

EVERYONE BENEFITS FROM TIMELY CAM RECS

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Without a doubt, CAM Recs are a pain! For landlords and property managers, preparing the annual CAM Rec (common area maintenance reconciliation) is a time-consuming, labor-intensive project. And for tenants, it can mean bad news if it results in a significant bill. While avoiding CAM Recs may be tempting, especially in tumultuous years like 2020, is delaying a CAM Rec really good for anyone?

Many commercial leases provide for monthly estimated billings of CAM charges. In a perfect world, twelve estimated monthly charges should very closely equal the actual charges incurred. But when is the world perfect? If annual CAM Recs are not performed in a timely manner, it can lead to the deterioration in the landlord/tenant relationship and perhaps even costly litigation. One might argue that tenants benefit from the delay because they are able to use the cash for other projects, rather than payments to landlords. But most businesses have annual budgets and money that is not spent on a specific budgeted item may be used for something else. Tenant monies are rarely earmarked for CAM and placed in a savings account to be available months or years later when a CAM Rec is received. Additionally, if a tenant receives two or three years' worth of CAM Recs in a short period of time, many will not be able to pay the accrued charges, even if given extra time to pay those charges.

Landlords who do not timely bill and collect reconciled balances may have more trouble collecting those amounts later. Then, if landlords must accept monthly payments of delinquent CAM's over time, they will be further delayed from receiving income to repay those past expenses.

Even greater detriment may arise with major tenants, as many major tenant leases have time limitations on the obligation to pay delinquent CAM Recs. For instance, some leases permit all charges to be waived for any CAM Rec that is billed more than 24 months late. In this event, landlords lose again!

Predictability is best for landlords and tenants. Both generally have annual budgets and being able to “close the books” on a calendar year within 90 to 120 days following the end of a calendar year benefits both parties. No one likes unanticipated costs or unpaid bills. Closure is beneficial for both parties, as cash flow is improved for landlords and costs can be better anticipated and budgeted by tenants.

As we near the end of 2020, plan ahead for the 2020 CAM Rec. Set a goal to start 2021 in a positive way by timely completing the 2020 CAM Rec and getting it off your plate early; then celebrate the achievement knowing you won’t have to do it again for another year!