Ready for an office makeover?

Experts advise to plan for what your practice will be in the future

by Joanna Brown

Thinking about redesigning your office space? Does the mere mention of such a project quicken your heartbeat and dampen your brow? Calm down, the veterans say. It won’t be that bad. Knowing what preparations you should make ahead of time and when you should call in the experts is half the battle.

It starts with thinking not just in the short term (white cabinets or natural wood?) but in the long term: consider what your business will look like in five, 10 and 15 years to ensure your construction dollars aren’t wasted on short-sighted decisions.

“You’re going to spend a lot of money, and you want to be sure the decisions you’re making are appropriate not just for your immediate needs, but for the overall business needs,” said Eric Pepa, principal at South Elgin-based Allen and Pepa Architects.

In other words, know what kind of business you are and what you want to be. The build-out and functionality of your office space is an extension of your business’s image and overall business plan, Mr. Pepa explained.
CALL IN THE PROS

Architects come in at the beginning of a project, Mr. Pepa said, to design the overall layout of your new space. They consider code compliance and the functionality of the space, as well as the doctor’s priorities for what the business will become. A spa practice that offers several services will have different priorities than a general dentist who aims to take on a few associates as time passes and the business grows.

“The architect is the overall director of the project,” Mr. Pepa said. “He speaks the language of the contractor and is your agent and interpreter. When the contractor comes to tell you that the price is going up because you need a certain switch, the architect can help you respond. That’s where the real value is: in being able to speak the language of the contractor, code authority, municipality and interior decorator.”

Before calling in an architect, however, Mr. Pepa advised dentists to consider the image you want to present, the services you want to provide, the tools you’ll use to provide them, the community you work in, and the patients you’ll attract. Then, plan for 10-year growth. Will you add cosmetic or spa services to your dental practice? Do you have the rights to the adjacent office space if you want to expand your suite?

Construction contractor Jason Stulberger, of Wheeling-based ACOA, Ltd., agreed with the need to think about your long-term business goals before anything else.

“Do you envision a five-operatory office in five years? Talk to your contractor about building them all now, even though you’ll only furnish and work out of two immediately. You’ll save money down the road when you want to use the additional operatories,” Mr. Stulberger said. “Consider also how those rooms will be used — what other needs will you have for plumbing and electrical if they will be occupied by a specialist?”

The next step is to assemble your team. Yes, the customer is always right, but Mr. Pepa explained that getting your team — architect, general contractor, equipment vendors and financial team — in place up front allows the dentist to understand where each player is coming from as planning moves ahead.

The architect will handle the overall scope of the project, while the general contractor addresses the nuts and bolts and manages costs. Your equipment vendor will provide reasonable cost estimates, as well as details that affect build out. And your banker and accountant will help you hone in on an overall budget for both the project and the long-term financial success of your practice.

BARE ALL

The banker will want to know a lot about you, so have ready financial statements for both your business and yourself in hand when you call the bank, advised Chuck Gitles, first vice president of American Chartered Bank, in Northbrook.

“If you’ve gone to the contractor and the architect, go to the bank with your budget for the project,” Mr. Gitles added. “That allows the bank to look at you and say ‘you’re going to spend X, so I can fund Y.’”

Most banks will lend 70-80 percent of a project’s cost, Mr. Gitles explained, so be prepared to put some of your own cash into the project. Banks don’t want to take on 100 percent of the project risk with their loans; showing that the dentist and practice are similarly invested in the success of the project — through their monetary investment in a construction project — is important.

But, if the practice is a young one without a track record of success, the dentist may be asked to personally guarantee the loan to the practice, so talk to your spouse and your financial planner about what assets you have for such a guarantee.

GET TO WORK

“If you’re going to do a full gut renovation, where you’ll be coordinating multiple trades and contractors, then you’re definitely going to need to have a licensed professional with you,” Mr. Pepa said.

“Most municipalities require the signature and seal of a licensed architect when you’re dealing with codes, life safety issues and energy costs,” he continued. “The requirements have gotten a lot more stringent these days.”

He added: “Understand that while interior designers can help you with colors, furnishings and material selections, they are not licensed to practice architecture or seal drawings, which will be required for any substantial renovation project.”

A general contractor, Mr. Stulberger explained, will help you assess the limits of your space, and also provide a cost estimate that you can take to the bank if you’ll be applying for a loan.

“When you think about doing a project, call a contractor,” said Mr. Stulberger, who has 20 years experience and more than 200 dental offices in his portfolio. “We can look at the space, talk about what’s realistic, and do some interior space planning.” This includes the kinds of finishes you’ll want on the countertops and walls, which can have a dra-
matic impact on the price tag — consider the difference between granite, Corian and laminate counters. Having a complete and accurate estimate will help your banker make an accurate assessment of your lending potential.

Hiring architects and contractors can be intimidating, but shouldn’t be. Sometimes they work in teams, so that one phone call will net you a few professionals who are used to working together. If you choose instead to hire each separately, look for professionals who are already familiar with dentistry, Mr. Pepa and Mr. Stulberger agreed.

‘Get referrals from friends, visit sites that the company has already completed and see the quality of their work. . . Make sure you’re using the right people. Go with people who know dentistry.’

“This proves that they can do what they say they’ve been doing,” he said. The same goes for your lender. Mr. Gitles recommended talking with your attorney, your accountant and other entrepreneurs who have made similar-sized investments in their businesses about the lenders they respect, and then talking to two or three different banks from their list of recommendations. The smallest loans — less than $50,000 — will find the most success with the biggest banks, while larger loans can best be handled by midsize banks, he advised.

In addition to references, request a timeline for your project. These can vary based on the size and scope of the job and the location of your office (storefronts and high rise office suites present very different construction challenges), as well as any need you have to work in phases so that the business never completely shuts down.

When you request a construction estimate, request that it be itemized, Mr. Stulberger said, so that you are comparing like services. The estimate that comes in lower than others may be leaving out key items like permits, or the high bidder may have included unnecessary items. Mr. Stulberger recalled one estimate where the client in a medical building asked why one bid was so much lower than the others. The high bidders had included in their itemized bids heating and cooling units — which the building owner was already committed to provide for his tenants.

The lesson here, he said, is that itemized estimates will help you and your contractor understand why one bid stands out from the others.

THE BOTTOM LINE

The other party that needs to be in on these discussions is your financial team: your accountant to anticipate how you will repay a loan and how your revenue may change during construction, and a lender who will assess your business plan and performance to decide how much you can take on when you present your wish list.

Mr. Pepa said that upfront costs in any build-out can vary wildly. Installing all LED lighting, he used as an example, will be expensive up front, but has a 10-year payback in energy savings. Other things to consider are if you will be buying new equipment or retaining the existing equipment, and the projected size of your staff. You can design an office now with unfurnished space for a fourth operatory, in anticipation of adding an associate later, to minimize expenses.

“A lot of it goes back to ROI: what’s worth doing now,” Mr. Pepa said. “The costs are not as important as the return for which you’re investing in. Short-term decisions are easier and cheaper now, but then you’re stuck. Dental offices are capital intensive, so you must think long term.”

Ms. Brown is the CDS senior writer.