

**Laundry Room Leases: Reader Alert**  
**by Dale S. Alberstone, Esq.**

I received many telephone calls in response to my article on Laundry Room Leases appearing in the July 2009 issue of AOA magazine. All of those communications, save one, dealt with issues I have encountered literally hundreds of times before. However, one of the phone calls resulted in a conference at my office concerning a provision in a Dadson Washer Service laundry room lease which I never expected nor previously encountered.

Specifically, the lease that my client brought to me for analysis was dated as of August 2000 and pertained to an apartment building he owned in Los Angeles County. I had seen similar versions of Dadson's laundry leases in the past, so as I was reading through the form paragraphs, I was familiar with its provisions. However, when I reached paragraph "N" (which was the fourth paragraph from the end and set forth in small print on the backside of the Lease), I was astonished to see that it contained the following sentence: ***"This agreement shall be governed by the laws of the State of Nevada."***

I asked myself why Dadson would have wanted to utilize a lease which would be construed under Nevada law, rather than California law, for a laundry room situated in the greater Los Angeles area. I wondered whether it was simply a clerical mistake made by their leasing representative when pulling the wrong form off the shelf, or whether Dadson intended it to be that way.

I then compared it to another lease which another client of mine had brought in for me to analyze a few weeks earlier and which was dated July 2000. The printed provisions on this earlier lease was almost identical to the August 2000 lease, except the July lease stated that it was to be governed by the laws of the State of California (as I would have expected since the laundry equipment was also located in Los Angeles County).

I placed several telephone calls to representatives at Dadson for comment as to whether they intentionally used a lease from which states that Nevada law applies to equipment and a laundry room located in California, or whether it was an oversight. I was unable to reach anyone at Dadson who knew one way or the other, and no one with knowledge returned my calls.

As I write this month's column for AOA members, I cannot say one way or another what Dadson's policy is relative to their using from leases referencing Nevada law for California laundry rooms.

However, I can say with certainty that before signing any laundry room lease with any washer service, you should pay particular attention to see which State's law will govern your California laundry room.

That is because one significant difference between California and Nevada is that Nevada has not enacted California's Civil Code Statute 1945.5 which restricts the automatic renewal of the lease term unless the renewal clause satisfies the requirements of the section. I discussed that automatic renewal provision in my July 2009 article of AOA Magazine, but will further comment on it here.

### **Automatic Renewal**

One of the worse provisions in a laundry room lease for an apartment owner is the pre-printed automatic renewal legalese. While not all leases contain them, a significant number do.

In general, the provision states that if the lessee (i.e., the laundry company) fails to give written notice to the lessor (i.e., the apartment owner) of the laundry company's intent not to renew the lease term, then the lease automatically renews for one (and sometimes two) terms equal to the length of the initial term.

Thus, if the initial term is 10 years (which is customarily requested by laundry companies), then upon the expiration of that term, the lease will renew for another 10 years, to be followed by a second 10-year renewal (a total of 30 years), unless the laundry company gives written notice before the expiration of the initial term or before the expiration of the first extended term of its intent not to renew.

In other words, the apartment owner could be saddled with a lease of a laundry space for up to 30 years with no right to terminate the term so long as the laundry company fulfills its obligations under the contract. In addition, that lease will be binding upon subsequent owners of the building.

California law (but not Nevada law) provides that a lease of residential real property containing an automatic renewal or extension of the term of the lease is voidable by the party who did not prepare the lease (usually the apartment owner) unless the printed renewal provision appears in 8-point or larger bold face type and is set forth immediately prior to the place in the contract where the party signs.

The issue then becomes whether the lease of a laundry room is "residential" real property. If it is, then the building owner may receive the benefit of the California Civil Code Section which restricts the automatic renewal if the technicality of the statute is not satisfied. (By the way, it almost never is satisfied.) If the laundry room is not construed as "residential" real property (laundry companies would argue that a laundry room is commercial, not residential), then the California Civil Code would not apply for the protection of the owner.

On the other hand, under Nevada law, the issue never even comes up. Since Nevada has not adopted California's limitation on automatic renewals, it does not matter whether a laundry room is characterized as residential or commercial property. Thus, it is conceivable that a laundry company might want Nevada, rather than California law to apply, in order to avoid any argument

by the owner's California attorney that the lease pertains to California residential property. No published California decision has decided whether a laundry room is residential or commercial property; it remains an open question for lawyers to debate before a judge.

Every apartment owner who has conferred with me about laundry leases over my three decades of practices as a real estate lawyer has expressed utter astonishment that the legalese vests the sole power of non-renewal in the laundry company. Such provisions are definitely traps for the unwary. In my opinion, automatic renewal clauses in laundry leases are nothing less than insidious.

### **Recommendations**

1. I can think of no situation where an owner who is negotiating a new laundry room lease should not insist that the automatic renewal provision be stricken. If the company refuses to sign the lease without that provision, select a different company. There are many others out there which will provide outstanding equipment and service and would gladly accept an owner's business without the renewal provision.
2. Read the lease carefully to be certain that California law, and not Nevada law, applies.
3. Read every single word, sentence and paragraph in the lease (usually they are no longer than two pages) to be certain that you understand the provisions and that they are acceptable.
4. One prevalent aspect of confusion is the reference to "Lessor" and "Lessee" in a laundry room lease as the words are counter-intuitive in most such leases. Generally, the owner considers himself the Lessee (after all, he is using the company's equipment) and considers the service to be the Lessor (since they are providing the equipment to the premises). Such assumptions are mistaken on both fronts.
5. Laundry room leases typically provide that the owner is the Lessor because he is leasing the laundry room, and the washer service is the Lessee since it is renting the laundry room from the owner. Please keep those differences in mind when reading the laundry lease.
6. If there is a right of first refusal provision in the lease, strike it. A typical right of first refusal provides that if the owner desires to lease the laundry room to another service, the existing company has the first right of refusal to meet any bona fide offer by the proposed new service. Such a provision is completely one-sided as it benefits only the existing laundry service.
7. Add a specific provision in the lease which prohibits either party from recording the instrument. For example, readers might insert the following sentence: "Neither party will record this lease."

Recordation of laundry leases can cloud an owner's title, particularly when they sell the property.

### **Conclusion**

I venture to say that no apartment owner would lease a unit in his building for 10 years, much less 20 or 30 years. But 10 years is probably the term which is most typically requested by laundry companies. In my opinion, 10 years is extreme, but automatic renewals for one or two additional 10-year terms is unthinkable.

The best defense to the automatic renewal provision is to strike it entirely from a new lease. What goes hand-in-hand is that the owner carefully review any new lease up for consideration to be certain that if the laundry room is located in California, the lease provides that California law shall govern it.

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*Mr. Alberstone has been awarded an AV rating from Martindale-Hubbell. An AV rating, registered through Reed Elsevier, reflects an attorney who has reached the heights of professional excellence and is recognized for the highest levels of skill and integrity.*

*The foregoing discussion is intended as a general overview of the law and may not apply to the reader's particular case. Readers are cautioned to consult an advisor of their own selection with respect to any particular situation.*

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