

Appeals Court Bars Laundry Room Contractor from Forcing Owner to Let It Match Competitive Bids

A recent ruling by the state's appeals court should make it easier for owners to cancel certain laundry room leases if the owners can get a better deal with another contractor. The court invalidated a clause found in the standard laundry room lease used by Coinmach Industries Co. The clause gives the current contractor what's known as "the right of first refusal." This means that when the laundry room lease expires, the contractor has the right to match an offer presented by a competitor to provide laundry room services and to continue its relationship with the owner on those terms.

The Coinmach lease also said that if the owner didn't have another offer when the lease ended, Coinmach had the right to continue providing services under the same terms of the expired lease until the owner presented it with a competitor's offer and it had a chance to match the offer. Coinmach could then continue its relationship with the owner on those terms. The court ruled that taken together, the provisions of this lease clause required the owner to retain the contractor's laundry room services indefinitely, and so it was invalid [Inwood Park Apartments Inc. v. Coinmach Industries Co.].

PRACTICAL POINTER: Given the court's ruling, laundry room companies should no longer use leases that contain this clause, says Manhattan attorney Adam Leitman Bailey. But if a laundry room company presents you with a lease to sign that contains this clause or one like it (making it difficult for you to cancel the lease after it expires), cross out that clause and place your initials next to the crossed-out clause, he says. In the box at left, we've given you the lease clause that the appeals court invalidated so you'll know what to look out for.

Also, says Bailey, review the lease for another common clause that says the lease will continue unless you give the laundry room company written notice before the lease ends that you don't want to renew the lease. Although the court didn't invalidate this lease clause, you should know whether your lease has it so you can give the required prior written notice if you don't want to renew the lease, he says. ■

► Look for Invalidated Laundry Room Lease Clause

Here's the lease clause that the court invalidated. Note that "Lessee" refers to the laundry room contractor and "Lessor" refers to the owner.

At the expiration or termination of this Lease or any renewal, Lessee shall be provided with and thereupon, shall have the right of first refusal to meet any bona fide bid or offer to lease the laundry room(s) and/or provide coin-metered laundry room equipment services to the Premises on terms which are substantially equivalent to the terms of this Lease except that the Lessor may charge any new rent so long as it is commercially reasonable. Should Lessor not receive any bona fide bid or offer to take effect at the expiration or termination of this Lease or any renewal, the terms of this Lease shall continue in effect until such time as Lessor has received a bona fide bid or offer to take effect at the expiration or termination of this Lease or any renewal, then the terms of this Lease shall continue in effect until such time as Lessor has received a bona fide bid or offer and Lessee has been afforded its right of first refusal.