

How and When to “Build” Your Business



By
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With two quarters of economic growth in the books, most now agree that the recession is over. Although the sky no longer appears to be falling, one cannot yet declare that happy days are here again. The uptick in employment numbers is lagging and there is an understandable skittishness in consumer spending. So it comes as no surprise that many in the retail and hospitality industries are reluctant to invest the time and resources into a renovation or construction project.

But should they? Recent articles in the New York Times and the Boston Business Journal suggest that restaurants and hotels are already seeing a significant upturn in business. Coupled with the fact that the construction industry historically lags the rest of the market in recovery, now may be the perfect opportunity to take advantage of competitive pricing in the construction market. But where to begin?

Assuming that financing has been secured and that a build-out or renovation is an economically sound plan for your business, the first step is to determine the right project delivery mechanism. A restaurant, retail store or hotel operator has several options when it comes to managing its project. The choice depends on its budget and appetite for direct involvement in the project.

- **Outsource to Project Management and Construction Coordination.** The most hands-off approach is to hire a company that manages all facets of a build-out – from hiring the architect, contractor, and designer, to assessing technology needs and securing related vendors, to managing the move and furniture installation. These companies generally work on a fee-for-service basis, which means that you may pay a premium, but you’ll have the peace of mind to know that the project is in capable, experienced hands (and the burdens of an often complicated process are on someone else’s shoulders).
- **Design-Bid-Build.** The most conventional route for a retail or hospitality operator is to hire an architect and/or engineer to design the project and then to send those completed plans out to bid to general contractors. Once the bids are submitted, the Owner selects the general contractor based on a variety of factors including price, reputation, and experience. With this option, known as design-bid-build, you retain some control of the basic elements of the project and costs, but usually can offload much of the project management to the architect or a Construction Manager. With greater competition for fewer jobs in the general construction market, the supply of quality and able contractors and architects has rarely been more affordable. On the downside, the design-bid-build option takes longer since the designs must be complete before the contractors can bid and build. In addition, the Owner can feel too far removed from the project due

to the levels of people between it and the actual work being performed.

- **Design-Build.** A final option and one that is preferred for smaller build-out projects is to hire a general contractor that offers “design-build” services – or in-house design services without the need for an architect. Of course, the designs produced by such a contractor still must meet with code and engineering requirements. This option usually offers a more cost-effective and efficient construction model since the “pre-construction” work can get moving before the finished plan is finalized and the chance for miscues between the architect and contractor are minimized. There are also obvious cost-savings to this model since the Owner does not have to hire an architect. Of course, the Owner has more direct involvement in construction and design decisions which, depending on the operator’s preference, can be either a positive or a negative. If you choose this option, be sure your design-builder has the proper errors and omissions insurance policy to cover potential losses caused by faulty design.

Whichever option you choose, the most important consideration to make is timing. A well-timed, well-managed construction project can help a retail, restaurant or hospitality company make the leap from the “survive” economy we’ve endured to the “thrive” economy that awaits.

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