant's not having committed a monetary Event of Default in excess of $[*insert amount, e.g. one month's rent*] under this Lease.

c. Event of Default. If Tenant commits an Event of Default in excess of $[*insert amount, e.g., one month's rent*] and fails to timely cure such Event of Default, then:

(i) The entire Base Rent and Additional Rent otherwise due and payable for each of said Abatement Months shall be amortized equally over the Lease Term and the unamortized portion shall be reinstated and shall then become due and payable; and

(ii) All of the Rent Abatement which has not been used by Tenant as of the date of the occurrence of such Event of Default shall thereby automatically terminate and become null and void, and Tenant shall thereafter pay all Base Rent and Additional Rent when due under this Lease, without regard to the rental abatement provisions of this Lease, unless Tenant cures the Event of Default either before the first day of the next scheduled Abatement Month indicated in Paragraph a hereof, or within [*insert #*] days after the date of the occurrence of the Event of Default, whichever is later.