



G&P

**TENANT ROAD MAP
TO RETAIL LEASING**



OVERVIEW

So, you have decided to start a new business. Or maybe your current business is ready to grow. Whatever the case may be, you find yourself in need of a brick-and-mortar space, a physical location to take your small business to the next level.

It's a big step, but don't worry, Graffito has you covered. As part of our Small Business Tool Kit, we've created this road map using our team's extensive experience in leasing, advising, planning, and developing retail real estate in Greater Boston and beyond. From selecting a space and design team, to working with landlords and brokers, our tool kit will guide you along the way.

We have written this guide with the perspective of a retailer/restaurateur in mind – that's you! – to take you from the planning stages to the opening of your business. We've also tailored our recommendations and glossary through an equity lens, trying our best to put ourselves in the shoes of a first-time business owner who may not have access to expert resources due to systemic racism and discrimination, landlord biases, and high-transactional barriers of entry to retail real estate. We don't always encounter those barriers in our work, but we know they do exist for many small business owners.

Feedback about this guide is always welcome. Graffito hopes to provide a valuable road map that will help you tackle common challenges and take the right actions needed to bring your project from great idea to a grand opening.

Our Mission

We plan and establish active, inclusive, and valuable ground floor spaces by elevating creative retail operators and amplifying community character in the places we work. We take this pursuit seriously, knowing we can leverage the power of real estate development to spur social and economic investments that tackle systemic inequities and create the types of cities that we all want to live in.

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PLANNING/ PRE-OUTREACH



YOU MIGHT BE THINKING...

I want to start, grow, or relocate my business and want to find an ideal location – where do I start?

Be ready to tell your story and carefully think about the physical needs of your business, like kitchen space or storage, and the kind of space you will need. Organization and communication are critical in your real estate search.

TOPICS IN THIS SECTION:

- Preparing Your Concept Deck
- Search Criteria + Considerations

TERMS TO FAMILIARIZE YOURSELF WITH:

- Concept Deck
- Small Business Administration (SBA)
- Sources and Uses of Funds

Concept Deck

A **concept deck** is a written presentation document that provides potential landlords or investors with an overview of your business, your experience, your team, and a vision of your company's future.



ADDITIONAL RESOURCE



We've included a sample **Concept Deck** on our website as part of our **Tool Kit**. See how a real business in Boston presented themselves to potential landlords.



Concept Deck

SUGGESTED SECTIONS TO INCLUDE IN YOUR CONCEPT DECK:



Cover Page

Company name/logo

Your name and contact information

A quality, high-resolution photo that represents your business



Your Story

What motivated you to start or grow your business?

About you: What is your relevant background/experience?



History of Your Business/“Milestones”

Share some key events or moments that have been important in the history of your business and have shaped its growth:

- This could be the date the business was founded or when your first location opened, when you hit a certain sales or revenue target, or any other achievements you are proud of or feel are important to understanding the business’ strengths.
- If this is a new business, provide relevant experience, passion, or drive behind the business.
- If this is an existing business, include images of your business or the work you are doing (i.e. if you are selling from a farmer’s market, running private tours, etc.).



Mission Statement

Why does your business exist?

What makes it different from other similar businesses?

What are your core values you want customers and partners to take away from visiting your business?



Business Type

Provide further information about your business based on the specific business type it is. See suggestions for restaurant, service, and retail business types below:

Restaurant/Café/Etc.

- Type of restaurant
- Service model (quick-service/take-away, full-service/sit-down, etc.)
- Sample menu
- Operating hours
- What separates you from other businesses with similar offerings
- Target demographic

Services

- Services offered
- Describe customer experience
- Access to your services (membership versus pay-per-visit)
- Operating hours
- Target demographic

Retail

- Products or goods sold
- Describe customer experience
- Describe the shopping environment
- Operating hours
- Target demographic



Design

Briefly describe the look and feel of your next space – e.g., size, atmosphere, decor, lighting, etc.

Include images of other businesses or spaces that inspire you if you don’t have an existing location or your existing location is not a representation of where you are headed with the business.



Space Requirements

Much of this is covered in the “Search Criteria + Considerations” section to come, but it is also important to include in your concept deck.

- Detail space requirements – i.e., approximate square feet.
- Be sure to include the space you need for back-of-house functions such as kitchen, storage, bathroom, office, etc. – not just where customers will be.
- List the neighborhoods where you are interested in opening your business.
- Share location requirements such as high foot traffic, good visibility, or near public transit.
- Share what condition you would like the space to be in (new construction versus previously used/occupied).
- Note any special requirements, such as venting for kitchen exhaust or loading needs.



Team

List the key members of the businesses team (ownership or management) and their respective roles, such as operations, finance/accounting, head chef, etc.

Share the team members’ background and relevant experience.

Tip: include headshots of team members to help personalize the story.



Contact Information

Include name(s) of main contact person, phone number, and email.

Search Criteria + Considerations

Before reaching out to landlords and brokers to tour spaces, define the following key items. Remember, your time is valuable, so be strategic, targeted, and disciplined with your real estate search.

Location & Space Assumptions

Where do you want to open your business?

What are your top three neighborhoods?

Be prepared to talk about why you are interested in those locations.

How much space will you need? Note the approximate square footage (“sf”) you need.

If opening a restaurant, do you require venting for kitchen exhaust?

Do you want outdoor space for patio seating, planters, and more?

Does your business need high foot traffic or is it more of a destination spot that can be a discoverable/off the beaten path?

Describe the character of your ideal physical space/building:

- Classic “brick and beam” (spaces with old industrial brick walls and heavy wood beams throughout)
- New construction building of steel and glass
- Retail-only building (likely single story)
- Mixed-use building (other non-retail uses in the building, typically on the upper floors)

Are you looking for a space that was previously occupied by another business (restaurant, retail shop, etc.), or would you consider a space in a new building that requires design and construction from scratch?

Space Search Team

Start thinking now about who is on your team and how they can support you throughout the entire process, but especially through the due diligence, negotiations and opening. Members of your team may include:

- Advisors from business incubators or accelerator programs
- Other seasoned business owners who serve as mentors
- Paid consultants (restaurant consultants, designers, contractors, attorneys, etc.)
- Tenant brokers

Budget & Funding Sources

Much of this work should be done before your search begins; all of it can be refined and adjusted once you find your new space.

- Prepare a project budget and sales projections for your new location (a sample project budget is provided in Phase IV and in our resources section).
- Evaluate your own personal assets and if you have sufficient savings to tap into or leverage.
- While raising investment funds from friends and family is a common way to obtain money for a new business, it can also bring personal challenges – be clear about the terms and expectations that those closest to you should have when investing in your business.
- If you have an existing relationship with a banker, reach out to them to start a conversation. If you don’t, call the bank you currently use and ask to set up a meeting about a small business loan. You will likely learn quite a bit from even a short intro conversation.
- The U.S. [Small Business Administration \(SBA\)](#) offers support, resources, and guidance to new and existing business owners. It also guarantees small business loans and has grant programs.
- If needed, seek other non-traditional lenders, investors, and public agencies (see our sample [Sources and Uses of Funds](#)).



ADDITIONAL RESOURCES

We’ve included a sample *Project Budget and Sources & Uses of Funds* on our website as part of our *Tool Kit*.

Search Criteria + Considerations

Creating A Timeline

A realistic schedule for identifying and opening a restaurant or retail space in new construction may range between 12-24 months depending on the pace of each step in the process shown below and respective overlap of phases.

Below is an estimate of how long each phase of the process typically takes for new construction restaurant or retail space (also known as “first-generation space”). The process may be faster for a space previously occupied by a similar retail use (“second generation space”), or if both the tenant and the landlord are motivated to move quickly. Using this as a guide, and considering your own Phase I status, write out a target timeline for your own opening process.

Sample Timeline

- 3-6 Months
○
⏏
Identify a space
- 2-4 Months
○
🤝
Letter of Intent (LOI) and lease negotiations
- 2-4 Months
○
✂️
Architecture and Engineering (“A&E”)
- 1-2 Months
○
☰
Permitting
- 2-6 Months
○
👷
Construction
- 1-2 Months
○
🔒
Pre-Opening Activities (Staffing, Training, Soft Opening, etc.)

PHASE I

PLANNING/PRE-OUTREACH: NOTES



REAL ESTATE SEARCH



YOU MIGHT BE THINKING...

How do I go about looking for a new retail space?

There are generally two approaches to a real estate search:

- 1) Find a commercial real estate broker to represent you, or
- 2) work independently on your own search.

TOPICS IN THIS SECTION:

- Engaging a Broker
- Independent Search

TERMS TO FAMILIARIZE YOURSELF WITH:

- Canvass

Engaging a Broker

Finding a real estate commercial broker to represent you is known as “tenant representation”—the broker will represent you, the tenant.

FYI: On the other side of the deal, “landlord representation” is when a broker represents the landlord in a real estate/ lease transaction.

HOW TENANT REPRESENTATION MIGHT WORK

What To Look For In A Broker

Find a broker that you already know and trust, or one who comes recommended by someone in your network. The key is to find someone with credibility, experience, and hustle.

Your broker should be prepared (and able) to assist with site selection, outreach to landlords or other brokers, and help leading lease negotiations for spaces.

Your broker advocates and works on your behalf to find spaces that meet your defined search criteria (from Phase I) through their personal network of other brokers, landlords, and business contacts.

Your broker should have specific retail leasing experience.

What To Expect From A Broker

The broker works on *your* behalf. They should be a partner, advocate, and trusted confidant in the search process.

Note: It is standard practice that the tenant (you) does not pay a broker throughout this process. Brokers are typically paid a commission (often a percentage of the overall rent throughout the term of a lease) by the landlord at the completion of the leasing process.

What A Broker Expects From You

A broker wants to work with an organized, committed, and funded tenant.

- That means that you need a clear plan for your concept, your timeline, and how you will fund your business – all of the steps outlined in Phase I.
- Being organized and having a clear plan will signal to the broker that you are serious about this work.
- Brokers are typically paid upon lease signing. Therefore, they are most motivated and incentivized to work with a team that is prepared to sign a lease and not just “window shopping.”





TOURING + VETTING REAL ESTATE OPPORTUNITIES



YOU MIGHT BE THINKING...

I'm touring available retail spaces but not exactly sure what I need or what my space should look like. What questions should I ask myself and/or my broker?

Reviewing the existing conditions of the physical space and the preliminary transactional issues following in-person tours is crucial. Refer to your Search Criteria from Phase I of this road map. Be sure the places you have toured align with what you laid out in your criteria and priorities for your business.

TOPICS IN THIS SECTION:

- Landlord & Building Considerations
- Physical Conditions
- Labor Requirements
- Economics
- Schedule
- Permits/Licenses

TERMS TO FAMILIARIZE YOURSELF WITH:

- Usable (Rentable) SF
- Building Load Factor
- Mechanical/Electrical/Plumbing (MEP)
- Type I Kitchen Exhaust
- Type II Kitchen Exhaust
- Common Area Maintenance (CAM)
- Net Charges
- Percentage Rent
- Tenant Improvements Allowance (TIA)
- Rent Abatement
- Special Permit (Variance)
- Common Victualler

Touring + Vetting

Landlord & Building Considerations

Is this a single-use or mixed-use building?

- As noted previously, a building with retail on the first floor and apartments or office space above is called a “mixed-use” building. While this type of space offers a built-in customer base, it may come with some physical constraints. On the other hand, a single-use or stand-alone retail building might offer you more flexibility in what you can do in the space.

What type of landlord owns the property? (e.g., family office, institutional, non-profit, university) and what are their motivations for leasing the space?

- Is the rent from this space a significant portion of the income from the real estate, or is the retail premises a small portion of the overall project square footage?
- Does the landlord see a retail use as an amenity or special benefit to the office or apartment tenants upstairs?
- Is the building part of a broader neighborhood-scale economic development strategy?

Is the landlord a good partner (e.g., did they treat their tenants fairly during the pandemic)? Are they meaningfully involved in their community?

- Are people in the neighborhood or former tenants able to share a positive reference for them?
- Is the landlord’s motivation purely economic? Is it to provide an amenity to their building’s other tenants in order to drive up rent? Or is the landlord’s goal to enhance the overall value to the neighborhood/community?

Physical Conditions

Square Footage (“SF”):

- Does the space meet your SF needs, including storage and back-of-house needs?
- Determine if the leased premises is being quoted as **Usable or Rentable square feet**. See the Glossary for definitions of these terms and how they relate to the idea of **Building Load Factor**.

History:

- What business previously occupied the space? Or is this new construction?
- If previously occupied, how long was the former tenant in business at the space?

Existing Conditions:

- Is the space suitable as-is, or does it need improvements? Especially in an existing space, consider inspecting the following (with a contractor):
 - Structure (roof, floors, walls) — are there any repairs needed now or expected in the next few years?
 - **Mechanical/Electrical/Plumbing (MEP)** — when were these systems installed or last upgraded or serviced?
- Is there infrastructure and equipment in place to allow for full grease cooking (exhaust and grease waste system)? See **Type I Kitchen Exhaust** vs. **Type II Kitchen Exhaust** in the glossary.

Physical Conditions (Continued)

Trash & Loading:

- Ask the landlord where trash, recycling, and composting are stored and how they require it be removed from the space.
- Similarly, ask about loading: Is there a loading dock? If not, will there be rear loading access or will goods need to be front-loaded from the street?
- While these seem like small issues, they may have a real impact on the operations of your business.

Parking:

- What is the parking situation like? Clarify if there is available vehicular parking spaces dedicated to retail customers, or if parking spaces are available for use by the whole building (“common parking”).
- Ask about staff parking.
- What about bike parking? This is particularly important in dense urban neighborhoods.

Signage Opportunities

- Is it clear where you can install retail signage on the building? Ask the landlord to provide clarity on what is permitted and share any signage plans.
- Ask if there are steps that must be taken with the city/town prior to signage installation (many municipalities have rules and regulations on retail signage).

Outdoor Seating Area

- If outdoor seating space is available, make sure it is clearly marked on a site plan and your use of that space is stated in a lease.
- If there is no specific space provided for outdoor seating, ask about sidewalk seating, parklets, or other possibilities adjacent to the premises on public land.

Labor Requirements

Does the building have **Union Labor requirements or Labor Harmony** agreements allowing for union and non-union contractors to work in the same building?

- This is most relevant in newly constructed buildings where you would be building out the entire interior retail space, but it can impact costs and timing associated with tenant improvements in all environments.

Touring + Vetting

Economics

What is the base rent for the space on an annual basis?

- Break it down by square footage to easily compare it to other spaces. It is also helpful to calculate it for planning and budgeting purposes.

What are real estate taxes, **Common Area Maintenance (CAM)** and insurance charges for the space?

- These costs are in addition to base rent, which are often referred to collectively as the "**net charges**" or "nets."

Is there any **Percentage Rent** or other hybrid rent structure suggested?

Will the landlord provide a **Tenant Improvement Allowance (TIA)** to help with renovation costs?

Is there a free rent or **Rent Abatement** period for design, permitting, build-out and pre-opening?

- This may vary depending on the landlord and property. Smaller landlords who rely on the rental income to pay their commercial mortgage often have a harder time extending lengthy free-rent periods compared to larger landlords with more complex debt structures less linked to retail rent cash flow.

What type of lease term is being offered?

- Short lease terms are typically 1-5 years in duration and may or may not have option periods.
- Long lease terms are typically 5-10 years and usually include 5-year option period(s).

Schedule

Refer to your schedule from Phase I of this Roadmap to make sure it aligns with the timing of these opportunities.

Permits/Licenses

Is the space zoned for your use or are there any restrictions for specific uses?

- Each municipality will have publicly accessible zoning maps available online, but they can be difficult to decipher – ask permitting attorneys or other trusted sources to review; never assume your use is permitted.
- If zoning does not allow for a use or the use is "conditional" (i.e. requires further approvals from the City) you can typically apply for a **Special Permit or Variance**, which requires additional permission from the City to allow the use (like a restaurant in a former retail space). This process can take months and often requires a public process with added costs and complexity.

What licenses, permits, or approvals do you need to open your business in the space?

- Health permit and CV (**Common Victualler**) license for food service
- Liquor or beer/wine license for alcohol service
- Entertainment permit for music or live performance
- Building permit for improvements to the space, etc.
- Signage approvals/licenses
- Outdoor seating approvals (if on public land)

PHASE III

TOURING + VETTING REAL ESTATE OPPORTUNITIES: NOTES



T W

DUE DILIGENCE + PLANNING



YOU MIGHT BE THINKING...

*I found an opportunity that I am interested in pursuing further.
Now what?*

By now you should have a good idea of what the rent terms are for the space based on information provided by the landlord or the broker listing the space. You should also know other key economic terms of the lease itself. But there is more to understand and more details to research before making final decisions about a space. Without spending too much time and energy, it's important to understand all that will be required to open your business.

TOPICS IN THIS SECTION:

- Questions to Ask
- Assembling Your Project Team
- Project Financing

TERMS TO FAMILIARIZE YOURSELF WITH:

- A&E (Architect & Engineer)
- Soft Costs
- Hard Costs
- Fixtures, Furniture and Equipment (FF&E)
- Sources & Uses of Funds
- Profit & Loss Statement (P&L)

Questions To Ask

Consider The Following:

What business entity will sign the lease?

- Signing as an individual is not advised.
- Will you create a new single-purpose entity or LLC, a holding company, etc.?
- Speak with an attorney and/or accountant about the benefits/risks of each option.

What physical improvements are required to make the space ready for your use?

- This will vary depending on the space condition, use, and location.

What is the estimated timeline for moving from signing the lease to opening the doors based on preliminary info obtained in the vetting and touring phase?

- Create a detailed timeline with target dates for completing lease negotiations, design, permitting, construction, and opening. Refer to page 40 for more details on project schedule.

What information does the landlord need from you to move forward?

- Ask the landlord or landlord's agent if they require any additional information from your team to feel comfortable moving to the proposal stage.

Assembling Your Project Team

Next, you will need to pull together your team members to help you with underwriting and deal making. Team assembly is discussed in earlier sections above (see page 11), but the following offers more detail on how each member can help you at this stage of the process.

Broker (See Phase II—Engaging a Broker)

- Compensated by landlord in most cases
- Leads search process, organizes and typically accompanies you on tours
- Leads the Letter of Intent (LOI) negotiations, drives deal structure, and provides market knowledge

Architect & Engineer (A&E)

- Two different professionals, but the services are known collectively as “A&E”
- May join for a tour or site visit prior to official engagement
- Helps estimate soft costs for A&E services, part of your project budget
- Can guide you on design files and documentation needed from landlord

Contractor

- Often provides preliminary advice with an expectation for future work together
- Helps estimate the hard costs involved with the project — typically the largest expense in expanding a business
- Can ask appropriate questions about the physical space (pertaining to your use) and potential unforeseen costs/hazards

Attorney

- Often not needed until the proposal (key businesses issues) is completed or near completion
- Negotiates a lease with a focus on legal issues and risk mitigation
- May also assist with entity formation, employment matters, partnership documents, and other startup issues



Project Financing

How much will the overall project cost—and how will you fund it?

This is one of the most critical questions you will need to answer. Develop a project budget that includes approximate costs for building improvements to the space (hard costs), costs for **fixtures, furniture and equipment (FF&E)**, costs for fees associated with architects, engineers, attorneys, etc. (soft costs), and then pre-opening costs such as staffing, inventory, working capital, marketing, security deposits, etc.



Next, you will need to identify your funding sources.

Make a list of your funding sources, including landlord contribution (TIA or Landlord Work), bank debt, equity investors, grants or loans, personal cash, etc.

Funding sources and how the money will be spent is called the **“Sources & Uses of Funds.”** Landlords will often ask to see this in written form. This helps give them the confidence that you can execute your plans on opening your business.

Prepare estimated Profit & Loss statement (**“P&L”**) for a minimum of 2-3 years.



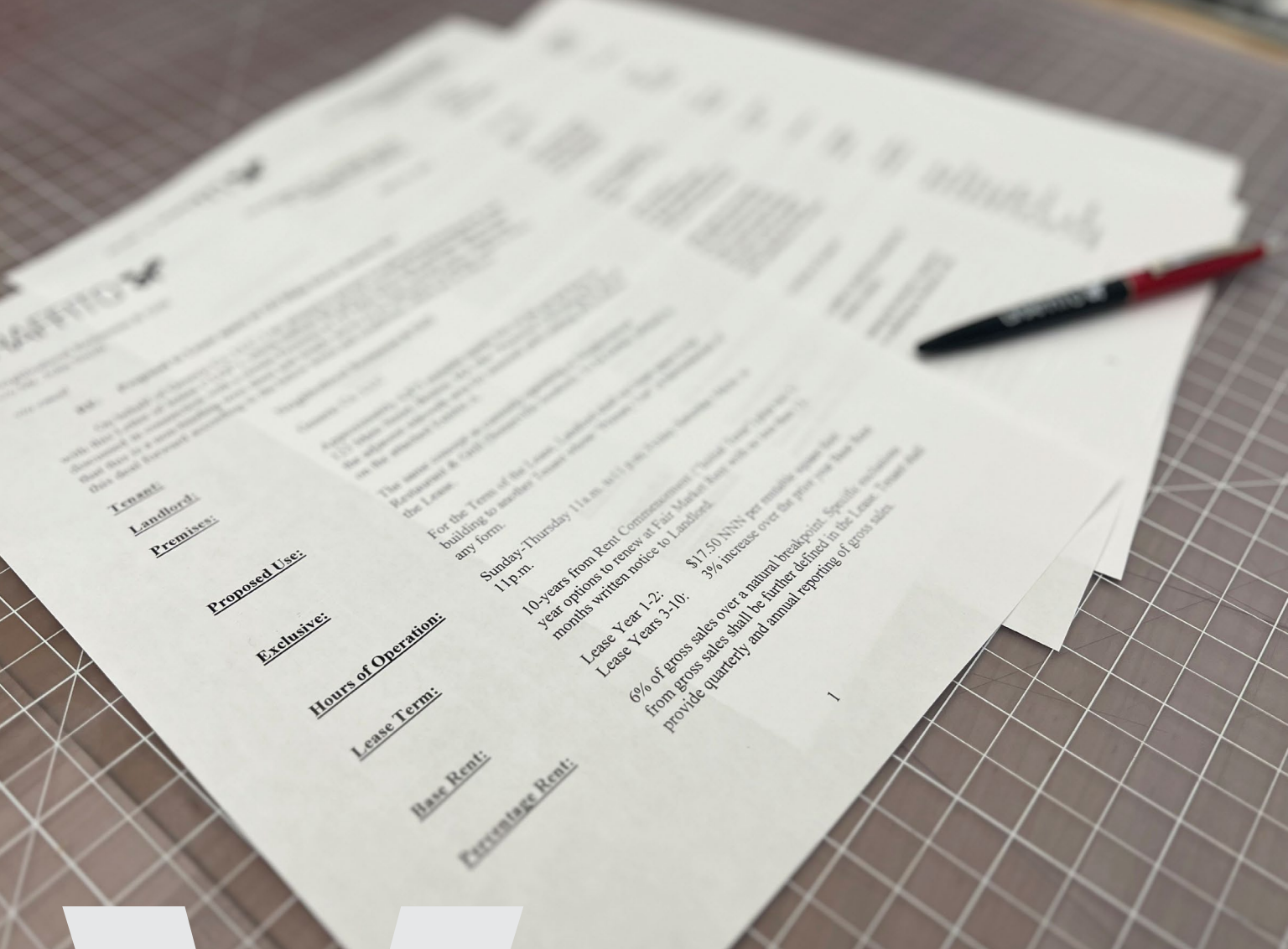
ADDITIONAL RESOURCES

We have included a sample *Project Budget and Sources & Uses of Funds* on our website as part of our Tool Kit.



PHASE IV

DUE DILIGENCE + PLANNING: NOTES



PROPOSAL + LEASE NEGOTIATIONS



YOU MIGHT BE THINKING...

*The landlord is interested in my business and has issued a proposal or **Letter of Intent (LOI)** for the space. What do I do now?*

Congratulations! You've successfully pitched your business concept to the landlord and provided all the details and supporting materials they needed to feel confident to issue you a proposal to lease the space. This proposal is often called a Letter of Intent (LOI). Keep in mind: While it includes many of the the key business terms of what will appear in the lease, it is typically not legally binding – even if you sign it. An LOI is a precursor to the lease document and serves as an important foundation for the subsequent legal documentation of your rental deal.

TOPICS IN THIS SECTION:

- Correspondence
- Negotiation Skills
- Signing Papers

TERMS TO FAMILIARIZE YOURSELF WITH:

- Letter of Intent (LOI)
- Comps
- Non-binding

Tips for LOI and Lease Negotiations

If you are working with a capable broker, they may issue a proposal on your behalf, with terms you have agreed upon in the landlord's **Letter of Intent (LOI)**. Your initial terms are likely a combination of the economics, market data/**comps**, and your comfort level with the space, location, scope of work, and/or sales potential.

Respond to your landlord's proposal in a timely manner with your Phase IV due diligence and feedback from your team of investors, stakeholders, brokers, contractors, architects, and other trusted advisors.



ADDITIONAL RESOURCE

We've included a sample Letter of Intent (LOI) on our website as part of our Tool Kit.



Correspondence

Depending on the landlord's responsiveness, the availability of the space (be it now or a year from now), and the complexity of the deal terms, the LOI negotiations can take as little as a few weeks or as long as a few months.

Many of the above variables are out of your control; however, being proactive and responsive to all emails, phone calls, and meetings can help keep the process moving forward smoothly.

Negotiation Skills

Focus on sections of the LOI that are most important to you and your success. To find common ground and show a willingness to move the deal forward, do not mark up every section of the LOI for comment or re-negotiation.

Compromise is key. You are trying to build a long-term partnership with the landlord.

That being said, do not make a financial commitment you find unfair or disagreeable. Make sure your business model works within the economic obligations in the LOI/lease.

Be responsive in a timely manner. Communication and response to the LOI demonstrates interest and intent to move forward.

Be patient. There may be many rounds of negotiations with both the LOI and the lease.

Leverage your advisors as a sounding board throughout the negotiation process.

Do not rush the LOI process just to have a lease; make sure you have all the business terms worked out in the LOI phases, which, in the end, will save you time and money in the lease negotiation phase.



Tips for LOI and Lease Negotiations

Signing Papers

Once business terms have been agreed upon in a final LOI, both parties will usually sign the document prior to moving on to the process of drafting the actual lease. The LOI serves as a guide for drafting the formal, legally-binding lease.

The LOI, unless otherwise stated, is a **non-binding** document. You can walk away without any legal liability or costs prior to signing a lease.

•Note: Because the LOI is non-binding, landlords may not always sign the proposal prior to drafting a lease.

Expect the landlord to issue the draft lease in their standard format. In very rare instances, a tenant (likely national or global companies) will issue their form lease.

Once you receive the draft lease, you should engage your legal counsel to review, edit, and make comments on the lease and flag key business and legal issues that need to be modified and/or discussed with the landlord.

Your attorney should come equipped with experience in retail/restaurant leases, and not just commercial real estate experience. If you need referrals, ask your team or others in your network. You can also review Graffito's resource list of experienced attorneys in our network.



**ADDITIONAL
RESOURCE**

Additional info can be found in the "list of attorneys" section of our Network of Subject Matter Experts/ Resource List available as part of the Tool Kit on our website.

PHASE V

PROPOSAL + LEASE NEGOTIATIONS: NOTES



DESIGN, PERMITTING + CONSTRUCTION



YOU MIGHT BE THINKING...

I've signed the lease and now I'm ready to get down to work for opening day.

How exciting! You've got a signed lease for your new retail space. But there is a lot of work to do before you open your doors. In this next phase, you will have to design your premises, navigate permitting in your jurisdiction, and then complete the build-out or renovation of the space.

TOPICS IN THIS SECTION:

- Team + Your Role
- Schedule
- Design
- Construction

TERMS TO FAMILIARIZE YOURSELF WITH:

- Rent Commencement
- Permit Set
- Construction Drawings
- Tenant Improvements
- Tenant Improvements Allowance (TIA)
- MEP Systems
- Schematic Drawings
- Design Development Drawings
- Guaranteed Maximum Price (GMP)
- Cost-Plus
- Time & Materials (T&M)

Design, Permitting + Construction

Pay specific attention to your responsibilities under the lease including: i) when your rent starts ([Rent Commencement](#)); ii) the period in which you are required to provide design drawings for landlord approval; iii) your obligations and timeline for filing permits with the city and other milestone dates, etc. This list will vary depending on the sophistication of the landlord and [lease terms](#) in your specific deal.

Team + Your Role

Architects, designers, and contractors should all collaborate and communicate together to help your vision come to life. However, it is your role to serve as the project manager – assume you will always need to direct and guide the process regardless of how good your team is. After all, this is your business – you are the conductor. You are responsible for coordinating between all parties involved to ensure information flows to the right person at the right time.

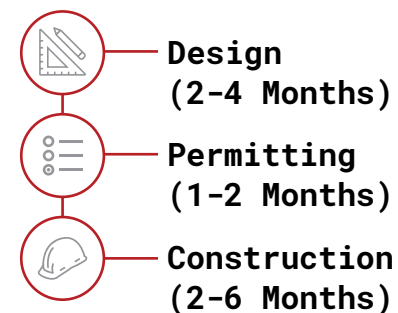
Some project management tips:

- Hold a full-team project kick-off meeting to review roles, responsibilities, timeline, and budget
- Schedule regular check-in meetings/calls with individual members of the team in addition to the entire team to track progress, coordinate overlapping work, and plan ahead
- Regular check-ins keep the team organized, coordinated, and help you catch any time-sensitive issues that arise
- Set up a system for tracking invoices and reports from your team (you will need them through the build-out phase and they may also be important down the road)

Schedule

The schedule for this phase can vary based on business type, the experience of your team, and the scope and scale of work being designed and constructed.

Typical Schedule Range:



Design

This is the stage where you rely on your design professionals, including architects and engineers, to help guide the process.

If you need [Construction Drawings](#) (sometimes known as [Permit Set](#)) showing the work you will complete as part of [Tenant Improvements](#) and using [Tenant Improvements Allowance \(TIA\)](#), hire an architect and sign a formal contract. The contract will detail the architect's scope of services, timing for deliverables, costs, and more.

Ideally, your architect should have toured the space with you already and provided some initial feedback during the due diligence process. The drawings prepared by your architect will be reviewed and approved by your landlord and submitted to the city for your building permit, if required.

Your architect may prepare [Schematic Drawings](#) (preliminary), [Design Development Drawings](#) and [Construction Drawings](#) with details the contractor needs to accurately price and build the space. In smaller projects you might jump right to the production of Construction Drawings. The architect usually stays on throughout the build-out to ensure what's reflected in the drawings is actually constructed. This is mostly administrative work.

Your architect will usually hire/manage/oversee the engineer to provide coordinated MEP drawings for the project. The engineer is critically important to designing an efficient and functional space. Your architect will also work closely with the contractor to consider cost, quality and lead time of materials, details of constructibility, etc. This needs to be a good working relationship.

When you need to hire an architect instead of a "designer":

- If you are making changes that impact [MEP systems](#), life safety systems (fire alarms, sprinklers), structural and other major improvements (beyond basic cosmetic changes) that will require a building permit, you will be required to engage a registered architect versus making your own changes, hiring a designer or deferring to your general contractor.
 - Due to liability issues and city rules, only registered architects can submit plans to the city for review and approval of a building permit. The architect will typically handle the permit application and city approval process with your input.
- If you are simply changing paint colors, adding shelving and other fixtures, swapping out equipment, etc., you may not need an architect. Start by assessing what changes are needed to the premises to determine whether or not a licensed architect is required.

Design, Permitting + Construction

Construction

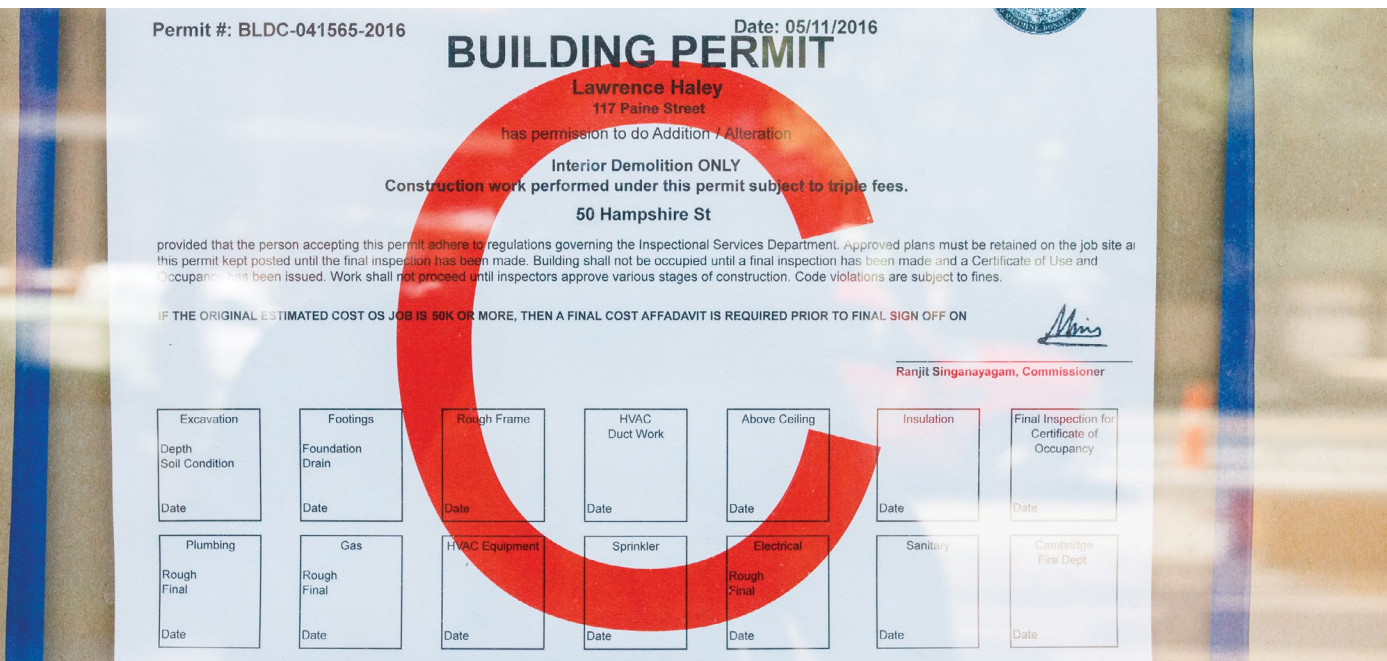
If you have a trusted general contractor (GC) that assisted you with your due diligence process, you may want to stick with them. They should provide updated pricing as you progress through your drawings and participate in regular design/construction coordination meetings.

Fairly early in the design process (Schematic or Design Development), you should get at least one or two additional construction bids from other contractors. Keep in mind, some contractors may provide lower bids, but may not have the same level of experience or ability to execute in a timely manner. You will need to compare the bids carefully and ask questions.

Ask about the type of contract your contractor uses; there are various ways construction contracts are structured, such as **Guaranteed Maximum Price (GMP)**, **Cost-Plus**, or **Time & Materials (T&M)**, though GMP pricing is very rare in the retail context. Know and understand the potential risks for cost overruns, omissions, changes you make along the way, etc.

Once you have selected a GC and the architect signed the contract, it's time to build! If possible, visit the job site frequently and check in with your GC. Use weekly project meetings to stay updated on material changes, obstacles, delays, etc.

Also make sure to be in touch with the Landlord through the build-out period even if it is not written into the lease – things will come up and good communication with the landlord is key for getting through the construction phase and facilitating a strong long-term relationship for years to come.



PHASE VI

DESIGN, PERMITTING + CONSTRUCTION: NOTES



PRE-OPENING/ OPENING



YOU MIGHT BE THINKING...

Tenant improvements are nearing completion, yet I have a million things to do – where should I focus my efforts?

In the final weeks and days leading up to your opening, there will be many things you will need to get done. Focus your limited time on the tasks that are most critical to obtaining your final occupancy permits (health and safety items) and operating the business (hiring and training staff). While pre-opening marketing is important, spending the bulk of your time crafting the perfect social media post, but not enough time making sure your staff knows how to use your point of sale system, could result in challenges during your first few days of being open.

TOPICS IN THIS SECTION:

- Final Space Improvements + Fit Out
- Hiring + Training Staff
- Creating Buzz Through Marketing + Promotion
- Soft Opening
- Full Opening
- Post Opening

TERMS TO FAMILIARIZE YOURSELF WITH:

- Furniture, Fixtures and Equipment (FF&E)
- Social Media Scheduling Platforms

Pre-Opening/Opening

Final Space Improvements + Fit Out

Install your **Furniture, Fixtures and Equipment (FF&E)** not included in your contractor's scope of work.

- This includes everything considered elements of the interior design – tables and chairs and other furniture; lighting fixtures; artwork and decor; shelving and display cases; miscellaneous kitchen equipment, etc.
- NOTE: You likely want to order your FF&E well in advance of this phase, as delivery and lead times for many items are very long.

Make a “punch list” for your contractor to complete before opening.

- A punch list is simply a list of final and remaining tasks that still need to get done before a certain deadline. Ideally, the contractor can be reminded of the items on this list and simply “punch them out” (get them done) quickly. While they may seem small, finishing such tasks (like making sure a door isn't swinging the wrong way, or the toilet paper holders are installed in the bathroom) will be important for a smoother opening day – and beyond.

Purchase smallwares and inventory.

- Get your inventory stocked up by purchasing and preparing items like plates, cutlery, glassware, uniforms, etc.



Hiring + Training Staff

Begin advertising for open positions, recruiting candidates, interviewing, and hiring staff as early as possible.

You will want to leave time for training staff before opening for business.

Plan for a significant amount of turnover and carefully track all interested parties for future openings, even those that do not accept a job now or are not necessarily qualified for certain positions.

Creating Buzz Through Marketing + Promotion

Website

- Your business needs a website. It does not have to be overly complicated and can certainly be a simple page with contact info, hours of operation, address, a few photos, and a list of services.
- Check out services like Squarespace.com that let you create simple, cost-effective websites.

Social Media

- What social platforms will you use to communicate your message? Who is your audience and where are they on social media – Instagram, Facebook, TikTok, Twitter, Yelp, etc.?
- Consider an editorial content calendar and **social media scheduling platforms**.

Photography

- Professional photos of your shop or restaurant highlighting key features – food, staff, interiors and exteriors, excited customers, etc.

Press

- Reach out to local media publications with your story and details behind your opening. Most publications have “contact” and “staff” pages to find out where to send your release. Be sure to note what makes your business new and special (e.g., BIPOC-owned, original menu items, etc.)

Soft Opening

A “soft opening” period, anywhere from a few days to a week prior to your official opening, can help you and your employees ease into operations. During this time, you would open for business for limited hours, perhaps with limited service/offerings/menu, to get your staff comfortable with routines and operations, learn how the space flows, and gather feedback from customers (who are often friends and family during soft opening periods).

All the learnings and insights you gain from the practice period of a soft opening can help you adjust and tweak before your grand opening.

Some ways a soft opening can take form include:

- Hosting a special Friends and Family event
- Preview smaller sample menu (if restaurant) for a period of time
- Directly ask for feedback from customers via a survey



ADDITIONAL RESOURCE

Additional info and resources can be found in the “Marketing” section of our Network of Subject Matter Experts/Resource List available as part of the Tool Kit on our website.



Pre-Opening/Opening

Full Opening

Once you have had your soft opening, it's time to open for real. Swing open your doors, hang some balloons, and blast your opening on your social media platforms and website. This is when your business opens with full hours of operation. If feasible, offer your full menu and line of products and services. It is also important to maintain strong engagement with your staff, your project team, and the advisors who helped you reach this milestone. They will have plenty of valuable ways to help you during the first weeks and months of business. Be sure to perform an ongoing review of your budget in the early stages of your opening to make certain that you are on track. Make time to review your budget and forecast the months ahead.

Post-Opening

A list of things to do shortly after opening:

- Check in regularly with your landlord.
- Re-introduce yourself to your retail neighbor(s).
- Schedule regular check-ins with your key advisors.
- Find ways to collect data from your customers that will help inform your business strategy (survey, testimonials, reviews, web/social analytics).
- If you don't already have one, find a mentor who can help provide guidance as you scale your business.

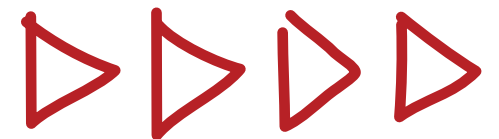


PHASE VII

PRE-OPENING/OPENING: NOTES

KEY TERMS DEFINED + RESOURCES

In the following section, we have defined some of the most commonly used terms in the real estate industry, as referenced in the previous sections of this leasing road map. Read on to familiarize yourself with these terms as you progress through your leasing journey, and be sure to also check out our additional resources listed at the back of this workbook.



Key Terms Defined

Term	Definition
Architecture and Engineering (A&E)	<p>Architects are responsible for design services, project oversight, administration, and visual and technical aspects of the job. Only architects who are registered with a governing body are allowed to “stamp” construction documents for submission to the municipality in which the project is located. Stamped drawings are required to obtain a building permit.</p> <p>Engineers are responsible for the sizing and design of certain systems within the space; the mechanical, electrical and plumbing (“MEP”) systems and the roof and structure of a premises. Like architects, engineers must be registered by a governing body to create MEP plans for permit submission. Architects work closely with engineers to ensure the design execution (safety, quality, etc.) of the job. These professionals communicate and support each other to complete the project successfully. Your feedback is important, and you should be consulted along each step of the way.</p>
Building Load, Core Factor, Load Factor	The ratio between the rented and usable space in a commercial building, a load factor is calculated by dividing the rentable square footage by the usable square footage.
Canvass	The act of going door-to-door in a neighborhood to initiate conversation with local members of the community in order to obtain a better sense of the true character, challenges, and strengths of a particular area, especially as it relates to the current and prospective retail landscape.
Certificate of Occupancy	A document issued by your local government certifying compliance with building codes and stating the premise is ready for occupancy.
Cold Dark Shell	New construction retail space is often referred to as a Cold Dark Shell because there are no MEP systems. In other words, no lighting, no HVAC, no bathrooms, no life safety, no finishes. Bare bones. Typically, the space is barren except for a concrete floor, open ceiling, walls, and entry/egress with utilities “stubbed” to the space.
Common Area Maintenance (CAM)	CAM charges are the costs your business pay for the upkeep of the common areas (like roof, structural elements, walkways, and common restrooms) in a commercial building. This includes maintenance, repairs, and operating costs like snow removal and landscaping. When you lease in a multi-tenant commercial building, you almost always have to pay for a portion of the building’s CAM charges.

Term	Definition
Common Victualer License (CV)	A CV is a license issued by a city or town that allows a food service business that is cooking, preparing, and serving food to lawfully operate. This is one of the most standard licenses or permits that every restaurant needs.
Comps	Comps is an abbreviation for “comparable,” referring to comparable financial deal terms. In retail, comps are used to assess a space’s or property’s value by comparing it to similar spaces or properties (with similar building types, uses, size space, etc.) and enforce key decisions making around what is “market” or current/normal for a certain trade area.
Concept Deck	A presentation (ideally done in PowerPoint or PDF format) of your project and its goals. The concept deck provides background information, a general vision of your idea, and supporting information that will help bring your project to life. See Concept Deck Outline on GSP website.
Construction Drawings (see also Permit Set)	Construction Drawings are the minimal set of drawings required by the local jurisdiction to obtain a construction permit. The permit set typically includes floor plans, elevations, MEPs, sections, and a site plan.
Cost-Plus	Cost-plus contracts are often used if the party who is developing the contract has budgetary restrictions or if the scope of the work can’t be accurately estimated in advance. These contracts are created for a contractor to be reimbursed for almost every expense incurred on a project.
Delivery Conditions	The condition of the Premises when Tenant takes receipt of the space from Landlord.
Design Development Drawings	Design Development Drawings are generated to define the size, function and configuration of spaces, the operation or use of equipment, and the materials for all the principal building structures and systems.
Fair Market Rent (FMR or FMV)	The “proposed” market rent for most Option Terms, which is often determined by Comps, as discussed earlier in the glossary.

Key Terms Defined

Term	Definition
FF&E	FF&E refers to Furniture, Fixtures and Equipment.
First-Generation (1st Gen)	Refers to newly constructed commercial space that has never been customized for a tenant. This means you are starting from zero and building on a blank canvas. First-gen spaces allow you to select where you place walls, power, duct work, etc.
Gross Sales	All sales and receipts collected by the business.
Guaranteed Maximum Price (GMP)	In a Guaranteed Maximum Price (GMP) contract, the customer agrees to reimburse the contractor for materials, labor, and the contractor's fee. The GMP is the maximum price the customer is willing to pay for the project, meaning the contractor is responsible for any cost overages beyond the maximum price unless there are changes to the project design or original scope. This sort of construction arrangement/contract is very uncommon in the retail context.
Hard Costs	Hard costs are associated with physical building construction of a project. <ul style="list-style-type: none"> • Construction materials and labor • Including MEP systems, finishes, etc. • Immovable FF&E
Labor Harmony or Union Labor Requirements	Labor Harmony clauses are included in lease agreements to outline obligations designed to reduce the risk of labor disputes or shift the responsibility and economic impact of disputes (if/when they occur) to tenants. Almost every sophisticated Landlord will require Labor Harmony in lease agreements. Labor Harmony is different from requiring Union Labor for your work. Make sure to clarify with your broker, attorney, or trusted adviser.
Letter of Intent (LOI)	An LOI is a written document that describes the basic terms of the lease (also known as a "lease proposal" or "term sheet") and is often signed by the landlord and tenant before proceeding to the lease. This document tends to be only a few pages long and addresses threshold provisions such as rental economics, length of term, condition of the space, permitting use(s), and timeline.

Term	Definition
Mechanical, Electrical and Plumbing (MEP), MEP Systems	In building design and construction, MEP stands for "mechanical, electrical, and plumbing." MEP design is critical for planning, decision-making, documentation, performance- and cost-estimation, construction, and operating/maintaining the resulting facilities.
Natural Breakpoint	The point at which gross sales exceed the annual base rent divided by a TBD percentage that the tenant agrees to pay in percentage rent. Example: If the base rent is \$60,000 and the TBD percentage is 6.0 percent, the natural breakpoint would be \$1,000,000.
Net Charges or Nets	Net charges are included in leases where the tenant is required to pay a portion, or all, of the taxes, fees, and maintenance costs for a property. <p>A single net lease requires the tenant to pay only the property taxes in addition to rent.</p> <p>With a double net lease, the tenant pays rent plus the property taxes as well as insurance premiums.</p> <p>A triple net lease requires the tenant to pay rent plus all three additional expenses.</p>
Non-binding	Having no legal or binding force. A non-binding contract will almost always include language that reads "this contract is non-binding." For example, a Letter of Intent is most typically a non-binding contract.
Option Term(s), Terms of Lease, Lease Terms, Initial Terms	One of the more important characteristics of a brick-and-mortar retail lease is the Term of the Lease. The duration of the lease can range from a few years to 10+ years depending on the overall deal structure (condition of the space, economics, investment, etc.). The tenant should always ask for option(s) to extend the initial Term of the Lease, which the tenant may elect to exercise under certain conditions, assuming it is not in default of the lease during the initial Term. The Option Term(s) is typically one or two option periods of various durations, typically not longer than the initial term of lease.

Key Terms Defined

Term	Definition
P&L	<p>The Profit and Loss statement (P&L) is a financial document that summarizes revenues, costs, and expenses incurred during a given time period (quarterly/yearly). This document provides information about a company's ability or inability to generate profit by increasing revenue, reducing costs, or both.</p> <p>A Profit and Loss statement is also referred to as an income statement, a statement of profit and loss, an income and expense statement, or a statement of financial results.</p>
Percentage Rent	<p>An alternative form of rent paid by a tenant that is based on the tenant's gross sales from a given premises.</p> <p>This form of rent is often in addition or in lieu of traditional base rent. The most typical % rent structure is an arbitrary or market percentage of sales paid over a natural breakpoint, the point at which the tenant is paying said percentage of sales in base rent. The "breakpoint" is not always a simple formula as demonstrated below and can be structured, like the % of sales, in many forms.</p> <p>Basic example: Tenant is paying \$50,000 in annual base rent and 5% in percentage rent over a natural breakpoint. The tenant does \$1,200,000 in sales for the year. They pay 5% of every dollar over the natural breakpoint of \$1,000,000 ($\\$50,000 / .05$), so $\\$1,200,000 - \\$1,000,000 = \\$200,000 \times .05 = \\$10,000$ in Percentage Rent. If the tenant does not reach the breakpoint, natural or fixed, they do not pay Percentage Rent.</p>
Permit Set or Construction Drawings	<p>A permit set is the minimal set of drawings required by the local jurisdiction in order to obtain a construction permit. The permit set typically includes floor plans, elevations, MEP sections, and a site plan.</p>
Premise Plan	<p>A fancy word for floor plan or space plan.</p>
Rent Abatement	<p>Rent abatement is an agreement between the landlord and tenant that provides a period of free or discounted rent. This usually happens during the first few months of the lease during tenant's ramp up, construction, or permitting period.</p>

Term	Definition
Rent Commencement	<p>The rent commencement date is when the tenant's first month of rent is officially due. This usually happens when the Landlord delivers the property (or, "the keys") to a tenant, subject always to the rent abatement period, if any.</p>
Rentable SF	<p>Rentable square footage is a tenant's usable square footage plus a portion of the building's shared square footage. This calculation is typical for office leases, less so for retail leases.</p>
Schematic Drawings	<p>Schematic drawings are the first step in an architect's design process, where project requirements and goals are determined. The architect then takes this information and develops rough drawings of floor plans, elevations, and illustrative sketches or computer renderings.</p>
Second-Generation (2nd Gen)	<p>Refers to a space previously occupied by a restaurant or other retailer, which can be repurposed by a subsequent tenant. Second-generation spaces are highly recommended for businesses who are opening their first brick and mortar restaurant because it is often a more affordable option with less time (and third parties) between lease signing and open for business.</p>
Small Business Administration (SBA)	<p>The Small Business Administration/SBA supports small businesses in guaranteeing loans. It sets guidelines for loans made by its partnering lenders, community development organizations, and micro-lending institutions.</p>
Social Media Scheduling Platforms	<p>A social media scheduling platform or automation tool enables you to be proactive and strategic about planning, scheduling, and editing your content ahead of time. Planning your social content in advance will save you time, money, and errors.</p>
Soft Costs	<p>Soft costs are associated with the planning, permitting, and financing of a construction project.</p> <ul style="list-style-type: none"> • Architectural and engineering fees • Legal fees, permits, and taxes, property and construction insurance • Movable furniture, fixtures and equipment ("FF&E") • Marketing, advertising • Initial staffing and pre-opening costs • Inventory • Working capital

Key Terms Defined

Term	Definition
Sources & Uses of Funds	A document (usually a spreadsheet with two columns) that details where the project budget funds are coming from (owner equity, investors, bank debt) and how the funds will be spent (hard costs, soft costs, etc.). See Sources & Uses of Funds template on GSP website.
Special Permit or Variance	A special permit or variance is required when a property owner's (or tenant's) planned use of the premises deviates from local zoning law. If a special permit or variance is granted, it acts as a waiver to some aspect of the zoning law or other regulations.
Square Footage (SF)	A square foot is a unit of measurement of surface. It is most frequently used to quantify space in a commercial lease.
Tenant Improvement Allowance (TIA)	<p>TIA is a pre-negotiated sum of money a landlord will provide the tenant to help cover a portion of construction costs.</p> <ul style="list-style-type: none"> • TIA is usually expressed by dollars per square footage – i.e.: \$30.00 per square foot on a 3,000 sf = \$90,000 • The tenant should be prepared to pay construction expenses upfront and be reimbursed later by landlord through TIA (not more frequently than every 30 days) • TIAs are almost always negotiable and are often determined by condition of the Premises (e.g., new construction often requires a larger TIA from the Landlord) <p>TIAs are usually only applicable for construction costs (i.e., hard costs) associated with improvements to the space; not design fees, attorney fees, furniture, or movable equipment.</p>
Time & Materials (T&M)	A Time and Materials (T&M) contract includes a quote for a fixed hourly wage plus the cost of materials for a construction job.
Type I Kitchen Exhaust	Type I kitchen exhausts or hoods are used with appliances that are used to cook greasy foods or over cooking that can produce smoke. Type I hoods are often located above deep fryers, cook tops, open-flame stoves, conveyor-pizza ovens, charbroilers, and more. This type of exhaust is mandated by building/health code.

Term	Definition
Type II Kitchen Exhaust	Type II kitchen exhausts or hoods focus on kitchen equipment that does not produce excess smoke or grease (dishwashers, ovens, pasta cookers, etc.) but may still need exhaust for steam, hot air, or odors.
Usable SF	Usable square footage is anything within the boundaries of the floor or unit. It does not include common areas of a building (lobbies, common restrooms, stairwells, storage rooms, and shared hallway). In sum, it's a retail tenant's exclusive space.
Vanilla Box	Retail space improved from a Cold Dark Shell with basic occupancy requirements including basic lighting grid, bathroom, HVAC, life safety, and limited finishes. Usually, this is space that was previously inhabited by a previous retail tenant or pop-up user. Vanilla Box is NOT used to describe a former restaurant space.
Working Capital	Cash available to meet your current, short-term obligations or day-to-day operations, especially as you open for business.

Resources



ACCESS OUR COLLECTION OF RESOURCES

Scan the QR code or visit graffito.com/tool-kit to access a list of the below resource links.

- Example Concept Deck Outline (.GDOC)
- Sample Concept Deck - Las Palmas (.PDF)
- Network of Subject Matter Experts/ Resource List (.GSHEET)
- Sample Capital Budget Template (.GSHEET)
- Sample Delivery Conditions (.GDOC)
- Sample Premise Plan (.PDF)
- Sources & Uses of Funds Template (.GSHEET)
- LOI (Letter of Intent) Template (.GDOC)





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