

What should you do if your leased commercial property was damaged by the fire?

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In short, a tenant's obligations following a commercial property fire in Los Angeles primarily depend on the terms outlined in their lease. Generally, tenants are required to continue paying rent (unless the lease includes provisions for rent abatement), maintain insurance coverage for their belongings, and collaborate with the landlord's insurance and repair efforts. It is essential to review the lease for specific details and consult legal counsel.

Review the Lease Agreement

The lease agreement is the primary source that dictates the responsibilities of both the landlord and the tenant in case of damage. Key clauses to look for include:

- **Damage and Destruction Clause:** This typically outlines who is responsible for repairs and the process to follow if the property is damaged. In many cases, the landlord is responsible for repairs, but this can vary.
- **Rent Abatement or Suspension:** Some leases contain provisions for rent reductions or suspension if the property is partially or totally unusable due to fire damage.
- **Insurance Requirements:** The lease may require tenants to have their own insurance to cover damage to their business or property and interruption to their business.
- **Force Majeure:** Some leases include a **force majeure** clause, which allows for delays in performance or suspends obligations due to unforeseen events like fires. If such a clause exists, it may temporarily excuse tenants from certain obligations, but generally does not apply to a tenant's obligation to pay rent.

Tenant Responsibilities

Here's a list of potential responsibilities for tenants following fire damage, depending on the lease:

- **Duty to Pay Rent:** In many commercial leases, tenants are required to continue paying rent even if the property is damaged, unless there's a clause explicitly allowing rent abatement.
- **Lease Cancellation:** In many commercial leases, tenants have the ability to terminate their lease, if the repair of the leased premises, takes an extraordinarily long period of time (e.g., 180 days).
- **Rent Abatement:** If the property is rendered unusable or significantly damaged, the lease might allow tenants to stop paying rent (or reduce rent) until the property is repaired and habitable again. Review the lease for rent abatement clauses that describe the situation.
- **Tenant's Insurance:** Tenants are generally responsible for obtaining their own business insurance to cover their personal

property, inventory, and business operations in case of damage (including fire).

- **Cooperation with Landlord's Insurance:** If the landlord's property insurance covers the building, tenants may be required to cooperate with the landlord's insurance claims process.
- **Notify the Landlord:** Tenants must promptly notify the landlord of the damage, especially if it affects their ability to use the space.
- **Cooperate with Inspections and Repairs:** Tenants may need to allow the landlord to inspect the property or coordinate repairs, depending on the lease terms.
- **Damage to Tenant Property:** Tenants are generally responsible for any damage to their personal property, equipment, inventory, or business assets, unless covered by insurance.
- **Property Removal:** Tenants may be responsible for removing any undamaged personal property before repairs begin, depending on the lease terms.

Terminating the Lease

If the fire causes extensive damage and the property is uninhabitable for an extended period:

- **Lease Termination:** In some cases, if the damage is so severe that the premises are no longer usable for the intended purpose, either the tenant or the landlord may have the option to terminate the lease early.
- **No-Cause Termination Clause:** Review the lease for any clauses that address the right of the tenant or landlord to terminate the lease due to substantial damage or destruction of the property.

File Insurance Claims: Both landlords and tenants should work with their insurance providers to file claims and assess coverage options for property damage.

Proactive and clear communication with the landlord is crucial. Both parties should document their actions, agreements, and the condition of the property in case of future disputes or insurance claims.

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