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# Open Up Shop!

A Brick-and-Mortar Readiness Guide  
for Small Business Owners

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Neighborhood  
Business Initiative



MICHIGAN  
COMMUNITY  
RESOURCES

**Hello from 2021!** This guide is being published at a time when a lot of business owners are thinking critically about how to (re)organize their space in light of the COVID-19 pandemic and social distancing guidelines. While the long term impacts of the pandemic are yet uncertain today, we are confident that brick and mortar spaces will continue to be an important part of the fabric of neighborhoods, spaces where people shop, dine, work, and gather in community. As such, the information in this guide will continue to be relevant even as the COVID-19 pandemic re-shapes the way businesses operate going forward.

*To keep up to date on information about how to operate safely and resources to help your business thrive, please visit [www.detroitmeansbusiness.org](http://www.detroitmeansbusiness.org).*

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**Produced by**



**Neighborhood  
Business Initiative**



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**With Support From**



# About the Authors

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The **Neighborhood Business Initiative (NBI) Worktable** worked with the **Detroit Economic Growth Corporation (DEGC)** to create this workbook with support from the **New Economy Initiative (NEI)**.

The **DEGC** is dedicated to Detroit's growth. The organization designs and implements innovative solutions that drive investment, create jobs, and advance the economy of the City of Detroit through public-private collaborations. DEGC's Small Business Team provides a host of resources to help startups and established businesses grow, succeed, and generate even more economic vitality.

The **NEI** is a philanthropic collaboration and special project of the Community Foundation for Southeast Michigan that is working to build a regional network of support for entrepreneurs and small businesses. Its mission is to grow an inclusive culture of entrepreneurship in southeast Michigan that benefits all residents and strengthens the regional economy.

**MCR** advances the missions of Michigan nonprofit organizations that serve low-income individuals and communities through pro bono and low cost legal and other professional services, organizational development, and trusted guidance.

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# About 'This Guide

Congratulations on considering a brick and mortar shop! Finding the right place and getting your business set up can be a long and challenging process, and it requires a lot of forethought. This guide is intended to help you on your journey to opening up shop. There are so many factors to consider – location, price point, size, etc. – and it can be complicated, so please take your time with this booklet and consider whether you are truly ready. Luckily, there is lots of help along the way, so please seek help from an expert where you need it!

**Open Up Shop!** is written to offer hard truths to ensure brick and mortar is really right for you, as opening and operating a storefront requires you to commit many resources including time, labor, and money, among others. If you are a start-up business, an in-home business, or a co-working tenant looking for your own space, this guide is for you. It may also be helpful to small business owners who are looking to expand or relocate from their existing brick and mortar shops.

This guide will walk you through some essential steps for opening a commercial space, including:

- **Getting your business plan in order so you can plan for the right space**
- **Deciding what kind of space you need**
- **Choosing a location**
- **Designing and constructing your space**
- **Opening your doors**

Note, this guide is written in an approximate chronological order, but because of the complex nature of hunting for real estate that serves your specific business needs, the steps may shift or repeat, or go in a different order for every person. For this reason, we recommend reading this guide in its entirety before getting started and referring back to various sections as often as you need to.

The goal is to get you to open with fewer surprises along the way, but again, keep in mind that you will likely go through trial and error iterations of many of these steps.

**Patience is key in this process.**

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# Preface

*Don't be afraid to ask for help!*

Starting a business is not easy, and you should hire trusted professionals to help along your journey. Luckily, Detroit is home to many entrepreneurial support organizations and professional service providers who offer free and paid technical assistance to get you to the brick and mortar finish line.

Finding a real estate broker to help you find space, an architect to help you plan and design the store, and a project manager to help you build it are smart ideas, but they all cost money. Be sure to build those into your costs – skimping on an expert team could be much more expensive later.

# Have you assembled a support team?

## STEP 1 | Familiarize yourself with the experts.

Detroit has one of the most extensive networks of business support organizations. Check out [www.detroitbizgrid.com](http://www.detroitbizgrid.com) to find services that range from business planning and strategy to real estate assistance, funding and beyond. Identify organizations that can support you and, refer back to the list for assistance if hiccups arise in the process to open. There are also events such as webinars or classes listed at [www.startupspace.com](http://www.startupspace.com), and you may access 1:1 expert advising sessions or search for funding at [www.detroitmeansbusiness.org](http://www.detroitmeansbusiness.org).

## STEP 2 | Select professional services providers.

The following professionals play a critical role in the brick and mortar journey and provide a great dose of reality when making decisions! When determining which professional is right for you, consider their experience working with startup businesses and real estate projects.

Professional	Role
<b>Lawyer</b>	Ensures your business is legally protected by guiding decision-making in terms of entity formation, contracts, etc. and reviewing and preparing inspection, lease, purchase agreement documentation. Make sure they review each contract with the professionals below.
<b>Accountant</b>	Keeps accurate financial records to help you qualify for funding and financing opportunities, to file annual tax and business licensing documents, and to consistently monitor the business's economic status
<b>Broker</b>	Showcases real estate opportunities throughout the city and help guide location decisions. Brokers often have a deep knowledge of existing and emerging market conditions that impact the success of your business.
<b>Architect/Engineer</b>	Translates your business vision into physical space. A registered architect or professional engineer is needed to approve plans that comply with inspections and permits.
<b>Contractor/Project Manager</b>	Offers the breadth of services needed to reliably construct the project or have partnerships with subcontractors as needed (e.g. mechanical, electrical, plumbing, etc.)
<b>Branding/Marketing Professional</b>	Creates and/or refines your business's overall visual identity including, name, tagline, messaging, and collateral (i.e. logo, color palate, font, menu design, etc.) and how those all translate into your physical space

## STEP 3 | Take ownership of this process.

Ultimately, it is up to you to ensure your brick-and-mortar store opens. You will need to be hyper aware of your business and whether you are getting what you need from your team of professionals. If your expectations are not being met, consider why and what needs to change including the who.

# Are you familiar with brick-and-mortar terms?

Use this glossary as a reference to help define the many complex terms that will be presented in this workbook and used during conversations throughout the process.

### Business Definitions

<b>Business Entity</b>	An organization created by one or more natural persons to carry on a trade or business. Types of business entities include corporations, partnerships, limited liability companies, limited liability partnerships, etc.
<b>Assumed Name</b>	Another name for your business that avoids the need to create another single entity. An assumed name also allows for a single entity such as a LLC to operate multiple businesses without creating a new legal entity for each business.
<b>Federal Employee</b>	A unique nine digit number assigned by the Internal Revenue Service (IRS) to business entities operating in the United States for the purposes of identification.

### Retail Definitions

<b>Co-tenancy</b>	A clause in a retail tenant's lease that provides remedies to a tenant in the event that another tenant, typically an anchor or major tenant, ceases its operations at the property
<b>E-commerce</b>	Electronic commerce is the buying and selling of products or services mostly through the Internet. Typically, transactions are carried out via desktop and laptop computers as well as on mobile devices such as smartphones and smart tablets.
<b>Experiential Retail</b>	The notion that people buy goods online but pursue experiences at brick-and-mortar locations (i.e., do yoga, eat at restaurants, visit flagship stores for experience and entertainment, etc.).
<b>Gross Leasable Area</b>	A site calculated as the summation of all rentable areas plus all common areas of a building.
<b>In-line Store</b>	A retail store placed adjacent to neighboring retailers so that the fronts of the stores are in a straight line and behind what is considered the lease line. Tenants operating in the common area are not considered in-line vendors.
<b>Pop-up Retail</b>	A retail store, restaurant or kiosk intentionally designed to be in a location for a finite amount of time (i.e., a restaurant that opens for six months so it can test a market, or a store that operates in a location during the holiday season only).



# Preface

## Building Status Definitions

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**Proposed or Planned** A building that has received zoning approval but has not yet started construction.

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**Letter of Intent (LOI)** A letter of intent is an agreement(s) between two or more parties before an actual agreement, such as a lease, is finalized. It is similar to a term sheet or memorandum of understanding (MOU). While LOIs may not be binding, provisions of them can be, e.g., non-disclosure and exclusivity. The intent is to protect both parties in the transaction until the transaction is executed.

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**Under Construction** A building is under construction when construction permits have been obtained and site excavation has begun. If a site is being redeveloped, demolition of existing structures does not necessarily indicate that construction has begun. Sites are sometimes cleared years in advance of a groundbreaking.

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**Under Renovation** A building is typically under renovation when construction permits have been obtained and demolition has begun. A building is under renovation if it remains inhabitable by tenants during the construction. If an existing building is gutted extensively (i.e., elevators and bathrooms do not function and it can, therefore, not be occupied by a tenant), then the building should be removed from inventory and redelivered when the occupancy permit is issued.

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**Delivered** A building that has completed construction (i.e. obtained its certificate of occupancy aka COO). With a COO, the property will be considered delivered whether or not tenants have occupied the space. (Synonyms: completion; new supply)

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## Neighborhood Definitions

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**Submarket** Submarkets are geographic divisions of markets. These smaller divisions or boundaries are generally recognized and accepted by the real estate industry and the business community in a market and region. Submarkets are geographic boundaries that delineate core areas that are competitive with one another, and together they constitute a generally accepted secondary set of competitive areas. In the real estate industry, submarkets are building-type specific and are nonoverlapping contiguous geographic designations with a cumulative sum that matches the boundaries of a market. They contain properties sufficient to provide meaningful information for aggregate statistics.

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**Urban** Urban areas are commonly identified with a city, are typically built on a traditional street grid, have consistent building setbacks, have sidewalks and usually include multiple-story buildings.

## Lease Terms: Rent

### Rent

Annual revenue is often used as the basis for rent affordability. According to national standards, 6%-10% of annual revenue is typically dedicated to rent. Startup businesses often have a greater rent to sales ratios, but you should have realistic plans to grow revenue to meet national standards. Rent per square foot is typically an annualized rate.

Converting Annual Rent.

Assumptions: 3,000 square foot building; \$14 contract rent per square foot

Rent Per Square Foot to Monthly Rent

Monthly Rent to Rent Per Square Foot

### Asking Rent

The amount asked by landlords for available space, expressed in dollars per square foot per year in most parts of the country (and per month in areas of California and other selected markets). (Synonym: face rate)

### Effective Rent

Expressed in dollars per square foot either per year or per month depending on market standards, it is a measurement of the value of the lease when all the concessions plus escalations are included. Effective rent calculations may vary according to local market practices; for example, in some markets, broker commissions are included.

Effective Rent Calculation

Effective Rent = (total rent – free rent – cash allowances) / lease term / rentable square foot

Total Rent = rent paid during the term of the lease including escalations

Note: Cash allowances can include free rent, moving allowances and other cash considerations.

Assumptions: 5,000-square-foot (sf); lease 36 months; \$25 contract rate with \$0.50 annual escalations; 1 month free rent (first month)

Formulas	Total Rent
Year 1 (11 months)	$\$25.00 \times 5,000 \text{ sf} \times (11/12) = \$114,583$
Year 2 (12 months)	$\$25.50 \times 5,000 \text{ sf} = \$127,500$
Year 3 (12 months)	$\$26.00 \times 5,000 \text{ sf} = \$130,000$
Total Rent or Consideration	\$372,083
Effective Rental Rate	\$24.85/sf/year

### Occupancy Cost

Includes rent, real estate and personal property taxes, plus insurance, depreciation and amortization expenses.

## Preface

### Lease Terms: Lease Types

<b>Gross</b> (full service)	Landlord pays all or most of the operating expenses and taxes. Costs of operation must be disclosed in lease.
<b>Modified Gross</b>	Expenses are divided between tenant and landlord. Costs can be double or triple net depending on terms of lease.
<b>Net</b>	Tenant pays all operating expenses. Landlord must disclose tenant responsibility in lease.
<b>Triple Net</b> (NNN)	Tenant pays all operating expenses, taxes and insurance. Landlord is responsible for structure, roof and maybe parking lot.
<b>Master</b>	An overarching/controlling lease stipulates terms and length. Note, a sublease cannot extend beyond the master lease
<b>Renewals</b>	The right of a tenant to extend the lease term for a specified period of time at a predefined rental rate. In many instances, the rate is defined as a percentage of market rent, and in other instances, the rate is a specified dollar amount. An auto-renewal option is a type of renewal option whereby the lease term is extended automatically on the expiration date without any notification requirement. Often, there is a date by which this option must be executed; otherwise, the option expires.

### Lease Terms: Space Delivery

<b>Build-Out</b>	Refers to the interior construction of a tenant's space whether new construction or the reconfiguration of existing space.
<b>White Box</b>	The interior condition of either a new or existing building or suite in which the improvements generally consist of heating/cooling with delivery systems, lighting, electrical switches and outlets, lavatories, a finished ceiling, walls that are prepped for painting, and a concrete slab floor.
<b>Shell Space</b>	The interior condition of either a new or existing building without improvements or finishes. Typically denotes floor, windows, walls and roof of an enclosed premises. May include some electrical or plumbing improvements, but not demising walls.
<b>Tenant improvement</b>	Allowances provided by the property owner and that are negotiated case by case. Note, if TIA are provided, the rental rates may increase.

# The Foundation

*Getting your business in order*

## In this section you will learn:

- ▣ How to incorporate your business as a legal and protected entity
- ▣ Why you NEED a business plan before you move forward and where to find help creating one

## Resources

**SDBC** - <https://sbdcmichigan.org/request-for-business-counseling/>

**SCORE** - <https://detroit.score.org/>

**OBA** - <http://osbornbizassoc.org/>

**LARA website** - <https://www.michigan.gov/lara>

**UM legal clinic** - <https://www.law.umich.edu>

# Is your business a legal and protected entity?

By registering a business and securing needed accounts and insurances, the business owner(s) will protect themselves from financial and legal mishaps.

### STEP 1 | Register Your Business.

Your business should be registered as a distinct entity with the [Michigan Department of Licensing and Regulatory Affairs \(LARA\)](#). Consult a lawyer to select a name, to determine the appropriate business structure and to create and compile the documentation needed for filing. Note: Wayne County offers a registration option, but it does not provide legal protections that registering with LARA does. A business must be registered to sign a lease, to qualify for financing/funding, to open a bank account and to obtain insurance.

**PRO TIP:** the registered entity does not have to be the name of the business; an assumed name (once finalized) can be added to the entity and used in addition to or independent from the registered entity.

### STEP 2 | Obtain an EIN.

After completing your business's registration, you should [apply for an Federal Employer Identification Number \(EIN\)](#) through the US Internal Revenue Service (IRS). An EIN is also known as a Federal Tax Identification Number and is used to identify a business entity- essential for tax time! See "Apply for an Employer Identification Number (EIN) Online: <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>

### STEP 3 | Create a bank account.

Make sure you have a separate bank account from your personal ones. Commingled finances puts your non-business assets at-risk in legal mishaps. No one wants that! When deciding what is right for you, be sure to explore the range of options. Most banks offer small business banking products but select the one most ideal by consulting your accountant.

### STEP 4 | Obtain required insurances.

Paying for insurance is tough, because you can probably count on one hand how many times you will need to use it. However, insurances are essential in protecting your investments made in the business. Consult an insurance agent to determine which options are best suited for the business and to broker the best price.

## The Foundation



# Do you have a business plan?

A business plan can take many forms, but the process of creating one will help you be ready for success. Some lenders and grant programs will require a business plan to give you money. Answer the following questions and you'll have a solid first draft of a business plan! This plan should be referred to often throughout this workbook and will guide many of your decisions about whether you want to invest in a physical space and what that would look like for your business.

### Resources: Business Plan Development

- **SCORE templates** | <https://detroit.score.org/content/browse-library-220>
- **ProsperUS** | <http://www.prosperusdetroit.org/>
- **BUILD Institute** | <https://www.buildinstitute.org/>
- **TechTown's Retail Bootcamp** | <https://techtowndetroit.org/services/retail-boot-camp/>

## STEP 1 | Outline the offering(s).

What are you going to be doing in the space? This is the essential question that will guide much of your journey through this workbook. You should be able to recite the questions below in your sleep. Think of it as your brick-and-mortar elevator pitch to quickly articulate what you are constructing.

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❑ **What are your core offerings?** Consider all the products and services you plan to sell. Understand which are the reasons new and old customers initial visit and keep coming back.

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❑ **What is your service model?** This is the **how** you are selling. The customer's experience directly relates to the service model. For example, if you are a restaurant do you offer carryout or dine-in? If you're a clothing boutique do you have dressing rooms or is everything custom fitted?

Your service model will need to integrate with your space in 3 ways:

- 1) **what occupies space in the shop** (e.g., fitting rooms, storage space, dining space, kitchen + dishroom, staff break area, etc.)
- 2) **How many customers you'll be serving at once**
- 3) **How many staff you need space for at one time.**

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❑ **What is your price point?** Your pricing matters! Ensure that your target audience (defined below) is willing and able to pay for what you sell.

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❑ **Who are your competitors and how will your business differentiate?** Your business should have a unique offering, price and/or experience that sets it apart from other options in the city and region.

## STEP 2 | Identify your target audience.

Who is most likely to love what you're selling? Your ability to answer the following questions about your target audience will help you, your support team, and potential landlords determine where your business will have the best chance to succeed.

- ❑ **Who will be your customers?** What's their age, gender, race, and income? Do they visit your business for convenience or the uniqueness of your offering?
- ❑ **How will they find out about your business?** From word of mouth or walking in from the street to social media marketing and snail mail, there are many ways for your customers to find out about you. Determine where your customers are physically located and how you can make them aware of your business to get them in the door.
- ❑ **How often do they visit and how much do they spend?** This one is pretty straight forward, e.g. most of my customers will get a haircut twice a month at an average price of \$35 per haircut. Bonus, they tip \$5 too!
- ❑ **How will you retain them?** Customers are finicky, few are really loyal! Refer back to 'why they visit' and outline strategies to ensure you're constantly top of mind.

### Resources: 1-on-1 Counseling

The UX Lab at the School of Information has opened consultation services to Detroit entrepreneurs! The UX Lab works with businesses to incorporate a user-centered perspective into their ventures.

**Services include:**

- a. Consulting on customer discovery
- b. Evaluating the user experience of products or services
- c. Advising on customer-facing designs
- d. Customized workshops related to user experience design

[Sign-up for a 30-minute virtual consultation!](#)

Or reach out to [uxlab.umsi@umich.edu](mailto:uxlab.umsi@umich.edu) to find a time.

Access small business consulting, training and market research at no-cost through the Michigan SBDC.

Follow the link below to request expert business consult services to help you succeed.

<https://sbdcMichigan.org/request-for-business-counseling/>



## STEP 3 | Determine your financial constraints.

- ❑ **What are your estimated startup costs?** Startup costs should include estimates of equipment and inventory as well as build out of the space itself. To start you can refer to the [Neighborhood Retail Opportunity Study's Retail Prototypes](http://www.degc.org/wp-content/uploads/180312-Prototype-Book_optimized.pdf) to estimate construction costs (if you are entering a white box property). See [http://www.degc.org/wp-content/uploads/180312-Prototype-Book\\_optimized.pdf](http://www.degc.org/wp-content/uploads/180312-Prototype-Book_optimized.pdf)  
Note how you built your assumptions if you change anything, but always plan for unforeseen costs!

- ❑ **Have you completed profit and loss projections?** Okay, I know technical terms can be tricky, so let's first get on the same page. Profit and loss projections track your estimated gross revenue and your annual business expenses to calculate net profit. For your business plan, annual revenue should be projected for the first three years of operation and will be reviewed by potential funding and lending entities.

### Need help with these steps?

- Accounting Aid Academy | <https://www.accountingaidacademy.org/>
- UM Free Accounting Fridays | <http://umaccountinghelp.com/>

- ❑ **How will you fund/finance your project?** Funding and financing should be top of mind when you are considering brick and mortar retail space. Consult local community development financial institutions to get a benchmark of your lending profile. Be sure to look closely at interest rates and shop around. Grant opportunities can be explored to fill the gap. Be prepared to contribute 10% of the project costs with your personal equity, that is cash from your accounts or friends/family/supporters.

### Find the right financial tools for you!

- NBI's Capital Readiness Checklist: <https://tinyurl.com/nbichecklist>
- Detroit Means Business financial resources page <https://detroitmeansbusiness.org/financial-resources/>
- Detroit CDFI Coalition [https://www.lisc.org/media/filer\\_public/9a/c6/9ac66f83-e820-4a69-90b3-110a9db973a7/may\\_2018\\_cdfiGRID.pdf](https://www.lisc.org/media/filer_public/9a/c6/9ac66f83-e820-4a69-90b3-110a9db973a7/may_2018_cdfiGRID.pdf)

# The Criteria

## *Determining your space's needs*

### **In this section you will learn:**

- ▣ How to choose the best neighborhood for your business
- ▣ How much you should pay for your space
- ▣ How to determine the best design for your space

# How to choose the best neighborhood for your business?

In commercial real estate, “location, location, location” is a common saying that refers to your real estate’s impact on the business’s bottom line. A poor location decision can determine whether your business succeeds (scary!). Many considerations will go into choosing the best location for you. Narrowing down the neighborhoods is an initial step in determining what’s appropriate for your business.

### STEP 1 | Understand who lives there, works there and travels through.

Your business will benefit from being as close to your target customers as possible. Look at demographic reports to determine if your customers reside in neighborhoods under consideration. Don’t forget about office employees and other visitors (such as students, event attendees, hotel guests, etc.). For all customer groups, note why they shop in this neighborhood. Finally, select the neighborhoods that provide the greatest number of potential customers based upon your target audience.

### STEP 2 | Learn about market demand.

Another important thing to understand in choosing your location is how and where people spend their money. Factors such as population, income levels, consumer behavior and competing offerings help to shape what market demand is for certain goods and services in a certain geographic area. Most customers are willing to travel longer distances for some specialty items than they are for everyday purchases like toilet paper and milk.

Check out the demand charts created for some Detroit neighborhoods in the [Neighborhood Retail Opportunity Study \(NROS\)](#) and for independent research, review the following to inform market demand:

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- ❑ **Population Growth.** Neighborhoods which are experiencing population growth are a good sign! More people can mean new customers with money to spend are coming in the future, though they will not be accounted for in existing demand projections. Be cautious of how you assess the population growth; new customers in the market might not align with your target customer.
  - ❑ **Community Engagement.** The community is your number one champion. Talk to residents, place-based organizations, etc. when deciding what neighborhoods are ideal.

## The Criteria

### STEP 3 | Select top 5 neighborhoods.

See if the neighborhoods that are home (or work) for your target audience are also home to unmet demand specific to your business – e.g., even if the people there love burgers, are there 5 other burger spots already there or would you be first? Factor this information in desired locations but be aware that although demand might not exist (a “saturated market”), it still may have the greatest opportunity for sales (by inducing new or cannibalizing existing expenditures). Are there other considerations, like access to the highway, vendors, etc. that you need to consider? Choose the neighborhoods that align the most with each of these factors.

### STEP 4 | Rank ideal characteristics.

At this point, you’ve identified 5 neighborhoods that might be a good fit for your business. Now it’s time to consider what your ideal location might look like. Below are 9 important best practices to look for in a retail environment. Decide which factors are most important to your specific business.



Livernois Avenue of Fashion Commercial Corridor, University District, Detroit

### ACTIVITY WORKSHEET:

Rank the following characteristics from 1 (Most Impactful) to 9 (Least Impactful), based on which are most relevant or likely to boost sales potential for your particular business. Consider whether your brick-and-mortar location will be a destination, associated with convenience-oriented trips, or rely on customers to enter by coincidence.

- **A diverse mix of retail.** A mix of retail options can introduce a range of customers to your business. Conversely, when few retailers are near, customers must weigh the option of visiting your business or going to another area where the retail diversity is high to complete more errands in one trip.
- **Concentrated.** When a continuous row of retail is present, customers are more likely to continue their journey to check out your business. However, you should venture into neighborhoods with high competition cautiously – for some businesses like restaurants or apparel, highly competitive environments are typically beneficial, while convenience-based offerings are challenged by competition.
- **Double-sided.** When both sides of the street include occupied businesses, your business is likely exposed to higher pedestrian volumes, as customers can make a complete loop to and from their point of origin during leisure trips.
- **Accessible by foot.** Your business will thrive in locations that have the lowest number of obstacles between a potential customer origination point and your front door. Impediments in our Detroit neighborhoods often include, e.g. an entrance that is hard to find, large surface lots, broken sidewalks, and high-speed traffic
- **Parking availability.** In Detroit, most customers rely on their vehicle to complete shopping trips. However, most business owners inaccurately guess how much parking they need; unless your customer hauls large or many items to their car, your business should be able to leverage nearby on-street parking option.
- **Highly visible.** Not every location is made for your business. Consider how visibility to coincidental customers, prioritize visibility. Beware of placing your business behind large open spaces (including parking lots) that cause your signage to be hard to read.
- **Traffic leveraging.** Vehicular traffic at slow enough speeds can greatly benefit your business, as it provides a marketing opportunity for those who may see your signage/storefront and decide to stop or search for it online.
- **Nearby parks or transit stops.** If your storefront is a short walk from a place where people tend to congregate (e.g. public parks, bus stops, etc), you may be able to tap into this potential customer pool as a sales base.
- **Support Organizations.** Neighborhood-based organizations, like block clubs, community development corporations and/or business associations are incredible assets that can help connect you with the surrounding residential population, help promote your business and advocate for your needs. Consider neighborhoods with these organizations in place, and get involved early!

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**NOTE:** many of the Strategic Neighborhood Fund (SNF) commercial districts are designing each of these factors into the corridors. Consider prioritizing these areas in your search.

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**WHAT IS THE STRATEGIC NEIGHBORHOOD FUND:** The City of Detroit is making strategic investments in commercial corridors and surrounding neighborhoods around the City. These areas could be interesting places to look for brick and mortar opportunities because you may see increased commercial activity and benefit from other business neighbors around you, as well as public sector improvements and upgrades such as roads, sidewalks, parks, etc. Those investments may also lead to population growth in these areas.

FOR MORE INFORMATION ABOUT SNF, [SEE THE DOCUMENT ONLINE](#)

# How much should your space cost?

Now it is time to challenge your business plan's assumptions. Can each neighborhood deliver on the sales you forecasted and what does that mean for rent? Pull out your excel file, a calculator and a pencil to continue to narrow the right opportunity for you.

## STEP 1 | Determine sales potential by neighborhood.

How much money your business can potentially make is difficult to nail down, because of the number of variables in the equation (many of which were outlined in the previous step but also include your own operational standards and marketing). However, a best practice to estimate sales potential is to use the following formulas to calculate sales potential based upon average asking rent rates in each neighborhood considered. You can check rent/sale prices via [Loopnet.com](https://www.loopnet.com) so that you know what to expect for a certain area, or to check that you are being quoted something in line with the market.

**Annual rent rate / .06 and .1 = estimated gross revenue potential**

Does this range align with what is estimated in your annual profit/loss statement in your business plan? If not, consider the impacts of the location on sales potential.

Alright, now let's compare these figures to your business plan. Do you have an opportunity for increased or decreased sales depending on neighborhood characteristics? To answer this question, gain an understanding the depth of the customer base per location. What percentage of those customers need to visit your store daily, weekly, monthly and annually to justify the rent rate? Neighborhoods with the lowest percentage will have greater opportunities for sales

## STEP 2 | Define rent budget by neighborhood.

You can build your budget based on the best practice described above – 6%-10% of annual revenue is a reasonable budget. You may also have additional startup capital to contribute to buildout of your space – this is different than rent. We recommend defining your budget using the price per square foot metric as it will help guide the next step (see terminology in **The Preface** section for conversion calculations).

**Below are two rent best practices to remember:**

1. **Your costs of occupying a space should not exceed 10% of your gross sales projections.**
2. **Higher rent should mean more subsidy or amenities from the property owner and/or chance of higher sales**

Once you've defined your budget by neighborhood, work it into your business plan to rule out any neighborhood that will not be able to generate enough revenue to cover other operational expenses.

## The Criteria

# What would work best for your brand and operational standards?

The next set of criteria are related to the design of your space and how it is tailored for your customers and the neighborhood. Design is more than the materials used to construct your space, it is also the experience that your customers should seek routinely. If one aspect of this design does not resonate, you may lose a customer.

### STEP 1 | Select your design team.

During this process it is recommended that you engage your branding and marketing professional and architect to ensure your business is truly represented in physical form. Share with them how your business makes money and the minimum storage and equipment needs. When selecting these professionals, you want to consider who can listen to your vision and translate it into a visual and physical composition. Below are a series of questions you can ask candidates for the role on your team.



## The Criteria

### Questions for architects:

- ❑ **What is your design process?** How often can I provide feedback as the design develops? Is there a limit to the number of revisions I can provide before the fee increases?

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- ❑ **What is your preferred method of communication?** Do you meet online, or in person for progress updates?

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- ❑ **Do you offer construction administration as a service?** At an hourly rate or fixed fee?

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- ❑ **What is the payment schedule?** How much will I have to pay before I know the construction costs?

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- ❑ **Does your firm provide interior design services?** If so, can you please include that in your proposal? (Interior design services are critical to a business's success and best handled by a professional).

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- ❑ **How long do you think it will take to complete the design?**

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- ❑ **Will you investigate any zoning or municipal regulations as they apply to my project?**

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- ❑ **What engineering do you anticipate my business build-out will require?** Examples include MEP (mechanical, electrical, plumbing), structural, and civil engineering.

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- ❑ **Do you anticipate the need for any additional consultants?** Examples include: Landscape design, Legal Surveyor, Sustainability (solar, geothermal, wind energy), Lighting Design, Low Voltage and Security Design, Food Service Design.

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- ❑ **When I submit the plans to the building department, will you honor any changes they require as part of your original proposal?**

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- ❑ **Who will be my point of contact thorough this process?** Can I meet them before we sign a contract?



## The Criteria

### STEP 2 | Hone your design vision.

Begin by referring back to your business plan's "The Offering" section. Take note of what you sell, your service model and your customers operations and answer the following.

Utilize the Design Core's [Design Guide: Neighborhood Business](#) exercises, and develop a vision board to communicate brand style, textures, etc. Have a professionally designed identity package including the logo in color, black & white, with transparent background, in high and low resolution, selection of PMS/RGB/CMYK colors for the brand.

Next, explore how this compares to your competitors. Specifically, what are pain points in the experience offered by your competitors?

Consider being a secret shopper at each of your competitors' stores and determine what about the experience can be improved. Take note of what signage is outside, where you enter, what materials are at the door, when are you greeted, how do you go through the experience, what colors and materials are used, what are staff wearing, what is the diversity of offering, where are the bathrooms, what verbal and written language is used, etc.

**How will you create a unique experience?** The same touchpoints assessed in your competitors should be used to detail the experience your business will offer. Use words not images; otherwise, the architect will put the rooms where you illustrated and then may charge you for a change order. A best practice is to identify each step of how the customer engages with your business from first finding out about it to visiting again.

**Finally consider these questions to guide the designers:**

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❑ **How will your new business integrate with or reflect the surrounding neighborhood?**

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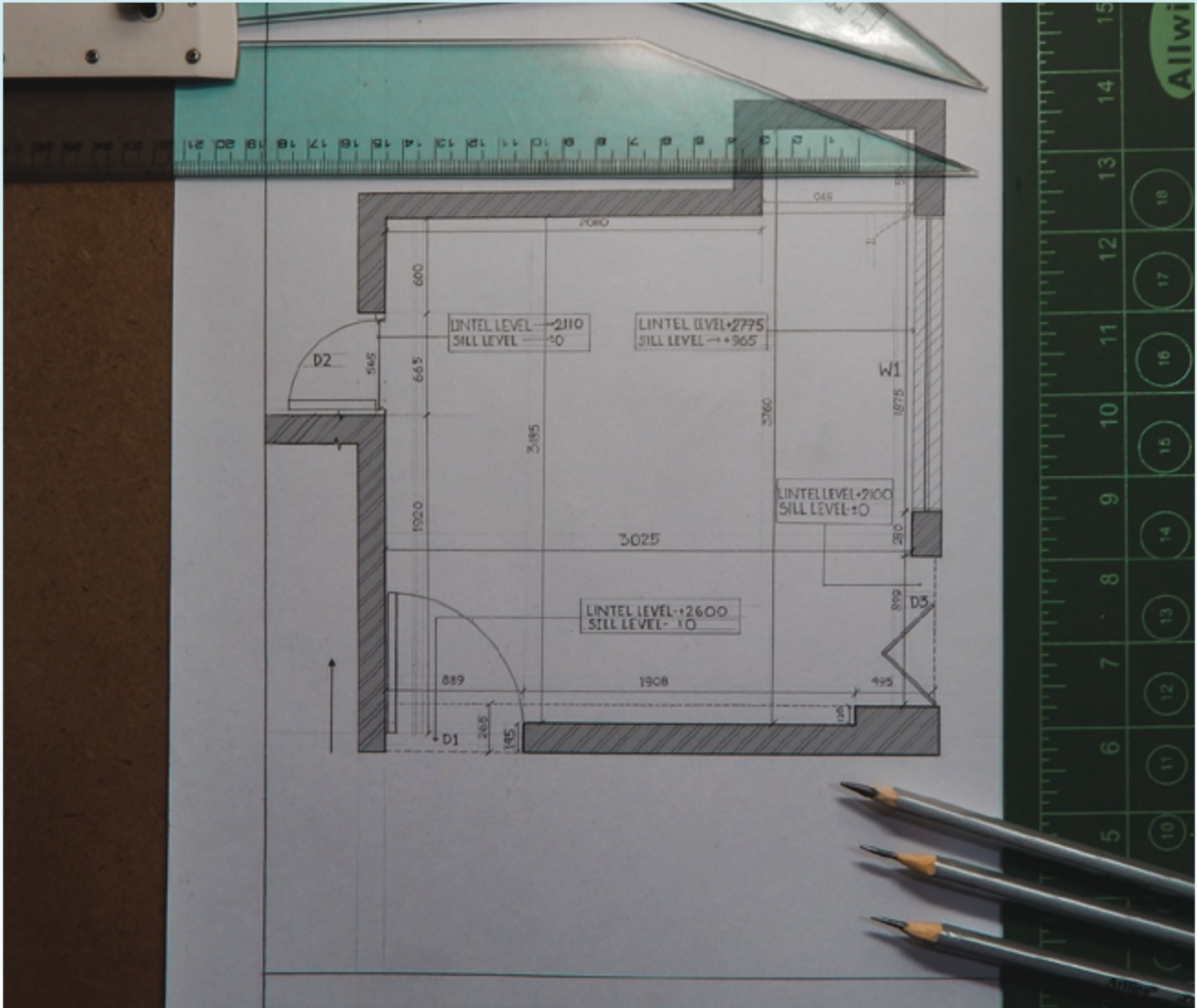
❑ **What will make your business an inviting and welcome new neighbor?**

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❑ **How might your business increase the walkability of the district?**

Great designers will be able to translate it into a concept (brand and physical experience) that resonates with your customer base.

## The Criteria



**CALL OUT BOX: RENTING VS. OWNING – WHAT’S BEST FOR YOU?** Owning commercial property can seem like an attractive prospect, but it is not to be taken lightly. Especially in a city like Detroit where our real estate has unfortunately been neglected and can be in poor condition, owning property can come with great risk. Please consider whether you have the capacity to manage real estate in addition to all the other responsibilities you bear as a business owner. Your capacity and knowledge will change over time, so perhaps a purchase is in your future but not right today. Be sure you are weighing the risks, costs and unknowns along with the benefits of owning space.

## The Criteria

### STEP 3 | Determine how much space you really need.

Next, you can define how much space will you need. It is best if you talk to an architect to build your estimates, but you could also make an educated guess based on previous locations or comparable businesses. Don't forget to consider both front of house (customer-facing) needs, as well as back of house (e.g., storage, office, dishwashing, bathrooms, kitchen, etc.).

Answer the following questions to guide your search and conversation with an architect. See the resources section for a link to retail prototypes that can help you!

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❑ **What equipment does your business need?**

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❑ **How much storage space is needed on average and at maximum capacity?**

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❑ **Are there accessibility needs in excess of what is required by the American Disabilities Act (ADA)?**

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❑ **Do you need a loading dock?**

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❑ **Is there minimum amount of space needed for your bottom line?** E.g. number of seats in a restaurant, space for clothing rack displays, etc.

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❑ **Is there a way to share required amenities (storage, public restrooms, etc.)** with neighboring tenants?

Tailor your space needs to consider sales and rent thresholds determined in the previous section. In locations with a greater number of potential customer (e.g. downtown, Eastern Market, etc.), your business may often be able to realize the same revenue as less dense locations in a smaller space.

**See this Prototyping Book from the DEGC for additional resources.**

[Detroit Neighborhood Retail Opportunity](#)

# The Search & Signature

## *Finding the right building*

### In this section you will learn:

- ❑ How to choose the best location for your business
- ❑ Choosing a property and locking it in
- ❑ Understanding the building's condition and confirming that you can really afford this property

### Where to look for properties?

#### Drive around:

people post “for lease” signs that are not necessarily listed anywhere

**City-owned property:** <https://detroitmi.gov/properties>

#### Privately listed property:

- <https://www.loopnet.com/> and <https://www.costar.com/>
  - These can be searched for free, but require a subscription to be most useful.
- If you decide to hire a broker that can help find privately listed properties.
- Contact the DEGC – your District Business Liaison or the DEGC Real Estate team can direct you to anything that is available at the time of your search ([www.degc.org](http://www.degc.org))
- Look on [Parcel Viewer](#) to see who owns a property you're interested in

# How do you choose the best location for your business?

To zero in on a location, research properties and study the population of their surrounding neighborhoods. The residents, employees that work nearby, and the visitors who pass through are your potential customer base. Here are a few recommendations for how to choose the best location for your business.

### STEP 1 | Be flexible!

Detroit currently has a limited supply of renovated retail properties. As you explore the range of options, consider properties that are in varying conditions, from those that require substantial renovations to new construction. Remember that location is key in your decision-making, so a better location with a building owner willing to invest in renovations or provide reductions in rent or concessions in lease terms should be considered alongside the new, sparkly options. In general, take your time to consider the PROs and CONs and find the place that is right for you!

### STEP 2 | Consider hiring a professional real estate broker.

Engaging a broker is a best practice to help find the location or property that's best for your business. When exploring which broker is right for you, ask the following questions. Be sure to assess whether answers provided match the needs of your business and the space:

- a. **What locations or specific neighborhoods are you most familiar with in your practice?**
- b. **Where do you see the market going right now?**
- c. **Have you worked with tenants like me before?**
- d. **Can you share some success and failure stories?**
- e. **How will you help me compare different options?**
- f. **In cases where the property owner is unwilling to pay your commission, who will be responsible for paying?**
- g. **What else should I be asking?**

Upon engaging a broker, be sure to communicate your concept vision, ideal neighborhoods, and any budgetary guidelines detailed in your updated business plan. Share the research you've done to date including the neighborhood profiles and the ranked characteristics completed in the previous section. Your broker should compile a list of properties that meet this profile and a few outside of the profile based upon their professional opinion.

## The Search & Signature

If you opt not to work with a broker, you must still identify properties most suitable for your business. Drive around the neighborhoods and search online listings to identify potential buildings. See Resources on sites to find on and off the market properties. Upon identification, use the City of Detroit's Parcel Viewer (<https://cityofdetroit.github.io/parcel-viewer/>) to obtain property owner contact information and visit Data Driven Detroit's website to obtain relevant statistics (i.e. vehicular counts, residential, employee and visitor population counts, household incomes, household composition, major industries, etc.)

### **CALL OUT: WHAT DOES BROKERAGE COMMISSION MEAN FOR YOUR BUSINESS?**

Brokers are typically paid on commission by the property owner based upon the total value of the deal. For example, a 1,000 square foot building at an annual rent rate of \$10.00 a square foot and a lease duration of 5 years would be a total deal size of \$50,000; 6% (or \$3,000) typically goes to the brokers. When any variable decreases it becomes less attractive for the broker and a lower return on the time invested in finding you a location. A broker should be a partner in the deal. Be aware of their motivators during the interview process. Do not engage unless you're ready to move forward and will ensure their time is respected.

### **STEP 3 | See it for yourself.**

Whether you decide to work with a broker or not, tour each property and determine which location is best suited for your business. Used the ranked characteristics completed in the last section to guide your notes



# Choosing a property and locking it in

Now that you've visited several buildings, you can begin to assess which is best equipped for your business. The following steps require an analysis of your business plan and some additional research on factors related to your business's sustainability in each location. Keep your broker, lawyer, and accountant nearby to navigate this process.

### STEP 1 | Rank each building.

Assess the notes for each building and give a score to each of the characteristics. Be sure to consider asking rent rates, property owner's willingness to negotiate rates and terms, and your business's needs.

### STEP 2 | Conduct additional research.

Major projects such as street or new building construction can deter customers from the buildings you are considering. If there are active neighborhood associations, make contact with them to see what they can tell you about the area. Contact the [Planning and Development Department \(https://detroitmi.gov/departments/planning-and-development-department#Neighborhood-Plans\)](https://detroitmi.gov/departments/planning-and-development-department#Neighborhood-Plans) to determine projects slated near each building and talk with a [District Business Liaison \(http://www.degc.org/district-business-liaisons/\)](http://www.degc.org/district-business-liaisons/) regarding the impact they may have on sales.

### STEP 3 | Choose.

Once your research is done, make the choice that is best for your business. Your broker and/or place-based organizations can support you in your decision-making. Be sure you ensure to align your business plan with the opportunity that the location provides in terms of sales opportunities, rent rates, etc. This is a good time to check in with your accountant.

### STEP 4 | Negotiate and sign a Letter of Intent or Purchase Agreement.

Once a location is determined and with the support of a broker and a lawyer, draft and execute a letter of intent (LOI) if leasing or a purchase agreement if ownership is preferred. Share the letter of intent with your accountant, architect, and business advisor(s) before submitting to the property owner.

**Do not sign a lease or purchase the property until due diligence has been conducted (see next step).** The link to a sample Letter of Intent is provided in the resources section.

### A Letter of Intent should include:

- a. The parties involved in the transaction: who is the seller (current owner) and the buyer (the potential new owner)
- b. The transaction: what is being purchased, including the address and square footage
- c. The terms: Include the duration of lease, options to renew lease, when the landlord delivers possession, lease term and rent commencement, rent rates, security deposit (if applicable), tenant allowance (if applicable), landlord improvements provided upon delivery (include HVAC requirements as detailed by contractor), permitted uses, exclusions, permitted signage, provided utilities and costs to tenant, maintenance and repair responsibilities and timing, insurances, parking options, sublease/lease assignment terms, right of refusal, termination, and other fees (CAMs, damages, etc.)
- d. The conditions: that the letter is not binding, when the letter expires, any contingencies and governmental approvals

### A purchase agreement should detail:

- a. The parties involved in the transaction: who is the seller (current owner) and the buyer (the potential new owner)
- b. The transaction: what is being purchased, including the address and building specifications
- c. The terms and conditions: Include the purchase price, revocation options, earnest money deposit details, closing details (i.e. date, contingency, costs, final payment, documentation, etc.), inspection period and terms, environmental disclosure, inspections, and term, property survey availability, title insurance terms, zoning, safety and regulatory compliance terms, fees and commissions, notices, buyer representation and warranties, agreement termination and binding terms, and governing law

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**CALL OUT: WHO PAYS FOR IMPROVEMENTS AND MAINTENANCE?** The answer to this question ranges based upon the agreement met between the property owner and business owner. However, a property owner should be responsible for delivering the building to you as a white box. In instances where the property owner cannot provide that condition and requests you, the business owner, take on those costs, you should negotiate a lower rent rate and more desirable terms, as you will be investing in a building that presumably your business will leave one day. (Hopefully, not soon!) Building maintenance should almost always be covered by the owner, while common area maintenance (CAM) depends on the building and lease type (triple net vs. gross). See terminology in *The Preface* for definitions.



## The Search & Signature



Bagley Street commercial corridor,  
Southwest Detroit



# Do you truly know the building's condition?

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Before signing a lease, it is important to assess property conditions and ensure that the property is in compliance with regulatory requirements. Additional procedures and fees may be required for properties out of compliance.

### STEP 1 | Hire a General Contractor.

General contractors (GCs) coordinate the construction from start to finish. They hire the trades, make payments to subcontractors and facilitate the inspections. GCs will coordinate with your architect, the Department of Buildings, Safety, Engineering and Environmental (BSEED) and your bank, if you are financing the project.

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❑ **Interview multiple GCs and request written, itemized proposals from each for comparison and completeness.** Ask each one interviewed about their expectations of you as the business owner. Allow your architect to meet them to help determine a good fit.

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❑ **Consider paying for their time at this stage of the project separately from the final construction, as GCs are hesitant to commit given changes in workloads and skeptical about providing estimates for work that may happen 6-months to a year from now.**

General contractors should have expertise in-house or relationships with subcontractors to adequately offer services in the following categories:

- \_\_\_ REHABILITATION OF A BUILDING
- \_\_\_ STRUCTURAL ENGINEERING
- \_\_\_ MECHANICAL, ELECTRICAL, AND PLUMBING (MEP)
- \_\_\_ CIVIL ENGINEERING (SITE DESIGN)
- \_\_\_ PARKING
- \_\_\_ LIGHTING

### STEP 2 | Review the DEGC's [Open for Business Guide](http://www.degc.org/small-business/small-business-resources/)

see: <http://www.degc.org/small-business/small-business-resources/>

This guide is a comprehensive resource for entrepreneurs starting a business in Detroit – that's you! It provides step-by-step instructions on what City facing steps you'll need to take to open up shop, some of which are detailed in the following sections.

## The Search & Signature

### STEP 3 | Create electronic submission accounts.

Create an ePLANS account (see: <https://detroitmi.gov/departments/buildings-safety-engineering-and-environmental-department/bseed-divisions/bseed-plan-review/electronic-plan-review-eplans-building-permits>). ePLANS is a platform that enables electronic submission of documentation required for the Department of Buildings, Safety, Engineering and Environmental (BSEED) Conditional Use Hearings, Building Permits, and Plan Review. Provide your account information to your contractor and architect to streamline the review process. Note, all forms and applications can be submitted in-person.

### STEP 4 | Pre-inspection meeting.

This is one of the most important steps in the due diligence process – a pre-inspection with contractor and architect and consider inviting the place-based organization as they will serve as a champion for your interest throughout the process. During the inspection, your architect and contractor should assess the HVAC systems, ingress/egress, phone, mechanical, electrical and plumbing (MEP) systems, ADA compliance, and qualifying historic features that impact the property.

Reiterate your specific business needs during this meeting, such as loading and delivery systems, space configuration, etc. Additionally, the team should obtain any information needed to inform fit out and construction (e.g. measurements, location of existing plumbing, etc.). Be sure to determine if the property will meet the city and bank mandated parking requirements (i.e. how many spaces are needed for your use and amount of space occupied; any space under 3,000 square feet will not need dedicated parking).

Determine if a Phase I Environmental assessment is needed for your property during the pre-inspection. All properties purchased and/or that had a potentially contaminating use (e.g. dry cleaners, gas station, car repair shop, etc.) should receive a Phase I Environmental assessment. The Phase I Environmental assessment will determine if a Phase II Environmental assessment is needed. Submit required Lead Activity Declaration and/or Lead Remediation and Clearance Summary paperwork, if needed.

Your architect and contractor should keep you safe here, but ensure they provide a memorandum stating whether the building will need any renovations to ensure it is compliant with ADA guidelines and standards.

From this meeting, the contractor should be able to share estimates of renovation cost ranges, if not covered by the property owner, and give you construction time estimates by phase.

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**CALL OUT: IS THIS BUILDING IN A HISTORIC DISTRICT?** Throughout the city there are many historic districts. Before you proceed, check out the City's Local Historic District Map to determine if you have any specific requirements.

## The Search & Signature

### STEP 5 | Obtain Clearances.

Now that you're through the initial assessment, you should know if the property is conducive for the proposed use. On to the next step, ensure the property is cleared by the city by obtaining the following:

- 
- ❑ **Zoning Verification Letter.** (see <https://detroitmi.gov/node/17361>) Zoning regulates what uses are permitted or prohibited for a specific parcel of land. The property owner should be able to detail whether the building is appropriately zoned. If the owner is unable to verify, determine the zoning district of the property via Loveland and review the zoning ordinance to determine if a restaurant is a permitted use. Submit a Zoning Verification Letter (ZVL), which must include your address and parcel number. Keep in mind that the owner should pay for the verification letter. The ZVL will outline any additional actions (hearings, surveys, approvals) that are required for your proposed business use on the parcel of land you will be occupying. The following are questions you should answer if renovating:
    - a. What is the current established use of the building?
    - b. Is my new use allowed in the zoning district? If so, is it by-right, conditional, or regulated?
    - c. Is the property historically designated (local, state, or federal)?
    - d. Is the property in a particular zoning district or overlay?
    - e. If the use of the building is changing, is there also a change in occupancy code? This impacts whether your project will be designed under Michigan Rehabilitation Code or Michigan Building Code
- 
- ❑ **Blight Clearance.** A Department of Appeals and Hearings (DAH) issued Blight Clearance is now required by City law in order to apply for a permit, certificate or variance issued by BSEED. To obtain a Blight Clearance, apply online at (<https://detroitmi.gov/how-do-i/request-service-or-assistance/blight-clearance>). If the property does not have any blight violations, the DAH will issue the Blight Clearance free of charge. If there are violations on the property, you must first pay the blight tickets before DAH will issue the clearance. You can pay blight tickets through the DAH online portal at <https://app.detroitmi.gov:8443/DAHOnline/> The owner is responsible anything that has occurred prior to ownership and for paying any outstanding tickets.
- 
- ❑ **Demo List Clearance.** If the property is in really bad shape, check in with the Department of Buildings, Safety, Engineering and Environmental (BSEED) to make sure it isn't on the City's [demolition list \(https://data.detroitmi.gov/datasets/demo-pipeline?geometry=-83.566%2C42.265%2C-82.639%2C42.443\)](https://data.detroitmi.gov/datasets/demo-pipeline?geometry=-83.566%2C42.265%2C-82.639%2C42.443). If it is, you can request to have it removed by contacting your [District Business Liaison \(http://www.degc.org/district-business-liaisons/\)](http://www.degc.org/district-business-liaisons/).

# Can you really afford this property?

Hopefully all worked out in the due diligence and you're ready open up those Excel docs one more time! Start by scheduling an appointment with your accountant because it is time to do the final assessment to determine whether you should go through with the selected building.

### **STEP 1 | Obtain rough tenant fit out quotes from contractor and architect.**

For the meeting with your accountant you will need to know your specific startup costs. These costs include renovations required beyond what the property owner will deliver. Refer back to the Prototype Guide to see what categories should be included in these quotes.

### **STEP 2 | Estimate tax increases associated with improvements.**

Now that you have an idea of the cost/value of the equipment in your brick-and-mortar space, it's time to estimate taxes. Unfortunately, personal property tax and real estate taxes often increase after renovations. However, your business might qualify for exemptions for each. Contact the Michigan Department of Treasury (<https://www.michigan.gov/treasury/>) and the Detroit Economic Growth Corporation ([degc.org](http://degc.org)) for information about potential tax exemptions.

### **STEP 3 | Update business plan.**

Here's where you should meet with your accountant to verify that you have the financial capacity to cover all estimated startup costs. If there is a gap in your assessment, consider applying for funding opportunities or applying for additional financing.

### **STEP 4 | Check in with your lenders.**

Once your business plan is ready to go, reach back out to the banks you've had introductory meetings with to discuss your lending. It is important to bring your lease to these meetings. The lease must equal to loan terms to mitigate the banks risk – i.e. your business must make money to pay off the debt.

# Have you signed a lease or purchase agreement?

The building's final contract (lease or purchase agreement) gives you the rights to enter the building and start constructing your dream business.

### **STEP 1 | Do a final review of terms.**

Okay, this is your final chance to negotiate anything into your lease/purchase agreement, considering all you know about your business and your loan. But do not proceed alone, your broker and lawyer should be at the table with you to ensure the terms of the contract are sound, protecting you at the end of the day.

### **STEP 2 | Sign lease or complete the purchase of property.**

Is that beautiful squiggly line your signature? John Hancock has nothing on you! Once complete be sure that you obtain a Title Clearance through the ePLAN portal, if you purchased the property. In either case, go celebrate!



# The Buildout

*Constructing your dream*

**In this section you will answer the following questions:**

- ❑ What is the final design of the space?
- ❑ What are the building's and business's regulatory requirements?
- ❑ When can I begin construction?

## **Resource**

For more information about design, see Design Core Detroit's ["Design Guide for Neighborhood Businesses"](#)

Design Core Detroit - [www.designcoredetroit.org](http://www.designcoredetroit.org)

# What is the final design of the space?

It's time to align your vision with the building leased/purchased, engaging your architect again. To kick it off, schedule a pre-design meeting with architect, engineer, and/or contractor.

### A FEW QUICK TIPS:

- ❑ **Be realistic with time expectations, as it'll take 6-months on average to finalize the design.**
- ❑ **Be realistic with your budget; you can't expect marble for the price of plywood.**
- ❑ **Be responsive to questions or you'll deal with the design or pay for the changes.**

### STEP 1 | Host a pre-design strategy session.

Kick off the design process by hosting a pre-design strategy session to get everyone on the same page for this specific location and reiterate expectations. If your project is time sensitive, make sure the architects know your time restraints. Outline the brand during the meeting. Bring along any design assets created to date (e.g. logo, brand book, etc.), in addition to design inspiration for the space. Talk through service style and touchpoints and how each integrates with the space. If you're opening a restaurant provide the design team with your menu and equipment specifications. Share the list of programming needs so the designer can determine how best to fit them into your space.

Give your architect your budget. The American Institute of Architects (AIA) requires licensed architects to meet budget without additional charges. The architect knows to value engineer the project through the design process to fit within reasonable budgetary restraints.

If renovating, the existing building conditions will influence the layout and how it applies to your design. Keep in mind that the concept design will have to accommodate the building code, city zoning ordinances, ADA accessibility but be flexible enough to make tradeoffs and accept recommendations from the team.

Reiterate the tenant fit out and renovations budget. As the business owner, monitor the design to determine if it continually resonates with the brand. Be sure to allow 10-15% contingency, especially for renovations of older buildings or structures that have had a longer term of vacancy.

Be very specific and responsive in communications with the designer. Changing your mind during the design process may require reworking the layout or calculations, significant time and expense and frustration for you and the designer.



### STEP 2 | Complete design and construction documents.

The architect's design documents are the final set of drawings used to submit permits and communicate design decisions. The level of detail differs across firms. Review your architect's previous work and instruct them on the level of detail you require. Construction documents are the final set of technical drawings for bidding and construction. The CD's (construction documents) are the set of drawings that communicate design decisions to permitting authorities, lenders, and builders, among others.

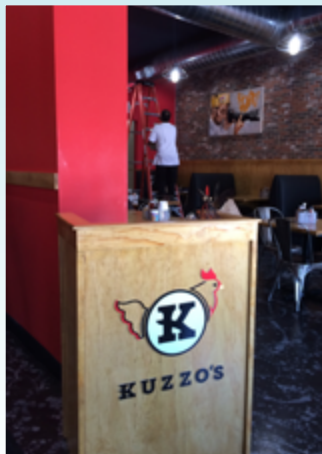
You should meet with the design team routinely. The design process is iterative and should include a set number of check-ins with the architect, engineer and/or contractor as defined by the contract. At each check-in, pivot the design to meet the needs of the business and the design desired.

The final set of construction documents should be approved, stamped, and sealed by the licensed architect and professional engineer for submission to the city, owners' representatives, contractors, and banks. For Health Inspections and Plan Review, this document set needs to include:

1. **Title sheet with code information**
2. **Site plan**
3. **Roof plan (if applicable)**
4. **Foundation plan (if applicable)**
5. **Demolition plan**
6. **Floor plan**
7. **Electrical, Mechanical, and Plumbing plans and calculations by an engineer**
8. **Reflected ceiling plans**
9. **Fixture and finish schedule (if business owner paid for interior design)**
10. **Exterior and Interior Elevations**
11. **Details for construction**

Finally, review Site Plan Review Checklist, Health Plan Worksheet, and permit requirements to align the documents produced with the needs of the City of Detroit's licensing and permitting process.

## The Buildout



Kuzzo's Chicken and Waffles before and after brand integration

# What are the building's and business's regulatory requirements?

Your contractor should be reengaged at this step because it's about to get dusty! Well first, your contractor will need to ensure your business and building are on the right regulatory tracks. The following steps ensure you don't have any problems later in the process. Remember to refer back to the DEGC's Open for Business Guide (<http://www.degc.org/small-business/small-business-resources/>). It'll be critical in ensuring all boxes are checked!

### STEP 1 | Obtain final scope and quotes.

Consider what you can do on your own but be honest with yourself. Be sure to engage general contractor with your architect and lawyer to help with negotiations, consider contingencies needed, and protect against any environmental concerns.

A guaranteed maximum price contract with your contractor is one of the most common pricing structures to ensure each party can stay within the price thresholds.

### STEP 2 | Finalize Lending.

After your final quotes have been obtained, it's time to secure financing for the space. Meet with your lenders to ensure they're on the same page and are ready to put you in to some debt!

### STEP 3 | Check the city's permit portal.

Luckily the city has a quick list of all the permits and licenses required for your business to operate. Do a quick query and share the findings with your contractor, who will likely pull each for you. You'll need to create an eLAPS login at this phase.

### STEP 4 | Apply for other certifications or licenses.

It doesn't stop there, it's time to apply for all of all of the other City of Detroit and State of Michigan certifications or licenses required. If you're opening a restaurant or other food-based business, this list can become a little lengthy – health, food handling, liquor, etc. You'll need to submit plans and other information to get these.

# When can I begin construction?

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The short answer is... now! You should be ready for a series of hard conversations regarding what aspects of your design are optional, as you might experience cost overrun due to unforeseen circumstances. These could include building shell issues, change in price for materials, etc. However, enjoy the process; it'll be fruitful at the end!

### **Beginning Construction.**

The Construction documents are the basis for the contractor's engagement. Consider getting alternative bids at this stage. The build-out coordinated by the general contractor typically involves subcontractors for different trades (electrical, plumbing, mechanical).

Inspections are scheduled and completed throughout the build process. The work being inspected (e.g. electrical wiring in the walls) must be left open so the inspector can check that it complies with code. If there are any issues, the inspector will issue a correction order and when that work is corrected another inspection is scheduled. This may require work to stop until after the inspection. These initial inspections are called rough inspections.

When the construction is completed, the GC will schedule a final or finish inspection. If all work passes inspection, the business or the GC must submit a request for a certificate of occupancy (for new buildings or if the use has changed) or a Certificate of Acceptance. This closes out the building permit and officially establishes the new legal use of the property.

As construction nears the end, the GC should create a "punch-list" of items that need to be completed or corrected before final payment is issued.

Throughout this process, speak up and ask questions if you have concerns about the work being completed, and once completed, request a copy of the punch-list from your contractor. You and/or your architect must verify the items are completed and satisfactory before payment is made.

Hire your architect to do construction administration, checking in on the build out process to ensure the construction aligns with the design.

# The Grand Opening

*I'm ready to launch*

**In this section you will answer the following questions:**

- What is needed to open my doors?
- How can I engage my community?
- Congratulations!

# What is needed to open my doors?

Congratulations on making it this far through the process! You're likely anxious about what's next and how to ensure opening your doors happen without

### STEP 1 | Finalize all inspections.

Before you open your doors, you should make sure that your business is in full compliance with all City departments and that you pass all necessary inspections and clearances. This includes making sure all inspections are completed, a Certificate of Compliance, Occupancy, or Acceptance is received, and any needed clearances and licenses are acquired. Again, the Open for Business guide is a resource for you!

[degc.org/small-business/small-business-resources/](https://degc.org/small-business/small-business-resources/)



Dawn Sanford & team of Shears and Shaves

# How can I engage my community?

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As you're getting squared away with the government, check in with your potential customers! The important thing here is that people anticipate your brick-and-mortar opening its doors to the public. Use your neighborhood organization(s), District Business Liaison, District Manager, etc. to spread the word.

### **STEP 1 | Create and Launch Marketing Campaign.**

First, craft a pre-launch marketing campaign that can include in-person events, social media campaigns, printed ads, etc. It's important to understand the appropriate channels to reach your target audience. Consult a marketing professional if you need support!

### **STEP 2 | Plan a grand opening.**

When planning, reach out to your place-based organizations and District Business Liaison to plan for a ribbon cutting. They'll be helpful in growing attendance and can reach out to the Mayor's office and others to ensure your event is a success.

### **STEP 3 | Open Up Shop!**

Once open, continue engaging your community including organizations who might use your business's products and/or services! If you ever need anything, remember, the DEGC's Small Business Team is here to help!







