Section Three: Farm Transfer Tools

Worksheet 3.2

SHORT-TERM LEASE CHECKLIST

Use this worksheet to ensure key areas are addressed in your discussion of a lease agreement. Each item will require discussion between both parties and legal counsel.

1. Who are the parties? Make sure you have evidence of ownership and authority to act if the landowner is an entity (ie. LLC, estate, trust) other than an individual. Make sure the lease binds “heirs and assigns.”

2. What will be the lease term (length in years)? State law may require recording of the lease or memorandum in the register of deeds for the county where the land is located.

3. Will the lease be renewable? Will both parties have the option to renew or not renew? How much notice is required for renewal, and what is the procedure?

4. Do you have an adequate description of the property (real and personal) to be leased (land, boundaries, farm structures, residence, equipment, etc.) If a good written description is elusive, include an FSA aerial photo or GIS map with boundaries marked as an exhibit.

5. How much and what type of rent will be paid? When must the rent be paid? (see worksheet Determining Rent)

6. If the agreement includes a residence, will there be a separate residential lease?

7. What will be the allowable and prohibited uses of the property under the lease? If chemicals are allowed, who bears liability for their misuse?

8. How will the landowner and the tenant allocate responsibility for repairs and maintenance of the property? (see worksheet Repairs and Maintenance)

9. How will the landowner and tenant allocate responsibility for capital improvements? If the tenant invests in capital improvements, how will they be compensated?

10. Who will be responsible for obtaining and maintaining insurance - liability, casualty or crop insurance?

11. What actions by either party will constitute default under the lease? Will the non-defaulting party have the right to terminate the lease or withhold rent until the default is cured? Will the lease include a procedure for dispute resolution?