Business Relocation Guide

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OneRedmond

A Guide to Relocate Your Business

Dear Business Owner:

The City of Redmond is seeing tremendous growth. Yes, this growth is exciting, but it can also be a source of uncertainty to our smaller businesses. These varied transitions that are happening in our community is a cause of displacement and we at OneRedmond want to do everything we can to assist our local businesses. Whether a company has been at a location for 1 year or 20 years, the news brings up many questions and can feel overwhelming.

OneRedmond has been working with local experts to put together a relocation guide. Some highlights are below and we encourage any business to contact us and we would be happy to send you our guide and to help connect you with our local resources.

Things to consider when relocating your business:

1. **Know your current lease.** Know your timeframes and begin the process of looking for a new space a soon as possible.
2. **Determine your current and future business needs**. From your business goals and needs to customer and employee preferences, understanding where you are and where you are going will be tremendously helpful.
3. **Bring your team together.** There may be one person associated with multiple responsibilities, but make sure you consider each of these functions as you make decisions: finance manager, HR, IT, and of course your real estate broker. OneRedmond has decades of industry connections and we will be happy to supply referrals and assist you with your research.
4. **Don't forget your customers.** Consider taking a survey to ask your customers about preferred locations or any needs they may have or want in a new location.
5. **Outline your real estate needs and rank them in order of importance.** How much space do you need? What are your cost parameters? Parking needs? Security and access? Location preferences?

Following is an in-depth look that covers everything you need to consider when making a move. If you are a small business, this may be a very daunting undertaking. For those of you who wear many hats in your organization, I would focus on the above topics. If you want more detail or want to dive down deeper, then read on.

You are an important part of our business community and OneRedmond wants to do everything we can to try and keep you in Redmond.

Sincerely,

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Relocating your business is not an easy task. Where do you begin? How will it affect your business? To help get your started, OneRedmond has collected this information through a variety of experts. The purpose of this information is to help you avoid making mistakes along the way in your relocation. Below are the top ten most common mistakes.

Top 10 mistakes

1. Beginning the negotiation of a new lease too late
2. Lacking clearly defined business or real estate objectives
3. Focusing exclusively on financial costs
4. Failing to appoint a project leader as the internal single point of contact
5. Making inaccurate estimations of the company's space requirements
6. Failing to leave enough time at the end of the lease to fulfill "make good" obligations
7. Acting too slowly once a decision is made, and consequently missing out on opportunities
8. Agreeing to terms prior to obtaining a space planning perspective
9. Failing to allow for expansion space
10. Lacking the knowledge of future opportunities; often, the best deals are secured well in advance of space becoming available

Step 1: Determine your current and future business needs

Commercial leasing decisions should take into consideration medium- to long-range business goals for leases running three years or more. Is your business growing or shrinking? What are your brand values? What are your preferred work settings? What type of employees will you have in the future? What will your technology requirements be in three years? Are you considering acquiring or merging with other firms? What effect will moving have on your customers and staff? By working through this concept planning phase, you will achieve the maximum benefit—both financial and strategic.

OneRedmond can connect you with our Small Business Development Center and our local SCORE representative to assist you as you answer these questions.

Step 2: Prepare to look for new space as soon as possible

Allow sufficient time to ascertain your current situation, review other options, assess the marketplace context to ensure you optimize the end result.

The period required to conduct the lease negotiation and relocation process ranges from three to six months at a minimum. Depending on the size of your organization and the current market conditions, you should prepare the begin this process 18 to 24 months prior to your lease expiration. It may take two years or more to complete the lease and relocation process; larger organizations should plan for even more lead time.

Step 3: Bring your team together

No matter the size of your business, you will need bring together key players to bring information to the table to help in the decision-making process. There may be one person associated with multiple responsibilities, but make sure you consider each of these functions as you make decisions.

You may want to consider your senior employee, finance expert, human resources manager, IT, and any division heads that may give you a different perspective. At the end of the day, you need to have a single point of contact from your organization which will make the process run more smoothly.

And don't forget your customers. You may wish to conduct a survey of your staff/customers to determine their needs, preferred location, etc.

Last, but certainly not least, a real estate professional which will be a critical part of the project team. This will arm you with insight into the marketplace.

You may also want to consider a workplace design professional who will complete the team by providing knowledge of productivity-enhancing tenant improvements.

OneRedmond is your local partner that can help connect you to the people you need. We have decades of industry connections and we will be happy to supply referrals and assist you with your research.

Step 4: What to consider when looking for a new location

Brand value enhancement

The quality of your building and the tenant improvements in your office space speak volumes about your organization. A renovated office space or new building can strengthen your employees' perception of your core values and elevate your brand in the minds of customers and other stakeholders.

How much will it cost?

Operational costs - The negotiation of rent and tenant incentives is dependent on the dynamics of the local market. Today's market with low vacancy gives landlords the upper hand in negotiations. It is important to work with an experienced representative to help you get the best deal possible.

Tenant improvement and "make good" costs - Your entry and exit strategy to a lease can greatly affect the real cost of your commitment. Workplace design and tenant improvement costs should be viewed as an organizational opportunity—a well-planned and executed tenant improvement will adapt to your organization's growth and changing needs and minimize churn costs. Balancing your tenant improvement costs and the benefit it yields to your organization is critical. In addition, "make good" commitments will affect your cash flow when exiting a lease.

Step 5: Create a Real Estate Brief

The briefing process begins with the documentation of your workplace requirements.

- Growth projections
- Space budget
- Space standards
- Organizational vision and objectives
- Cost parameters

A well-prepared real estate brief will translate into your property requirements. The brief will expedite your decision-making process. You will save considerable time by inspecting and reviewing only suitable properties. Your brief also creates a framework to evaluate and compare your options. An important element in developing this brief is to audit your existing premises— creating a clear understanding of what's working, and what's not.

What Should be In Your Real Estate Brief?

Your real estate brief should consider a wide range of criteria:

- Size of space
- Tenant improvement needs
- Number of employees (maximum and minimum)
- Image / quality / aesthetics
- Location
- Parking Building services
- Office/Business hours
- Security and access
- Lease structure preferences
- Technical requirements
- Timing Communications infrastructure
- Budget Environmental considerations

Other unique needs

- Signage / naming rights
- Term / renewals

Consider ranking each factor in terms of importance, as you may have to compromise on some items, depending on the options available. You can also assign a point value to each factor, with more points possible for the factors with greater importance. Your real estate professional can help guide you through this evaluation process.

Step 6: Looking at your options

You should familiarize yourself with local office market conditions. By knowing the market vacancy rates, supply projections, current rental rates and tenant incentives, you will be in a better position to evaluate various proposals. Your real estate professional can provide you with an office market presentation that describes these factors, both in your local market and in the specific submarkets you identify as most desirable.

Evaluate Market Alternatives

Ask your real estate professional approach the market on your behalf. With an intimate knowledge of the market and a well-established network of agents and owners, your representative will act as a single point of contact to uncover all suitable space opportunities.

Evaluate and Prepare a Short List

When analyzing alternative premises, consider timing, financial and other incentives that may be offered. Aim for a short list of three or four properties. Evaluate options against your brief, ensuring the property's benefits match your stated business objectives.

Financial Analysis

There are several ways to compare the financial aspects of leasing, including:

- Gross effective rent per square foot
- Gross stated rent per square foot
- Gross and net rent per square foot
- Total occupancy cost per employee

Look beyond the square foot rate offered. Some office space is highly efficient, enabling you to accommodate your employees in less space. For example, you may require 5,000 square feet to accommodate your staff in one building while another may be able to house them comfortably in 4,000 square feet. In this instance, it does not make sense to compare the two options based on their rate per square foot. Lease conditions such as "make good" requirements can also impact on the attractiveness of a particular option.

Workplace Design and Tenant Improvement

It's not all about cost. When evaluating your property options, don't forget to consider the intangible costs and benefits for each property option. Evaluate each option's impact on staff productivity and communication, corporate identity, information technology, communications performance and your customer base. Your work space must also contribute to the development of team networks and organizational learning systems. In addition, the office systems must support organizational change efficiently, and with minimal redundancy.

Determine Work Space Efficiencies

By conducting a design site audit of the short-listed options, you and your team will determine the work space efficiencies for each property. What needs to be changed? What can you keep?

This process determines your projected tenant improvement costs and will enable you to compare your options based on financial and non-financial criteria.

Tenant Improvement Costs

It is critical that all tenant improvements are assessed to determine their contribution to your overall objectives. In the end, you want to ensure that you minimize the cost of the tenant improvement.

Step 7: Commit to the Location

Letter of Intent

Once lease agreement details are negotiated, both parties will sign a letter of intent. This document is generally not legally binding but is a gesture of good faith that terms have been agreed. When signed, this document will be used to brief attorneys so that the final lease documents can be prepared.

Workplace Design Issues

When a lease agreement is complete, the workplace tenant improvement process begins immediately. At this stage, you should have completed:

- Needs analysis
- Space plan
- Test fit

This will enable you to engage a designer with accurate information regarding your requirements. The sooner a designer is engaged, the better the outcome. It is vital that this stage is viewed as an investment in the organization's future and not merely a tenant improvement. The development of work space should be directly linked with your organizational strategy

Step 8: Design and Project Management

The sooner you engage a capable designer and project manager, the more time you will have to create the space that will match your organization's vision. Remember to think about your priorities with your customers and staff.

Design Development / Construction Approval

- Engagement and full briefing of all other specialists and consultants
- Commencement of detailed design
- Development of finishes selection
- Short list of furniture options
- Review of likely tenant improvement costs
- Detailed construction timeline preparation
- Provide documentation for building owner and authorities
- Stake holder coordination

Detailed design and documentation phase

- Preparation of documentation for a construction bid
- Finalize furniture selection
- Finalize the selection of tenant improvement finishes
- Obtain building and construction permitting

Bid review phase

- Determine agreed bid review panel
- Review and assess bid responses
- Bid management and analysis

Contract Administration/Tenant Improvement

- Manage the delivery process and administer contracts
- Appoint all approved contractors and suppliers including head tenant improvement contractor
- Coordination of all required meetings
- Coordination of quality control inspections
- Cost and variation management
- Project manage delivery program

Project Completion/Occupation

- Oversee practical completion
- Timely issue of the Code of Compliance certificate
- Inspection and sign-off
- Manage the identification and completion of all outstanding and defective works
- Cost reporting and final accounts
- As-built drawings, operating manuals, guarantees and warranties
- Final inspection and completion of works at the end of the defects liability period

Glossary of Terms

Allowance indicates the amount the landlord is prepared to offer as a contribution to the tenant's cost of leasehold improvements and can also include other inducements such as free rent, moving allowance, taking over and existing lease, or their equivalent. The allowance is generally expressed as a dollar amount per square foot of rentable area.

Building Consent is approval from the relevant authorities for carrying out building work on the premises, usually for tenant improvements.

Cap and Collar a term and method used in some market review clauses. It is a mechanism that puts a "cap" or maximum amount by which the rent can be increased, or a "collar," the maximum the rent can decrease, on the rental rate review date.

Common Area refers to the service areas of the building such as elevator lobbies, public corridors, washrooms, et., but excludes mechanical and elevator shafts and stairwells.

Gross Effective Rent The rent payable under the lease accounting for all incentives and including all building expenses.

Gross Face Rent The rent payable under the lease excluding any incentives but including all building expenses.

Incentive an inducement offered by the landlord to attract new tenants to the building. This can be offered in a variety of ways, such as through a period of free rent, provision of a tenant improvement allowance, or moving assistance.

Lessee That legal entity, company or person whose name appears as lessee on the formal lease document, binding the lessee to the terms and conditions stated therein, also known as the tenant.

Lessor The party whose name appears as lessor on the formal lease document. The lessor is the landlord or owner of the property.

Leasable Area

> **Net Leasable Area (NLA)** NLA (measured in square feet) is the floor space contained within each tenancy between the internal finished surfaces of permanent internal walls and the internal finished surfaces of dominant portions of the permanent outer building walls. it generally includes window frames and structural columns, toilets, kitchens, cupboards and excludes plant/motor rooms. it excludes areas dedicated as public spaces or thoroughfares such as building service areas.
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> **Gross Leasable Area (gLa)** GLA (measured in square feet) is the floor space contained within each tenancy at each floor level by measuring from the dominant portion of the outside faces of walls, to the center line of the internal common area or inter-tenancy walls.

Make Good The lessee's obligation to reinstate the premises prior to expiration of the lease.

Net/Gross Rent also referred to as "Triple net" or "nnn," net rent is the rental rate excluding net taxes, insurance and maintenance. gross rent includes these expenses. most leases are based on net rents plus each tenant's proportionate share of building expenses. Occupancy indicates the date the space will be available for construction of the tenant's leasehold improvements. "immediate" means the space is currently vacant.

Occupancy Ratios is a common ratio used to measure the tenant efficiency of individual building's floor plates. This ratio is calculated by dividing the total net leasable area by the number of people who occupy a floor. Average occupancy ratios vary between 1:12 -1:18 square feet per person.

Rent Review The method by which your rent can vary during the term of the lease. This can be a market rate review, a predetermined figure (such as 3 percent) or a rate fixed to an index such as the cpi. The review structure is agreed prior to lease commencement.

Rentable Area refers to the amount of space on which the tenant will be paying rent. It includes the usable area with a pro-rated portion of the common area (the "pro-rate factor").

Right of Renewal The lessee's right to renew a lease for an agreed period of time prior to expiration of the initial lease.

Secondary Expenses all other costs associated with insurance, operation, upkeep and/or maintenance of the building, including air conditioning, elevator maintenance, common area cleaning, security and electricity.

Statutory Expenses include costs such as municipal rates, water and sewer rates and usage charges.

Sublease/Assignment The mechanism under the provisions of the lease allowing the lessee to find a suitable replacement tenant. This is subject to lessor approval and unless specifically stated, does not limit your legal responsibilities during the term of the lease. Term Lease terms are usually expressed in years. "Open" indicates a term to be negotiated.

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