



# Suite





# Talk

## **A Manager's Guide to Successful Space Plans**

by Alice Devine, CPM®, RPA

**W**ith pencil poised over tracing paper, the architect sketches plans for a new office. A cornice here, a downlight there. Five minutes and four glass-block offices later, the space planning meeting has careened wildly out of control, and the property manager silently rehearses ways to tell the prospective tenant it cannot afford this Taj Majal of an office.

With some key tips garnered from architects and leasing personnel, property managers can avoid this scenario and instead conduct an effective space plan meeting.

### **When to Draw**

A disorganized space planning session often results from inappropriate timing. It is difficult for even the most talented architect to formulate a space plan when a landlord has not qualified a tenant or a tenant has not thoughtfully anticipated the type of office it will need. The results will be an expensive exercise of value to no one.

Because the landlord typically bears space planning costs, it is prudent to establish some basic tenant qualifica-

tion criteria before undertaking any plans. Do the tenant's financials justify the proposed lease cost? Is your building the tenant's first choice? In tight markets, landlords may require a letter of intent prior to space planning. In soft markets, a landlord may be satisfied knowing that a tenant is sincere about relocating, and not simply shopping the market to procure a better rate. In either instance, you need some criteria to ensure marketing funds are well spent.

In a recent survey of top-notch commercial architectural firms on the West Coast, Scott Stephens, vice president and regional operations manager of Wilson Cornerstone, found commercial space planning costs range from \$0.15 to \$0.35 per rentable square foot. Assuming a 5,000-square-foot space and \$0.25/rsf planning costs, the landlord would spend \$1,250 for initial space planning—hardly an amount to waste on a nonviable tenant. While it may be possible to lower space planning costs by working with an in-house planner or using the services of students at a local architectural or design school, the costs of space planning should not be taken lightly.





Occasionally a tenant's urgency to move necessitates a space plan before a landlord can qualify a tenant. Under those circumstances, one solution to this dilemma is for the tenant to indemnify the landlord for the cost of the space plan. In the event that you do not approve the tenant's financials or that the tenant does not sign a lease, the landlord can seek reimbursement for the cost of space planning. Even better, the tenant can pay the architect initially, and the landlord will reimburse the tenant once lease requirements are fulfilled. Your attorney should review this letter form.

Because an indemnification letter expedites the leasing process without qualifying items (such as financials), pressure to deliver the items can be lifted from the tenant. Should the tenant later produce weak financials, choosing not to consummate the lease becomes more difficult as both parties have invested time and resources. Conservative landlords use indemnification letters judiciously.

### Exercising Control

As the contracting party, the landlord's representative must control what space plan information goes to the tenants and how that information is communicated. Do not allow the

architect or the contractor to serve as intermediaries. The landlord should host all meetings; approve all correspondence, estimates, and plans before they are sent to the tenant; and oversee the completion of all work. This oversight ensures that meetings are efficient and that work is of a high quality. Just as importantly, the space planning phase allows you to forge a relationship with the prospective tenant and decision maker.

The landlord also has the responsibility of ensuring that the space planning process is smooth and efficient. Communicate with the architect ahead of time regarding the anticipated tenant improvement budget, the tenant's needs, and the meeting attendees. Cornish & Carey Commercial's Senior Vice President Bob Garner says one of the most important elements is "having the architect understand the (deal) parameters...don't plan a \$35 tenant space on a \$5 a foot allowance." Although the architect should never discuss the economic points of the lease deal with the tenant, budget knowledge will help the architect design and value-engineer the plan—so that you don't wind up with a cascading fountain in the tenant's reception area on a spartan allowance! Should this type of planning error

occur, the landlord and the broker face the challenging task of readjusting the tenant's expectations.

The landlord—and possibly the space planner—should visit the tenant's existing suite in advance of the space planning meeting to help understand the tenant's perspective, the differences between the existing space and the prospective suite, and general office operations. This visit may help ascertain any special space needs the tenant has overlooked.

Know your own building suites. Walk the suite to refresh your memory: Are finishes in good condition? Where is the entry door? What are the assets and detriments of the suite? You are then better prepared to suggest any improvements and to assess the space plan. Conversely, elements of the existing suite may be retained, resulting in lower construction costs.

Nick Brereton, principal of San Francisco-based Brereton Architects, believes it is important to analyze your building before planning in order to minimize code expenses such as compartmentalizing office space, adding fire doors, etc. By understanding the weaknesses of a building from an existing standpoint and knowing a tenant's office layout requirements, you can use tenant allowances most efficiently.

### A Productive Process

At the start of the meeting, you should introduce the architect and explain the space planning process. Remember it is a rare tenant conversant with planning—smooth the process by telling the tenant what to expect.

In many cases, the process will begin with the architect asking a set of "programming" questions and



then preparing some preliminary sketches. While technology offers paperless leasing tools to the real estate industry, many architects and tenants still rely on old-fashioned paper and pencil, replete with eraser. Stock your office with tracing paper, "as built" blueprints, a scaled ruler, building standard paint and carpet finishes, etc. Space planning meetings are generally held at the building management office, so that you can conveniently visit the prospective suite. A suite visit also allows the prospect to take ownership.

Architects speak a strange language of lines, dotted lines, triangles, and circles. Learn these symbols and other architectural nomenclature to become fluent. During the space plan meeting, you will understand exactly what is being drawn and can become a translator of sorts for your tenant. Like the Pig Latin of old, you'll also have a unique language to communicate with your architect while the tenant may not understand all the nuances. For instance, assume you ask your architect if a sidelight would work much better than glass block. This shorthand language tells the architect to suggest a less costly alternative without expressly saying such in front of the tenant. Of course this also assumes you know your unit prices and that you realize glass block is significantly more expensive.

Use your contractor to educate yourself on unit costs. You can prepare a sheet of the most common units used in tenant improvements (see the sidebar). Then have your contractor assign a price. Remember to add the contractor's overhead and profit onto each unit price.

Shortly after the meeting, the architect should complete a space

plan for the tenant's approval. Most architects will have a predetermined lead time for producing space plans based on square footage. In the case of a small suite (1,500 square feet or under), the tenant should be able to leave the meeting with a space plan in hand. For larger suites, expect a longer turnaround time of two to five days which is more appropriate. Make sure your architect finishes the space plan on time, as you promised. Your timeliness and organization speak to your quality of service as a landlord.

### **Space Planning As Marketing**

Tenants often complete space plans in one or two contender buildings prior to making a final lease decision. Thus, the space plan is another opportunity to establish your building as the fore-runner to competition. The space plan should be well drawn and clean of details so as not to confuse a tenant. Most landlords have a space plan given to the tenant and a more detailed pricing plan presented to the contractor for quotes. The space plan given to the tenant should note doors, partitions, electrical, and a kitchen (if applicable).

Sometimes a plan looks better with furniture or plants drawn in or artwork areas indicated. While these won't necessarily be constructed by the landlord (and should be marked as NIC, not included in contract, on the plans, such inclusions give the tenant a better feel for the space. Provide the tenant with two space plans; one identifies the various offices with specific employee names while the other shows offices without names. This way the tenant can plot employee locations and can also circulate the "clean" space plan without

## *Know Your Unit Prices*

(Because unit costs and building standards vary so significantly among geographical areas, it is best to obtain specific prices from your contractor or via the RS Means *Building Construction Cost Data* publication (781-585-7880).

Know these basic prices:

**One door, including frame**

**Carpet (price per square yard, installed, including carpet pad if applicable and baseboard)**

**Duplex electrical outlet**

**One exhaust fan**

**Paint for the suite (per rentable square foot)**

**Five feet of lower laminated kitchen cabinets**

**Dishwasher**

**Cost for building a four-wall, 8' x 10' drywall office—assume building standard door, no sidelight**

**Three-foot sidelight**

**Mini-blinds for a three-foot sidelight**

**Vinyl tile (per square foot)**

generating a rash of office politics regarding seating locations.

Have the tenant take further ownership of the suite by listing the company's name, new suite number, and building address on the space plan. List the rentable square footage, but omit the usable square footage (which begs a tenant to focus on the amount of rent it is paying versus the space actually used).

Deliver the space plan in person if possible, and review the plan with the tenant. Some tenants have a difficult time visualizing space, and your briefing regarding path of travel, the drawing scale, etc., will assist in deciphering the plan. Better, you'll receive



the tenant's immediate feedback. Should the tenant have any minor changes, you can relay these to the architect for a prompt revision. Landlords typically require the tenant's initials or signature on the approved space plan. Because this plan will be converted into construction documents, it is important that all parties are in agreement.

### **Staying Flexible**

"Today's focus is on making offices reusable," says Brereton. He notes that space planning trends lean toward "designing more and more generic spaces to allow for company flexibility. Offices are getting smaller; and company standards fewer." The combination of painful 1980s market downturns coupled with firms' neces-

sary business plans for exit strategies provide incentives to design offices that appeal to a multitude of users.

One method to ensure flexibility is to seek standard office sizes that can be used for a variety of purposes. Standard private offices are 10 feet by 12 feet, but architects also are planning 13-foot by 15-foot offices that allow for additional conferencing options. Spaces averaging 12 feet by 15 feet are neither fish nor fowl; they use more space but don't allow for much more than a desk, credenza, and side chair. While private versus open offices trends continue to fluctuate, Brereton believes that it is important to retain existing perimeter offices if possible in order to minimize construction costs. Construction in these areas is particularly costly because of separately zoned HVAC, separate lighting, and added demolition expenses.

### **Planning Pays**

By knowing the parameters of your tenant improvement allowance, understanding how architects work, memorizing basic unit prices, and staying focused, you will conduct better space planning meetings. Your grateful tenant will appreciate the work, and the subsequent construction and move-in will go much more smoothly—laying the foundation for a solid, long-term relationship.

*Note: This article uses the word "architect" to refer to either architect or space planner.*

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