

# Restaurant Franchising 101: An Architect's Perspective on Things You Need to Know



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by T. Neal Kanipe, AIA, LEED AP / Hospitality, Food Service & Retail Studio Director



**At McMillan Pazdan Smith,** it has been our pleasure to work closely with quite a number of first-time restaurant owners as they've set out to establish their own franchise. As we see it, your success is our success. Having participated in the delivery of many successful food and beverage establishments, we're able to distill a few simple and straightforward suggestions from all that we've learned along the way.

## Franchisor Support: What kind of support will the franchisor offer you from the beginning to the end?

Each franchisor has its own way of providing support to the franchisee. You can learn what to expect by following a few simple steps:

### > TALK TO A FRANCHISEE THAT RECENTLY OPENED A LOCATION:

Talking to a fellow franchisee who recently finished the same process on which you are about to embark can give you great insight into possible pitfalls. They can also offer firsthand knowledge about opportunities for improvement in how things are done. With the process and memories fresh in their minds, this is your best opportunity to catch those small tips, tricks, and tidbits that can save you frustration, time, and even money.

### > TALK TO A VETERAN FRANCHISEE:

Find someone that has been through the process several times — often, they can provide a different perspective. This type of colleague comes with a fully developed knowledge base, built up through repetition. They can often share numerous ideas on how to facilitate the process, shorten timelines, and improve operations, among many other things. Perhaps most importantly, a veteran franchisee can usually offer some reassuring words for a first timer like yourself.

### > TALK TO YOUR ARCHITECT:

Your architect has many roles they can play in the process to protect you, the owner. Take the time to learn from us about the full extent of services available to you. We can help you understand if the building you are selecting is the right size: Is it too big? Too small? The wrong shape? We can also help you sort through the inevitable code issues that arise in restaurant design and construction. And, we can quickly identify both the immediate problems and the potential concerns within the built environment that might not be apparent from the outset.



## The Importance of Schedule:

Do you understand the reality of the complete project timeline from when you sign the deal to the day you open the door?

While the general steps in the design + construction process are very much the same for all projects, we can always count on specific nuances with each new project. We have found that one of the most beneficial steps at the start of each project is to establish a working schedule that will guide the process from beginning to end.

### > KNOW WHEN YOUR FIRST RENT CHECK IS DUE. (EASY, RIGHT? KEEP READING...)

Whether you are leasing a piece of land to construct a new building or simply up-fitting an existing space, it is critical that you understand what kind of "grace period" you have before that first rent check is written. More specifically, you need to understand everything that has to happen so that your doors are open when the first rent check gets written.

For example, an inline space may come with a 90-day rent free period, which might be enough time to get the space built and ready to open — but only if you have *everything* else in place and the contractor is ready to start working on day one. To do this, you must understand everything that needs to be completed and in place before the clock starts ticking towards opening day.

### YOUR PATH TO OPENING DAY



#### Step 1: Sign, Locate, & Negotiate

In Step One, you will sign the franchise deal with your franchisor, find a suitable location for your new business, and negotiate the lease with the landlord.



#### Step 2: Select, Design, & Permit

In Step Two, you will select your architect to guide you through the rest of the process, design the space to suit your budget and needs, and request the appropriate permits for the building.



#### Step 3: Select, Negotiate & Construct

In Step Three, you will select the contractor who will build your space, negotiate the total construction costs, and actually construct the restaurant.



#### Step 4: Training & Opening

In Step Four, you will conduct the training of your staff to prepare for Opening Day and plan your franchise's Grand Opening event.

## > ASK THE RIGHT QUESTIONS

Many of the items we've listed in the potential schedule can happen concurrently, helping cut the timeline. However, keep in mind that this seemingly simple process – buy a franchise, design the space, build the space, done — can become rather lengthy, complicated and involved if not properly planned. To help you sort through some of the dilemmas you might encounter, here are a few questions you may need to ask along the way:

### ASK YOUR FRANCHISOR...

- Will they provide a floor plan layout specific to the space you select as part of the franchise deal?
- What is the time frame for getting that floor plan?
- What other design elements will they provide? (Interior elevations? Lighting layout? Kitchen equipment layout and specs?)
- Do they require a review of your final design? How long does that review take?

### ASK YOUR LANDLORD...

- Are there as-built drawings of the lease space available?  
How accurate are they?
- If no as-builts exist, who will pay to gather this information?  
(Negotiate this as part of your landlord's responsibility in your lease!)
- Does your landlord require a review of your design? How long does that review take?
- Are there restrictions on when construction can occur?  
(i.e. night only, no weekends)

### ASK YOUR ARCHITECT...

- How long will it take them to complete the design?
- How long does it typically take to get a building permit in that municipality?

### BEFORE YOU TALK TO A GENERAL CONTRACTOR...

- Decide if you will bid the project or negotiate a price
- If bidding, do you want to qualify your bidders? (Trick question! Absolutely qualify your bidders, and never "put it on the street" for bidding unless you understand the implications.)

### ASK YOUR GENERAL CONTRACTOR...

- How long do they expect construction to take?
- When can they start the project?
- What is the construction schedule?
- What kind of things can impact this schedule? Are they aware of any complicated product lead times that need to be ordered early?

## The True Cost: from signing day to opening day, do you know the full cost?

Sometimes, costs in a venture like this are hidden within the overall framework of professional services. It's critical to bring these out in the open, making sure that all costs are clearly noted and carefully reconciled from the beginning.

**Carefully account for legal fees.** There will be multiple contracts you will negotiate and sign as part of this venture, and legal counsel is good to have for most of them. Find a good attorney and understand what services they can provide and at what cost. Here are just a few of the contracts that would be part of a typical project:

- ▶ **Contract for the Franchise**
- ▶ **Contract/lease for the Space**
- ▶ **Contract with the Architect**
- ▶ **Contract with the General Contractor**
- ▶ **Contracts/leases for Equipment and Services**



**Don't let architectural fees surprise you just because you didn't think design was required for construction.**

Think about it this way: Most people buy a house that is already built, or they buy a house built from "stock plans." Neither of these approaches require you to engage the services

of an architect. Yet, in the detailed design of a restaurant, architects provide so much more than just the drawings and specifications by helping guide the entire process from start to finish. Talk to several architects, review their experience with the design of restaurants. Talk to some of their past clients, and make sure you discuss fees and associated services with each architect. Some architects may resist giving you any information about fees until you agree to work with them. But most will be willing to give you a general idea, or a range, of what the fees may be.

**Construction will likely be the biggest slice of your project cost pie.** Construction labor and material costs can be shocking to someone that's never constructed a commercial space before. It is important to understand that you cannot compare the cost of home renovations you recently completed to that of building a restaurant. These are two different worlds, entirely!

**Don't forget training and soft opening costs!** The actual figures may vary wildly, but these are real costs and represent money you are paying out before you sell your first entree! Know it, understand it, plan for it.

## The Lease: Understand what it says — and more importantly, what it doesn't say.

To understand your property obligations going forward, here is a series of simple but important questions that often go unasked.

- ▶ **What is the landlord providing?**
- ▶ **Is the space a cold dark shell? Warm dark shell? Vanilla shell?** (See box below for descriptions.)
- ▶ **Is the landlord providing HVAC, and is it enough?**
- ▶ **Does your lease provide an allowance to offset construction costs?**
- ▶ **What utilities are provided to the space, and are they adequate (water line size, electrical service, etc.)?**
- ▶ **Are there accessibility (ADA) concerns inside or outside the space, and who's responsibility are they?**
- ▶ **Is the space sprinklered; will it need to be; and who's covering that cost?**
- ▶ **Is there a grease interceptor, and do you need one?**

Recognizing the various building shell delivery conditions can be somewhat confusing and the exact details can vary from landlord to landlord, from contract to contract. We have outlined the 3 most common industry standard delivery conditions and included a sample photo to help put a visual that best connects to the written word.

### MORE THAN AN EMPTY BOX



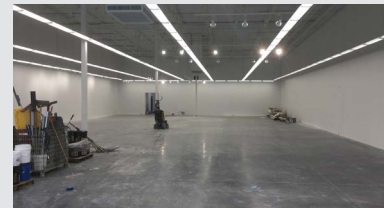
#### Cold Dark Shell:

- No HVAC
- No lighting/electrical, with panel set in space
- Concrete slab may be fully in place or partial leave out
- No ceiling, floor finish, or wall finishes (structure is exposed)
- Utilities stubbed into space



#### Warm Dark Shell:

- HVAC installed with duct stubbed in (no distribution)
- No lighting/electrical with panel set in space
- Concrete slab may be fully in place or partial leave out
- No ceiling, floor finish, or wall finishes (structure exposed)
- Utilities stubbed into space



#### Vanilla Shell:

- HVAC installed with ducted distribution
- Restrooms installed with walls
- Ceiling installed with lighting
- Exterior walls may be finished with gypsum board
- No interior partitions installed

## The Successful Restaurant Franchise

At the end of the day, we want the entire process to run smoothly from start to finish, leading to an opening day bright with promise for the future! As your architect, we will visit your restaurant beyond opening day to learn from your experiences, helping us understand future design improvements and opportunities to learn from your successful operation.

## About the Author



### STUDIO DIRECTOR / HOSPITALITY, RESTAURANT + RETAIL

**T. Neal Kanipe, AIA, NCARB** has 20+ years of design experience in the hospitality, restaurant, and retail industry. His broad experience and industry knowledge has afforded him the opportunity to successfully provide complete design services for some of the nation's largest and most recognized restaurant brands, and numerous retail development clients. He is skilled in executing projects efficiently while also building a collaborative atmosphere between his team and the client, leading to successful results and long-term client relationships.

McMillan Pazdan Smith is a regional, studio-based architecture, planning and interior design firm. Practicing since 1955, McMillan Pazdan Smith currently has offices throughout the Southeast in Charleston, Greenville and Spartanburg, SC; Asheville and Charlotte, NC; and Atlanta, GA.





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