

Remodeling For success

Vic Nowak

Addressing common questions about remodel projects

If you are spending a small fortune maintaining your outdated restaurants, it may be time for a remodel. Most facility managers, especially those who oversee seasoned brands or restaurants in older markets, understand the stress of high repair and maintenance costs eating away at budgets.

Saving on repair and maintenance costs alone can be a driver for a re model, but other benefits include:

- Improved customer satisfaction and employee morale
- Stronger advertising and marketing efforts
- Updating to current brand standards and current ADA codes

Once the remodel idea gains traction, here are some common questions that might arise:

How much will it cost?

There are many factors that determine the cost of a remodel. Some include:

- Overall scope
- Brand finishes
- Owner-supplied versus contractor-supplied materials
- Location
- Overnight work versus closing the restaurant
- Interior only versus interior and exterior work
- Back-of-the-house projects
- Permits

Here are some actual construction costs from past projects:

Fast Food

- FOH full remodel, furniture, fixtures and equipment (FF&E): \$125,000 - \$175,000
- FOH full remodel, FF&E with restrooms: \$150,000 - \$210,000

- FOH full remodel, FF&E with restrooms and exterior: \$200,000 - \$250,000

Casual Dining

- FOH full remodel, FF&E: \$160,000 - \$225,000
- FOH full remodel, FF&E with restrooms: \$200,000 - \$260,000
- FOH full remodel, FF&E with restrooms and exterior: \$235,000 - \$325,000

Is there a cost difference between a full-closure versus an overnight-only remodel?

From a general contractor's standpoint, full closures cost less than overnight-only remodels. Full closures do not require as much planning of daily setup and cleaning, re-mobilizing of trades and material dry times. Additionally, night-work labor comes with premium charges. Full closures also take less time to complete overall, and labor hours can be planned to minimize overtime.

But here's a reality check: Most brands will not want to close for a remodel in order to avoid losing sales or alienating customers. Therefore, most restaurants prefer overnight-only remodels.

Can overnight-only remodels be successful?

Yes, for fast-food and casual-dining restaurants, a remodel can be done solely at night with zero downtime for operations.

Here are some tips on how to successfully manage an overnight-only remodel:

- Confirm and stick to the scope after the bid has been approved.
- Confirm receipt of FF&E/materials before you begin.
- Communicate with operations.
- Communicate with customers.
- Choose the right general contractor and trade partners.

Always confirm the scope with detailed plans and exact specifications on all materials for bidding purposes. Avoid changing the scope after the final version has been bid upon and approved.

Confirm the arrival of the FF&E/materials before the project starts, and verify the quality and condition of each shipment. Remodels are typically fast-paced, replacement items may not arrive on time and expedited shipping costs are high. Delay the project if critical items have not yet arrived. Being unsure leads to partially complete projects and dissatisfied operators. Worst of all, the local health inspector may close the store if the missing item affects food safety.

Once the construction-related items are on point, have a preconstruction meeting with operations. This meeting should include an overview of scope, specifically what is included and excluded, and how they can update customers through signage and banners.

Bring before-and-after photos from previous projects (especially in a rollout situation) to show the operator what to expect. Not all operators understand construction terminology, so photos can help them to fully understand the project and get excited.

It is vital to choose the right general contractor who specializes in nighttime remodels and understands the crucial elements needed for a successful and timely completion. Find a specialist who can work independently, be flexible and expedite varying scopes. Not all general contractors are created equal, so one who may be proficient in building a new store using daytime trades and a long-term schedule may not be the right fit for a fast-paced night remodel.

When you are planning a rollout, select a general contractor who will travel with you, learns about the program and travels with the same crew from city to city and state to state for consistency. You'll avoid any learning curves, repetitive questions and material issues. Best of all, quality control will increase with each location.

How long do nighttime remodels take?

Overnight remodels range from seven to 10 nights for fast-food restaurants and 12 to 21 nights for casual-dining restaurants.

What is the typical discount I should expect when awarding the same general contractor work for multiple stores?

This depends on how many locations there are, where those locations are and the proposed schedule.

There is a big difference between five locations in five states over a six-month span and five locations in the same city to be completed in a month.

The key to getting the largest discount from your general contractor is to schedule your projects back to back. Buying materials and FF&E in bulk keeps costs lower, and back-to-back projects offer advantages in labor planning, familiar crews and lower learning curves.

How do I handle change orders?

In order to avoid going over the budgeted time and paying for costly changes, try not to make any scope changes after the bid. General contractors typically earn additional overhead and profits on change orders.

Change orders also impact the schedule. The general contractor has to submit the change order, wait to get it approved, order materials, wait for the materials to arrive and then complete the work. For a fast-paced overnight project, a change order doesn't benefit anything but causes cost and time delays. Additionally, the general contractor may not be prepared for the change and does not have access to materials in the middle of the night.

One solution to avoid change orders is to have an unknown conditions allowance as part of the awarded bid. This allowance should be approximately 5 percent of the construction project cost. Depending on the size of the project, this allowance

percentage can be adjusted; newer stores will typically require less than 5 percent while older stores need more.

With remodels, expect unknown and hidden conditions that weren't accounted for or were discovered during a preconstruction walk through, such as water damage in the walls, wires/ducts that lead to nowhere or mold.

If you have an unknown conditions allowance, when the general contractor encounters these issues at night, they must provide photos and a time and materials breakout of each issue upon discovery. If these discoveries are deemed valid and approved by the facility manager, these costs go against the allowance contract amount versus needing to obtain approval for additional funds or having the amount be deducted from the repair and maintenance budget.

What's the standard payment draw process on a remodel?

When remodels last between one to three weeks, there are typically two to three draws. Up to 90 percent happens at the start of the project.

For larger projects:

- 45 percent happen at the start.
- 45 percent happen after the first week.
- 10 percent happen at the receipt of the warranty, signed punch list and lien releases.

Net 30 is the industry standard.

Do I need a permit?

Building, fire and health codes vary by state and local codes, and should always be adhered to and verified by an architect if there is a concern. Most building codes allow for repairs and finish changes to be completed without a permit.

The Remodel Solution

Remodels are a great solution when restaurants are experiencing high repair and maintenance costs. With communication, preparation and the right team, a remodel does not have to be something that is feared but actually a viable and sought after approach. Once the scope is set and when the deadline is determined, the facility manager should seek the right general contractor to partner with to ensure the project will be a success from start to finish.

Vic Nowak is as a general contractor who has worked on projects throughout the continental United States. Since 1997, he has served as the Vice President of Operations for Craft Construction Co., which specializes in remodels and rollout projects.