

Building BLOCKS

The (Almost) Nine Thousand Restaurant Man: An Interview with Restaurant Consultant Joe Spinelli

by John Klakamp

[editor note: Building Blocks is undergoing a renovation of its own: In this first of a continuing series, Encore Construction owner John Klakamp will sit down with a different industry expert for a Q&A session covering the latest news, advice and tips in successfully navigating restaurant construction.]

Joe Spinelli's career in the restaurant industry spans 39 years. During that time he has personally owned and operated several restaurants in addition to launching several other

restaurant-related businesses including a custom millwork company, a refrigeration sales/service company and an electrical contract service company specializing in electrical contracting to restaurants and commercial businesses. Spinelli holds a degree in architecture from the University of Pittsburgh and is also a licensed general contractor. As president and CEO of Restaurant Consultants, Inc., Spinelli offers a broad array of services including food service consulting, architectural plans and designs, cost analysis, construction management, lease negotiations, site development and evaluation, business evaluation, permit processing, liquor licensing,

and feasibility studies.

Joe Spinelli has personally been involved in more than 8,900 restaurant-related projects. That's right - 8,900! Let's hear what the expert had to say about the right way to negotiate a lease, assemble a project team, develop a design and manage construction.

PRE-LEASE AND PRE-CONSTRUCTION

Q: What are some effective ways for owners to benefit during lease negotiations?

Spinelli: Hire an experienced broker that specializes in restaurants to help you negotiate the process. For an existing restaurant, make sure you obtain clear title to all of the assets, and investigate whether you can negotiate leasehold improvements. If it's a new space, the landlord may give you more—either by performing some of the improvements or in the form of cash contributions and rent abatements. In today's economy, we are seeing great deals from landlords just to entice a tenant to take the space. In particular, try to negotiate the rent escalations which will save you in the long term; the average is about 3 percent.

Q: What disciplines should be part of the development and construction project team?

Spinelli: It depends on the size of the project, but you should have a consistent team that has worked together and specializes in restaurants. It also depends if this is a new or mature concept. On the development side, you will need a restaurant consultant, an attorney, an accountant and ideally a public relations and marketing person. On the construction side, look for a general contractor, architect, mechanical, electrical, plumbing engineers and permit expeditor experienced in restaurants. For instance, Encore is a company that has been recognized in our industry as one of the premier contractors that specializes in



Joe Spinelli

the restaurant industry. Depending on the size of the project, you may also need a construction manager.

Q: What costly gaps are often overlooked?

Spinelli: Most new restaurateurs underestimate the resources required to open a restaurant in terms of both funding and time that it takes to accomplish this task. Those are probably the common and larger gaps overlooked.

Q: When an owner's budget doesn't align with their architectural and engineering goals, what solutions do you recommend?

Spinelli: This is a common problem. There are many architects and engineers who design restaurants but do not focus on cost. The owners give them a budget and the project is over by 25-40 percent and then the architects and engineers charge again to value engineer the project, which certainly doesn't seem fair. The solution is to have an experienced general contractor (GC) or consultant to review the plans and perform some value engineering to reduce the cost, and look at the project more objectively

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then the original designers.

Q: What is Integrated Project Delivery and how can it help save money?

Spinelli: Using the Integrated Project Delivery (IPD) method brings all participants together early with collaborative incentives to maximize value for the owner. This collaborative approach allows informed decision-making early in the project where the most value can be created. The close collaboration eliminates a great deal of waste in the design, and allows data sharing directly between the design and construction team eliminating a large barrier to increased productivity in construction.

CONSTRUCTION MANAGEMENT

Q: Do you favor a lump sum or a negotiated contract?

Spinelli: American Institute of Architects (AIA) A101 (fixed price) or A102 (cost of the work plus a fee with a negotiated maximum price) standard contracts seem to work well, although every project will be a little different. I prefer a cost-plus contract with a reputable contractor. It saves the client time and money.

Q: What can an owner do to achieve their overall budgetary goal?

Spinelli: Surround yourself with a good restaurant team. Be realistic and listen to the GC or consultants that are trying to help you. Have a good and solid design ... even if it takes a little longer, you will save in the long run. It's like building a house, you can always use more closets. Some clients try for perfection and the project lasts longer than it should have and some of the costs are difficult to recoup.

Q: How can cost overruns be greatly reduced or avoided?

Spinelli: As noted it all starts with a good set of contract documents. If the design team has experience in the restaurant industry, we see the overruns diminish. If the drawings are put together quickly and have many inaccuracies, that's when the overruns start. Having an experienced GC that specializes in restaurants will save you money in the long run.

SUCCESS STORIES

Q: What do owners seem most grateful about after working with your company?

Spinelli: They realize how much money and time we save them. We are able to get the restaurant open much more quickly and frequently under budget. Our name and credibility in the industry opens many doors for our clients. Our 40 years of relationships makes the process easy and seamless and is a big advantage.

Q: Can you share a quick story about how your construction management services saved a client a significant amount of money?

Spinelli: There are many stories to share, each with its own history and most of them are very compelling and different. However, three in particular stand out: Fogo de Chao, Wolfgang Puck and Nando's Peri Peri. All three were very large projects, but because of our relationships and our understanding of the restaurant industry, we solved many construction-related problems and streamlined the opening of each, allowing them to open 3-4 weeks earlier than scheduled.

LOOKING AHEAD

Q: What are some of the trends you're

seeing right now in restaurant construction?

Spinelli: Restaurant construction is definitely on the upturn, with our industry as a whole up 2.5 percent from 2009. We are opening about two restaurants a week, and it is not slowing down. It's more economical to open a restaurant today because we are benefiting from great deals from landlords, which is helping the construction program in raising funds to open the restaurants. I see fast casual and sports bars leading the way, and also see the franchising industry growing, perhaps because it seems to take some risk out of a new venture.



John Klakamp has more than 30 years experience in restaurant construction and is owner of Annapolis, MD-based Encore Construction (www.encoreconstruction.net), a firm that specializes in providing pre-construction, construction and project management services to the restaurant industry.

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