

# Building BLOCKS

## The Price of Success: How Smart Planning Adds Up to a Lower Cost per Square Foot

by John Klakamp

I was speaking to a chef at an event I attended last week and during the course of our conversation he mentioned that he was in the early stage of opening his own restaurant. After he found out what I did for a living, it didn't take long for him to ask a question I hear frequently: "How much does it cost per square foot to build a restaurant?" At our table was a very savvy and experienced restaurateur and businessperson,

a no-nonsense guy and person of few words who, upon overhearing this question, looked up and said, "It depends on how many mistakes you're going to make."

His response, while humorous, rings true: your ultimate cost per square foot depends heavily on due diligence and proper planning.

### Critical Calculations

Here are two "game changers" that need to be managed and navigated

successfully in order to achieve the lowest possible cost per square foot.

**1. Negotiate a fair lease.** Leasing a space that has existing adequate utilities and HVAC is obviously the most favorable scenario. However, often landlords will offer "tenant improvement" allowances to offset the cost of any deficiencies. Without the right lease, you start off the process at a financial disadvantage you can never recoup.

**2. Perform due diligence.** This is your best and perhaps only opportunity to manage risk. It is only by thoroughly evaluating the proposed lease space for code compliance, legalities, deficiencies and other challenges that you can accurately determine the true cost to design and build your restaurant.

earliest stages, the process is far more comprehensive, making it much less likely anything will fall through the cracks. For instance, you decide to take over an existing restaurant and remodel the dining area. Unfortunately, you can easily exceed the amount of work allowed under the rehabilitation code and therefore be required to bring the entire restaurant up to current code at a much higher cost than originally anticipated.

When using the teamwork approach, deficiencies, concerns and the scope of work are all identified upfront. The team then agrees on viable and cost effective solutions and uses this information to develop budgets, applying costs based on square footage and costs of similar projects and finishes.

A main difference between larger restaurant corporations and smaller independent owners is that the larger corporations have real estate and construction departments that perform these preconstruction services. In my experience, these invaluable steps are often overlooked by many smaller companies who may not have a second chance to make up for the resulting failure. I simply cannot stress enough the importance to perform lease negotiations and due diligence and get it right the first time around.

### It All Adds Up

So, what's the cost per square foot?

A few years ago when times were good, everyone was throwing numbers around. They were seeking a fast, worst case scenario cost because you had to move fast to make the deal. Finding the right space was more important than the cost. In today's economy, cost once again prevails, so the answer is not as cut and dry. But what is clear is that without understanding the concept, evaluating the space, having a proposed "work letter" and developing a conceptual budget, there is no way you will know for sure until the job is done.



John Klakamp has more than 30 years experience in restaurant construction and is owner of Annapolis, Md.-based Encore Construction ([www.encoreconstruction.net](http://www.encoreconstruction.net)), a firm that specializes in providing pre-construction, construction and project management services to the restaurant industry.


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