

This article originally appeared in the September 2001 issue of Community Trends, the monthly magazine of the New Jersey Chapter of the Community Associations Institute.

**A LAUNDRY LIST OF IMPORTANT ISSUES TO
ADDRESS WHEN NEGOTIATING WITH A LAUNDRY VENDOR**

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Most associations that provide a laundry room for their residents contract with an outside company to operate the room. Every laundry contract must be carefully negotiated so that the rights of the association are protected. Attorneys, managing agents and boards of directors can negotiate a favorable, fair contract with a laundry vendor by making sure that the following issues are addressed:

1. **Term**: It is common for the term of a laundry contract to be eight to ten years. While it would be in the best interest of an association to try to negotiate a shorter term, it is unlikely that the vendor will agree, since the vendor normally will install brand new machines at the beginning of the term, which are intended to last for the duration of the contract.

2. **Automatic Renewal**: Many laundry contracts contain a provision under which the contract automatically renews upon its expiration, for another term of equal length, unless the association notifies the laundry vendor of its intention not to renew. This type of provision usually requires the association to give such notice during a short window of time, which is typically months before the expiration of the original term. An association should **insist** that any such provision be deleted from any proposed laundry contract, since it is quite possible that, eight to ten years after the execution of the contract, the managing agent or Board that negotiated it understandably may not remember to cancel it by the specified deadline. Moreover, the managing agent and Board that negotiated the original contract may no longer be in place.

Some form contracts also provide that, on a few days' notice to the association, the vendor may unilaterally choose to replace all of the laundry equipment with comparable equipment during the term of the contract, and that the original term will thereby be automatically extended for an additional few years. The association should demand that such provision be deleted. In the alternative, the association should insist on a provision stating that for the extension to be valid and enforceable the association must agree to it in writing, with a duly enacted Board resolution attached.

3. **Equipment**: The vendor should list the exact make and model numbers of the washers and dryers it intends to install, as well as the initial metering of the machines (e.g., \$1.00 per wash cycle, \$1.00 for sixty (60) minutes of drying time). The association should also insist that there be a cap on the amount the vendor can charge, during the term of the agreement, for a wash cycle and an hour of drying time.

4. **Rent**: It is common for a laundry vendor to pay a fixed amount of rent to the association. Sometimes, a laundry vendor may be willing to pay, as additional rent, a portion of

collections. A laundry vendor also may insist on adding a provision to the contract that allows it to reduce the rent payable to the Association if the vendor is not receiving a stated minimum amount of revenue each month, in order to “break even.” A vendor’s reduction of rent payments can result in a major dispute with the association.

Accordingly, it cannot be emphasized strongly enough that the association must exercise painstaking care to assure that the rent provision, and the circumstances in which the vendor can reduce its rent payments to the association, are clear and unambiguous.

One common rent reduction example is as follows: The laundry contract may require the vendor to pay the association \$1,000.00 per month in rent, but entitle the vendor to always retain, as minimum compensation, the sum of \$750.00 per month to cover its operating costs. The contract may further provide that in the event that the vendor does not collect \$1750.00 per month, it may still keep \$750.00 from the total amount of money collected from the machines, but may reduce the rent otherwise payable to the association. Thus, if the vendor were to collect only \$950.00 in a given month, the vendor would be required to pay the association only \$200.00 instead of the \$1,000.00 that the association expects.

It also is prudent to include provisions in a laundry contract which provide that: (a) the rent is due by a certain day of each month; (b) a representative from the association shall have the right to be present during the collection of coins from the machines; and (c) the laundry vendor must provide the association with a monthly written report of the amount collected from all washers and dryers.

5. Security Deposit: While it is unusual for a laundry vendor to agree to post a security deposit, an association may wish to consider requiring the vendor to post the last month’s rent in advance to secure the vendor’s obligations under the contract.
6. Use of Other Laundry Equipment: A laundry vendor will often insert a provision in a contract stating that the association is prohibited from allowing anyone to install or maintain any laundry equipment elsewhere in the building. In the event that a resident does have laundry equipment in an individual unit, it could be considered a breach of the contract by the association. So, it is important for an association to investigate, be aware of, and address in the contract the existence of laundry equipment in individual units. A more simple alternative is to eliminate this provision from the contract entirely.
7. Service: A laundry vendor will usually agree to service, maintain and repair the laundry equipment, at its own cost and expense, so that the equipment will be in good working order during the term of the contract. Its cost in doing so should not be considered in any way in calculating the minimum compensation to which it is entitled under the rent provision. The association should include in the contract a representation from the vendor that it will repair, or at least start to repair, any individual piece of equipment within a certain number of hours after notice of breakdown.
8. Indemnification: Normally, the indemnification language used in the standard laundry contract (for claims for personal injury and other damages arising from the use of the

equipment) is one-sided in favor of the vendor. To be adequately protected, an association should incorporate language into the contract so that it is indemnified from any claims for injury to person or property arising from the vendor's: (a) negligent or intentionally wrongful acts or omissions; or (b) violation of any local, county, state, federal or other governmental law; or (c) material breach of the contract.

9. Termination: A laundry vendor usually provides that it is entitled to terminate a contract if collections average less than a certain amount, per machine, per day, or if the equipment is vandalized. An association should incorporate its own termination provisions into the contract, such as the right to terminate the contract, on notice: (a) if the vendor defaults in any of its obligations under the contract and, after notice of such default, has not cured the default; (b) if, in any one twelve-month period, the vendor commits three defaults under the contract, even if the defaults were all promptly cured after the association notified the laundry vendor; and (c) after the occurrence of theft or any other act of a dishonest, illegal or criminal nature by, or the insolvency, dissolution or bankruptcy of, the vendor.
10. No Right of First Refusal: An association should not allow the laundry vendor to have a right of first refusal after the expiration of the contract. In other words, an association should not be obligated to provide the laundry vendor with an opportunity to match an offer from another vendor to provide laundry services.
11. Unit Owner Relationships: An association may consider adding terms to the contract that require the vendor to promptly settle all claims regarding loss of coins and damaged laundry.
12. Compliance With Applicable Law: A laundry vendor should represent, in the contract, that it will install and maintain all laundry equipment in conformity with all applicable building, fire, and construction codes or other laws of any governmental authority with jurisdiction over the premises. The vendor should also state that it will comply with all present and future rules of the New Jersey Board of Fire Underwriters (or other similar body), and will not do, or permit to be done, in the laundry room, or bring anything into the laundry room, which will increase the rate of insurance for the building.

The foregoing points highlight some key considerations for an association to address while negotiating with a laundry vendor. Of course, each association should consult with its managing agent and attorney regarding its own specific concerns. Negotiations should proceed smoothly once the vendor is made aware that the association is intent on protecting its interests and will not simply agree to sign the vendor's form contract.