



EASY GUIDE SERIES

# The Easy Retail Leasing Guide

A 6th Avenue Corridor Guide to Opening Your Brick-and-Mortar  
Business

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PRODUCED BY 6TH AVENUE CORRIDOR (6AC)

Des Moines, Iowa • A Main Street America Affiliate  
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# Welcome

Signing a commercial lease is one of the biggest commitments a small business owner will make. It's often a bigger financial commitment than any single piece of equipment, any hire, or any marketing budget. It can also be one of the most confusing steps, full of terms that don't get explained until you're already sitting across the table from a landlord's attorney.

This guide walks through the leasing process in plain language, from the questions to ask before you start looking, all the way to the day you turn the key and open your doors. It's written with the specifics of opening a business here in the 6th Avenue Corridor in mind: our building stock, our permitting process through the City of Des Moines, and the programs 6AC runs to help corridor businesses get open and stay open.

6th Avenue Corridor (6AC) is a Main Street America affiliate serving one of Central Iowa's most vibrant and diverse neighborhoods. Since 2009, we've worked across four pillars — Design, Economic Vitality, Promotions, and Organization — to support the small businesses that make this corridor what it is. Helping business owners navigate a commercial lease with confidence is part of that work.

This guide is for anyone considering brick-and-mortar space on or near 6th Avenue: a first-time retailer, a business outgrowing a home kitchen or online-only setup, a pop-up ready to go permanent, or an existing corridor business looking to renew, expand, or relocate.

## A NOTE BEFORE YOU START

This guide is educational, not legal, financial, or real estate advice. Every lease and every situation is different. Use this as a way to walk into conversations with landlords, brokers, contractors, and lenders with better questions, and lean on 6AC, the City of Des Moines Small Business Support Center, and a qualified attorney for guidance specific to your deal.





# Glossary of Common Leasing Terms

## Base rent

The rent charged for the space itself, quoted per square foot per year, before other charges (see NNN/CAM below) are added on top.

## Buildout / tenant improvements (TI)

The construction work needed to turn a space into your finished business: new flooring, walls, electrical, plumbing, signage, and fixtures. For most new retail and restaurant businesses, this is the single largest startup expense.

## CAM (common area maintenance)

Your share of the cost to maintain shared parts of a property: parking lots, sidewalks, landscaping, snow removal, shared lighting, and property management. Charged in addition to base rent in most commercial leases.

## Delivery condition

The physical state the space is in when the landlord hands you the keys. Ranges from a bare “shell” with no interior finishes to a “second-generation” space with a prior tenant’s fixtures still in place. This single factor drives most of your buildout budget.

## Escalation

A scheduled rent increase built into the lease, commonly 2 to 4% per year.

## Guaranty

A personal promise, usually from the business owner, to cover the lease obligations if the business can't. Iowa landlords frequently ask for one from a new or early-stage business; the scope of a guaranty (full lease term vs. a limited period) is negotiable.

## Letter of intent (LOI)

A short, non-binding document that lays out the major deal terms (rent, term, who pays for what) before either side spends money on a full lease and attorney review. Treat it as the outline the final lease will follow.

## NNN / triple net

A lease structure where the tenant pays base rent plus a proportional share of property taxes, insurance, and CAM. Most Des Moines retail leases are structured this way; ask for the actual dollar estimate of NNN charges, not just the term.



# Glossary of Common Leasing Terms

## Occupancy cost ratio

Total rent and occupancy costs divided by gross sales. A widely used rule of thumb is to keep this under roughly 10% for product-based retail and up to roughly 15 to 20% for service businesses, though your own numbers should come from your own proforma, not a rule of thumb alone. See the worksheet on page 8.

## Percentage rent

An arrangement, less common in smaller corridor deals but still worth understanding, where the tenant pays additional rent once sales cross an agreed threshold.

## Permitted use clause

The lease language spelling out exactly what kind of business you're allowed to run in the space. Get this right and specific; a vague or overly narrow permitted use can limit you later if your concept evolves.

## Personal guaranty cap / rolling guaranty

A negotiated limit on a personal guaranty, either a dollar cap or a "rolling" structure where your exposure shrinks over time as you make payments.

## Rent commencement date

The date you actually start owing rent, which should be negotiated to fall after you've had reasonable time to permit and build out the space, not the date you take possession of an empty shell.

## Security deposit

Money held by the landlord for the lease term, typically equal to one to three months' rent, returned (minus any deductions for damage) at the end of the lease.

## Statutory landlord's lien

Under Iowa Code Chapter 570, a landlord has a legal claim against a tenant's property on the premises to cover unpaid rent. This exists by state law even if the lease doesn't spell it out. Know this going in, and ask your attorney how it could affect your inventory or equipment if you ever fall behind.

## Term

The length of the lease, most often three to ten years for retail space, sometimes with one or more renewal options.

## Use restriction / exclusive use

A clause that either limits what you can sell or do in the space, or protects you from a direct competitor opening elsewhere in the same building or shopping center.

# Section 1: Before You Start Your Search

Before you tour a single space, get clear on the fundamentals.



## Know your concept cold

What are you selling, to whom, and why here? A landlord, and 6AC if you're applying for support, will want a clear, specific answer, not "general retail."



## Understand the corridor

6th Avenue is a walkable, mixed-use commercial corridor with a strong pedestrian and transit base. Do a "windshield tour" and talk to existing business owners before you call a landlord.



## Talk to 6AC early

Our Economic Vitality pillar can point you toward available corridor properties, connect you with the Neighborhood Developer program, and flag E3 loan and grant funding before you sign anything.



## Get a realistic read on timeline

Six months to a year from first tour to opening day is common for a from-scratch buildout in Des Moines — longer for a full shell, shorter for a lightly-finished second-generation space.





## SECTION 2

# Section 2: Build Your Business Plan First

A landlord evaluating your application, a lender considering your loan, and 6AC evaluating your fit for a grant or the Neighborhood Developer program are all asking a version of the same question: does this business have a real, tested plan behind it?

Your business plan doesn't need to be a fifty-page document. It does need to answer, in specific and honest terms:

- **What you sell and who buys it**, in language specific enough that someone unfamiliar with your industry could picture your store.
- **Your realistic trade area**: who you expect to draw, from how far, and why 6th Avenue is the right trade area for that customer.
- **A basic financial projection (a proforma)**: expected revenue, cost of goods, payroll, occupancy cost, and other operating expenses, modeled month by month for year one and annually for at least two years beyond that.
- **How much capital you need to open**, and where it's coming from: savings, a loan, investors, or a combination.

This plan is what turns a space search from window-shopping into a filtered, efficient process. It tells you what size of space, what location, and what rent you can actually support before you fall in love with something you can't afford.

### FREE HELP, BEFORE YOU SPEND A DOLLAR

We offer free building design services and have several other partnerships that can also help building this kind of plan. Check out our website for more details at [www.6thavedsm.org](http://www.6thavedsm.org)



## Section 3: Determining What You Can Afford

Once you have a proforma, translate it into a real estate budget. Work backward from your occupancy cost ratio: if your projected annual gross sales are, say, \$300,000, and you're targeting a 10% occupancy cost ratio, your all-in occupancy budget (base rent plus NNN/CAM) is roughly \$30,000 per year. Divide that by the square footage you actually need to find the rent-per-square-foot range you can support, and compare that honestly to what's listed in the corridor.

Budget the buildout separately from ongoing rent. These are two different pools of money: a one-time capital budget to get the doors open, and an ongoing operating budget to keep them open. A shell space with no existing infrastructure will require a much larger capital budget than a second-generation space that already has electrical, HVAC, and finished restrooms in place. Factor delivery condition into your comparison of one space against another, not just the rent.

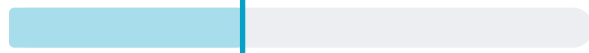
Build in a contingency — a commonly used cushion is 10 to 15% of your total capital budget held in reserve, separate from day-one working capital — and don't forget soft costs: architectural and engineering fees, permitting fees through the City of Des Moines, insurance, legal review of the lease, and a project manager or general contractor's fee. Ask what 6AC and the City can offset; E3 loan and grant funding and facade improvement support can meaningfully change what's affordable.

### Occupancy Cost Ratio Worksheet

*A quick gut-check for whether a space's rent fits your projected sales.*

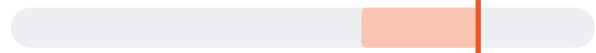
$$\text{Occupancy Cost Ratio} = \text{Total Rent \& Occupancy Costs} \div \text{Gross Annual Sales}$$

#### Product-based retail



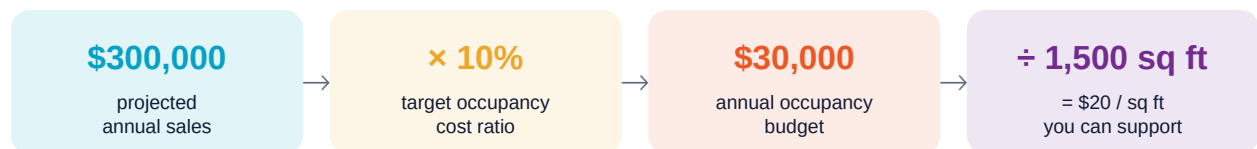
target: under 10%

#### Service-based businesses



target: 15–20%

#### Worked example



#### Now run your own numbers

- Your projected annual sales ..... \$
- × Your target occupancy cost ratio (10% product • 15–20% service) ..... %
- = Your annual occupancy budget ..... \$
- ÷ Square footage you need ..... sq ft
- = Rent per square foot you can support ..... \$/sq ft

# Section 4: Finding & Negotiating the Right Space in the Corridor

Start with 6AC's Properties listings and Directory to see what's currently available or recently occupied along the corridor, and reach out directly. We track more opportunities than what's publicly listed at any given time, including spaces coming available through our Neighborhood Developer work.



## Get a broker or advisor on your side

Landlord-side brokers represent the landlord's interests, not yours. For anything beyond a simple, short-term deal, consider a tenant-side broker or, at minimum, a real estate attorney to review terms before you sign.



## Negotiate the LOI, not just the lease

Once a letter of intent is signed, most of the deal's real substance is effectively locked in. Put your real effort into the LOI stage — the formal lease mostly just documents it legally.



## Ask for early-stage concessions

A phased rent structure, a tenant improvement allowance, or landlord-completed work outlined in a written work letter can all fit a business that's still ramping up sales.



## Negotiate the guaranty

A full, unlimited personal guaranty is common in landlord-drafted leases but is often negotiable down to a capped or rolling guaranty, especially with 6AC or another advocate helping make the case.

## KNOW YOUR RISK BEFORE YOU SIGN

Understand Iowa's statutory landlord's lien (see Glossary, page 5) before you sign, and ask an attorney to explain exactly what it would mean for your inventory or equipment if the business ever fell behind on rent. Also negotiate the rent commencement date to start after you've had a realistic amount of time to permit and build out, not from the day you take possession of an empty space.



## Section 5: The Buildout Process in Des Moines

Once a lease is signed, the buildout begins, and in Des Moines, that means working through the City's Permit and Development Center.

- 1 **Start with a code analysis.** Before drawing plans, confirm the occupancy classification, construction type, and any sprinkler or accessibility requirements that apply to your specific use and space. This shapes everything that follows and can significantly affect cost.
- 2 **Apply for your building permit.** Through the City's Civic Access portal. A commercial permit application requires project details, plans, and, depending on scope, mechanical, electrical, and plumbing drawings from a licensed design professional. The Permit and Development Center (515-283-4500) can tell you up front whether your project needs a licensed architect or engineer.
- 3 **Plan review, then inspections.** Expect a plan review and a plan-checking fee once your application is accepted, followed by scheduled inspections as construction proceeds, and a final inspection before you're cleared to occupy the space.
- 4 **Confirm ADA & accessibility early.** Especially for restrooms, entrances, and circulation. Retrofitting an older corridor building for accessibility is far cheaper to plan for at the permit stage than to fix after construction is done.
- 5 **Choose your general contractor carefully.** Get multiple bids, check references from other small businesses (ideally other corridor or Des Moines small-business buildouts), and confirm they're familiar with the City's permitting process specifically.
- 6 **Loop in 6AC during construction, not just before it.** Our Design pillar and Properties work mean we often know what's involved in a given corridor building, from older building quirks to facade program requirements, before a contractor discovers it mid-project.



## Section 6: Getting Ready to Open

- ✓ **Register for your Iowa sales tax permit** through the Iowa Department of Revenue before you make your first sale. This is a straightforward online registration, but plan for it as an actual to-do item with a lead time, not an afterthought.
- ✓ **Confirm your business entity and licenses** any required state and local licenses are current and match the business name and location you'll operate under.
- ✓ **Get your insurance in place** general liability at minimum, plus any coverage your landlord requires under the lease (commonly a specific liability limit naming the landlord as additional insured) before you take possession or begin work in the space.
- ✓ **Schedule your final inspections** with the City with enough lead time before your planned opening date. Don't set a public opening date until you have a realistic inspection timeline from the Permit and Development Center.
- ✓ **Plan your signage separately** exterior signage in Des Moines typically requires its own permit and, on some corridor buildings, coordination with historic or design guidelines. Start this well before opening week.

### TELL 6AC YOU'RE OPENING

Our Promotions pillar can help spread the word through the corridor's channels, and being listed in the 6AC Directory connects you to corridor customers and fellow business owners from day one.





## Resources & Next Steps



### 6AC Programs

E3 small business loan and grant funding, the Neighborhood Developer program, and additional grants. See the Programs section of 6thavedsm.org, or contact 6AC directly.



### 6AC Properties & Directory

Current corridor availability and the corridor business directory.



### 6AC Corridor Business Login

The members' portal for corridor businesses, with access to service requests, the resource hub, and event perks.



### City of Des Moines Small Business Support Center

Free one-on-one guidance on business planning, financing, and navigating city processes.



### City of Des Moines Permit and Development Center

(515) 283-4500. Building permits, code analysis, and inspections.



### Iowa Department of Revenue

Sales tax permit registration and other state business tax requirements.



### Iowa Small Business Development Center (SBDC)

Free business plan and financial projection assistance.

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*This guide is provided by 6th Avenue Corridor (6AC) for general informational purposes only and does not constitute legal, financial, or real estate advice. Leasing and construction requirements change, and every business situation is different. Consult a qualified attorney, accountant, and the City of Des Moines directly for guidance specific to your project.*

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