

# SETTING UP SHOP



A COMMERCIAL SPACE  
READINESS GUIDEBOOK



## ABOUT THIS GUIDEBOOK

Congratulations on considering a brick-and-mortar presence for your business!

Small businesses account for over 95 percent of all retail spaces, and 91 percent of Americans patronize a small business at least once a week. ICSC champions small and emerging businesses and is committed to fostering their sustainability and growth with practical resources and educational opportunities. This guidebook is designed to help small business owners understand and apply real estate concepts that advance their goals.

Presenting an overarching picture of the time, labor and financial commitments of storefront ownership, as well as the resources available to you, this guidebook empowers you to make an informed decision on whether a brick-and-mortar space is right for you.

Organized chronologically, the steps outlined in this guidebook may shift depending on the nuances of your industry, your business goals and your state's regulations. Given this variability, we recommend reading this guide in its entirety before proceeding with your brick-and-mortar rollout. While these chapters provide a high-level overview of important concepts, this guidebook is not an exhaustive resource and should be supplemented by specific guidance on operations, marketing and employee training – elements essential to your success.

Our goal is to get you to opening day with minimal friction. Once you've set up shop, please share your stories with us! We welcome your feedback so that we can continue to refine our guidance for other small businesses like yours.

## DEFINING BRICK-AND-MORTAR

“Brick-and-mortar” refers to the physical space that a business rents or owns to sell their goods and services to customers. “Storefront” is a commonly used synonym, while shopping malls and strip centers often use the words “unit” and “space.” These terms are used interchangeably in this guidebook, and they do not denote a specific type of retail space.

## ABOUT THE AUTHOR

This report was prepared and written by the retail strategists at &Access in close collaboration with ICSC and their Small Business Working Group.

## ABOUT ICSC

ICSC is the preeminent membership organization serving retail and real estate professionals. Our members believe ICSC's unparalleled programs and services are the most efficient and effective way to develop relationships, facilitate transactions, share insights and shape public policy and perception.

## ABOUT THE &ACCESS

&Access is passionate about developing strategies that support small business attraction, preservation and growth in communities and developments of all sizes. The &Access team works with municipalities, real estate developers, nonprofit organizations and business owners on research, education and strategies that support equitable provision of goods and services.

# TABLE OF CONTENTS

---

<b>Laying the Groundwork</b>	
<b>Creating Your Business Strategy</b>	<b>4</b>
Step 1: Choose a business entity type	4
Step 2: Form a legal and protected entity	5
Step 3: Create a business plan	6
Step 4: Assemble your team	7
Step 5: Create an omnichannel strategy	8
Step 6: Create an exit strategy	12
<b>Managing Capital</b>	
<b>Estimating Costs + Budget and Securing Funding + Financing (Co-Authored with LISC)</b>	<b>13</b>
Step 1: Calculate rent	13
Step 2: Estimate startup costs	15
Step 3: Draft profit and loss projections	15
Step 4: Seek funding and financing	16
Step 5: Explore incentives and partnerships	17
<b>Narrowing the Search: Identifying the Right Real Estate</b>	<b>18</b>
Step 1: Establish site search criteria	19
Step 2: Engage a broker	20
Step 3: Conduct due diligence	21
Step 4: Sign a lease	22
Step 5: Plan for flexibility	23
<b>Building the Vision: Designing and Constructing Your Space</b>	<b>24</b>
Step 1: Understand the process	24
Step 2: Design your brick-and-mortar experience	25
Step 3: Obtain required municipal approvals	29
<b>Getting to Launch: Marketing Your Business</b>	<b>31</b>
Step 1: Create and maintain an online presence	31
Step 2: Attract and retain customers through marketing	35
<b>APPENDIX</b>	<b>38</b>
Key Business Terms	38
Key Operations Terms	38
Key Capital Terms	38
Key Lease Terms	39
Key Marketing Terms	41
Additional Resources	42

# LAYING THE GROUNDWORK

## CREATING YOUR BUSINESS STRATEGY

Launching a successful brick-and-mortar business requires a thorough business plan and a substantial time investment. Throughout the process, different players will use your business plan and supplemental materials to assess your readiness and qualifications. Follow the steps below to establish your business, plan ahead and hire the right people.

### STEP 1: CHOOSE A BUSINESS ENTITY TYPE

A business entity is an organization created by one or more natural persons to carry on a trade or business. Types of business entities include corporations, partnerships, limited liability companies and limited liability partnerships.

#### ENTITIES TO CONSIDER

PROS	CONS
<b>SOLE PROPRIETORSHIP</b>	
<ul style="list-style-type: none"><li>• Limited incorporation/organization paperwork</li><li>• No board of directors</li></ul>	<ul style="list-style-type: none"><li>• Personal assets are not protected</li><li>• Must pay taxes (income and self-employment) on entire net income</li></ul>
<b>PARTNERSHIP</b>	
<ul style="list-style-type: none"><li>• Limited incorporation/organization paperwork</li></ul>	<ul style="list-style-type: none"><li>• Personal assets are not protected</li><li>• Must pay taxes (income and self-employment) on entire net income</li></ul>
<b>LIMITED PARTNERSHIP</b>	
<ul style="list-style-type: none"><li>• Limited incorporation/organization paperwork</li><li>• Limited partner faces limited liability</li></ul>	<ul style="list-style-type: none"><li>• General partner has full liability for company debts</li><li>• May require annual reporting to limited partner(s)</li></ul>
<b>CORPORATION</b>	
<ul style="list-style-type: none"><li>• Easy to solicit investors</li></ul>	<ul style="list-style-type: none"><li>• More administrative costs (payroll, required reporting)</li><li>• Shareholders/owners could face double-taxation (C Corporation)</li><li>• Owner(s) must take "reasonable" salary</li></ul>

PROS	CONS
<b>LIMITED LIABILITY CORPORATION (LLC)</b>	
<ul style="list-style-type: none"> <li>• Personal assets are protected</li> <li>• Easy to form</li> </ul>	<ul style="list-style-type: none"> <li>• Annual fees are high in some jurisdictions</li> <li>• Higher self-employment taxes</li> </ul>
<b>NONPROFIT</b>	
<ul style="list-style-type: none"> <li>• Most nonprofits fall under Sec. 501 of the U.S. Tax Code, and contributions to these corporations are tax-deductible to contributor</li> </ul>	<ul style="list-style-type: none"> <li>• Dependent on investors/donors for operating cash</li> <li>• Complicated annual reporting and accounting/tax requirements</li> <li>• Highly regulated</li> </ul>
<b>CO-OP</b>	
<ul style="list-style-type: none"> <li>• Co-ops are owned by customers (Consumer Co-Op) or employees (Business Co-Op)</li> <li>• Democratic decision-making among owners</li> </ul>	<ul style="list-style-type: none"> <li>• Restrictive business structure</li> </ul>

Resources: SBA: Choose a Business Structure; IRS: Business Structures

## STEP 2: FORM A LEGAL AND PROTECTED ENTITY

- **Register your business:** File the required paperwork determined by your business entity type to legally establish it in the state (or in the District of Columbia). A best practice includes consulting a lawyer to select a name, determine the appropriate business structure and create and compile the documentation needed for filing.

**Pro tip:** The registered entity does not have to be the name of the business. An assumed name can be added to the entity and used in addition to or independent from the name of the registered entity.

- **Obtain an EIN:** After completing your business's registration, apply for a federal Employer Identification Number (EIN) through the U.S. Internal Revenue Service. An EIN identifies a business entity for federal taxes, loans and grant programs. At this stage, obtain a sales tax number in case you begin selling goods and/or services before opening.
- **Open a business bank account:** Make sure you have separate professional and personal bank accounts. Commingled finances put your nonbusiness assets at risk in legal mishaps. When deciding what is right for you, explore the range of options. Most banks offer small business banking incentives. We recommend consulting an accountant to select the best banking structure.
- **Obtain required insurance:** Insurance is essential to protecting your business investments. An insurance agent can help determine which options are best suited for the business, can advise on when you should commence coverage and can broker the best price.

Resources: IRS Employer Identification Number (EIN); Nerdwallet: Business Banking Advice

## STEP 3: CREATE A BUSINESS PLAN

While its components may vary, a thoughtful business plan positions your company for success. Some lenders and grant programs require business plans before they can give you money. Answer the following questions to complete your first draft. Consider adapting this information into a one-pager and a complementary slide presentation to introduce your business to key stakeholders.

### SERVICES/PRODUCTS

What are your core offerings?  
What is your service model/how are you selling your goods?  
What is your price point?  
Who are your competitors, and how will you differentiate yourself?

### TARGET AUDIENCE

Who are your customers?  
How will they find out about your business?  
How often do they visit, and how much do they spend?  
How will you retain them?  
Where can you find them?

### SPACE NEEDS

What equipment does my business need?  
How much storage space is needed on average and at maximum capacity?  
Are there accessibility needs in excess of what is required by the Americans with Disabilities Act?  
Do you need a loading dock, dedicated parking or other special features?  
Is there a minimum amount of space needed for your bottom line (e.g., number of seats in a restaurant, space for clothing rack displays, etc.)?

### FINANCIAL CONSTRAINTS

What are your estimated startup costs?  
What is your projected break-even point?  
Have you completed a three-year financial projection, including revenue and expenses?  
How do you intend to fund/finance your brick-and-mortar startup costs?

### PITCH DECK

How do you explain what you offer in three minutes or less?  
What is special about your brand in comparison to competitors?

Resources: SBA: Business Guide; Target Groups Untangled

## BUILDING YOUR BRAND

The success of your business is informed by the image you project to your target customers. Your “brand” refers to the elements that make up your company’s identity. The brand includes but is not limited to your company’s name, visual identity, purpose, mission and messaging. Before you launch your business, take the time to examine your values and craft a brand personality and story that are authentic to who you are and appeal to your target audience. Get clear on your identity upfront to make a stronger connection to your customers. Consider the following questions when distilling your brand:

- What is your promise to your customers? What can they expect from you? Is it distinct from your competitors’ offerings?
- Who are you targeting, how will you communicate and what will resonate with them?
- How will you clearly articulate your offering and brand values through your logo, website and promotional materials?

## STEP 4: ASSEMBLE YOUR TEAM

The following professionals play a critical role in the brick-and-mortar journey and equip you with the knowledge you need to make informed decisions. When determining which professional is right for you, consider the questions listed below to understand more about their experiences working with independent businesses and on real estate projects. Consult them for recommendations on hiring other qualified professionals, as well.

### ARCHITECT

A registered architect or professional engineer translates your business vision into the physical space, creating and stamping plans to comply with inspection and permit regulations like the [Americans with Disabilities Act](#) and historic preservation requirements.

Before selecting an architect, consider:

- Does the architect have experience working on retail projects?
- Which types of retail (e.g., stand-alone, mixed-use, new construction and/or second-generation space)?
- What is their design process?
- Which jurisdictions are they licensed in?
- What are their fees, what is included and how and when will they charge you? Do the fees include site visits? If so, how many?
- What's a realistic time frame and budget?

### LEASE ATTORNEY/LAWYER

A lease attorney will ensure your business is legally protected, reviewing and preparing lease agreements and renegotiations on your behalf. This attorney can recommend professionals to help you understand how the building's conditions and the landlord's provisions are beneficial or detrimental to your business long term.

Before hiring an attorney, consider:

- How many years has the attorney spent supporting commercial leasing?
- What percentage of the attorney's practice is devoted to commercial leasing?
- Of the commercial leases the attorney has prepared, how many are from the tenant's side of the deal?
- Does the attorney have any prior experience working with your landlord?
- What is the attorney's negotiation strategy? Does the attorney prefer trading drafts or getting on the phone to work out details?
- How much time does the attorney need to review your lease?

### ACCOUNTANT

An accountant keeps accurate financial records to help you qualify for funding and financing opportunities, files annual tax and business licensing documents and monitors your company's economic status. When considering business formation, consult an accountant to determine the tax implications of each entity type (e.g., LLC, S-Corp, 501(c)3).

Before hiring an accountant, consider:

- Which states does the accountant work in?
- Does the accountant work with retailers?
- Does the accountant specialize in any particular uses?
- Is the accountant able and willing to review your projections?
- Are there any special considerations you should make before signing a lease?
- What are the accountant's fees?
- Can the accountant offer suggestions to help you prepare for tax season?
- Does the accountant offer ongoing guidance? What is the fee for this service? What items should you bring up regularly?
- Can the accountant suggest a bookkeeper to help you stay organized?

## BROKER

A broker identifies real estate opportunities in your desired neighborhoods and guides locational decisions. Your broker should be well-versed in the existing and emerging real estate market conditions that can impact your business's success.

Before enlisting a broker, consider:

- How long has the broker worked in retail?
- Does the broker work alone or on a team?
- What are the broker's specialties?
- Which neighborhoods/markets is the broker most familiar with? Where has the broker closed deals previously?
- Does the broker represent landlords and/or tenants? Does the broker conduct lease and/or sales deals?
- Which retailers does the broker represent? Has the broker worked with businesses like yours before? How has the broker handled conflicts of interest?
- Will the broker show you spaces that do not pay a commission? What happens if the landlord cannot pay a commission?
- How will the broker help you compare different options?

## CONTRACTOR/PROJECT MANAGER

A contractor offers the breadth of services needed to reliably construct the project, or the contractor partners with subcontractors in trades not offered in-house (e.g., mechanical, electrical, plumbing, etc.). Contractors are often responsible for creating and maintaining the project's budget.

- Does the contractor have experience working on retail projects?
- What type of spaces has the contractor worked on (e.g., stand-alone, mixed-use, new construction and/or second-generation space)?
- Does the contractor have experience working with your retail sector (e.g., grocery, restaurant and/or apparel)?
- What is the contractor's current workload?
- Does the contractor have project managers and subcontractors?
- What is a realistic time frame and budget?
- What is the contractor's billing and payment schedule?
- Is the contractor licensed, bonded and insured? Are the contractor's subcontractors protected, as well?
- Does the contractor provide warranties?
- How will the contractor provide updates on the project?

Resources: Small Business Development Center



## STEP 5: CREATE AN OMNICHANNEL STRATEGY

Omnichannel retailing refers to making your products or services accessible through multiple channels, which may include in-store, online and delivery options. With a successful omnichannel strategy, customers easily understand how to access your product or service through each channel and you attract more customers through a combination of foot traffic and online discovery.

### BENEFITS:

- **Brand recognition:** Introducing customers to your businesses through various channels allows for greater exposure to online customers who might never see the store or passersby who may not shop online.
- **Higher revenues:** Expanding sales beyond a single channel (e.g., online store only or only a single brick-and-mortar location) allows you to increase revenue to cover overhead.
- **Better data:** With the use of online and integrated in-store loyalty programs, you can obtain a greater understanding of your customers and tailor inventory and business practices to meet their needs.

## OMNICHANNEL ENGAGEMENT STRATEGIES

When crafting your omnichannel strategy, consider the following sales channels to increase your brand awareness, profits, and data-based decision-making:

### ENGAGEMENT STYLE: IN-PERSON



#### BRICK-AND-MORTAR

A colloquial term that describes the real estate (e.g., units, spaces, storefronts) owned or rented by a business to conduct activities related to the goods and services it provides.

#### KEY CONSIDERATIONS

- Maintain reliable, up-to-date, and well-published hours of operation
- Determine the appropriate term length to limit risk but to collect enough data on popular products and customers to inform decisions
- Use brick-and-mortar to establish a dedicated, geographically convenient customer base
- Co-locate with other businesses to attract new customers

#### POP-UP

A short-term rental, typically ranging from a day to several months, where the tenant occupies a portion of or the entire space. Pop-ups are typically used to introduce the business to a new market and/or explore whether a location is well-suited for your business

#### KEY CONSIDERATIONS

- Know your customers and what areas they frequent to determine the best location
- Utilize the pop-up to refine your standard operating procedures and to market your business
- Determine the appropriate term length to limit risk but to collect enough data to inform decisions
- Launch during times of high foot traffic (e.g., special events, holidays, etc.)

## MOBILE VENDING

A non-stationary shop in the form of a cart, truck, stand, van, etc. Mobile vendors typically sell directly from their mobile shops and benefit from the ability to access several markets simultaneously.

### KEY CONSIDERATIONS

- Know your customers and what areas they frequent to determine the best location
- Understand varying laws and rules governing mobile vending in multiple municipalities within your trade area
- Mobile vending involves less overhead in the form of rent and other facilities expenses but tends to have higher maintenance costs
- Utilize mobile vending to test your goods and services in multiple markets over a short period of time

## ENGAGEMENT STYLE: ONLINE



### WEBSITE

Sales are routed directly through your business' website. This method gives you direct influence over how your goods and services are presented without listing fees common among e-commerce sites.

### KEY CONSIDERATIONS

- Design an attractive and intuitive website to ease the customer experience
- Change pricing, run sales and bundle products at your discretion
- Factor in the potential need to hire a web designer to create and/or maintain the website
- Use online resources to more easily track how your audience is engaging with your product offerings

### E-COMMERCE

E-commerce websites like **eBay**, **Amazon** and **Etsy** will host your "store" and allow their users to shop your products.

### KEY CONSIDERATIONS

- E-commerce hosts usually have fees for listing, selling, advertising and other activities
- Differentiate your items and approach from competitors' offerings
- Gain access to a large customer base ranging from 10 million to over 150 million users
- Use online resources to more easily track how your audience is engaging with your product offerings

### SOCIAL MEDIA

Business owners can choose to showcase their products and services directly to their "followers" or utilize the many native, fee-based selling and promotional tools on **Instagram**, **Twitter**, **Facebook** and other social media platforms.

### KEY CONSIDERATIONS

- Identify and gauge your target demographics, then engage with them in ways that are meaningful to their daily lives
- Make your brand visible on multiple platforms that cater to different social, economic and age groups
- Use online resources to more easily track how your audience is engaging with your product offerings



### DELIVERY

Fulfillment is arranged by the seller or a third party, and final fulfillment takes place at the customer's chosen location (i.e., business or residence).

### KEY CONSIDERATIONS

- There are many options for third-party delivery, which vary by location
- Using multiple third-party services can help to reach different customers
- Third-party delivery services often offer incentives and promotions to the customer at different times

### BUY-ONLINE-PICK-UP-IN-STORE (BOPIS)

Customers purchase items using the internet and their items are sourced and packaged for them. Final fulfillment takes place at the retailer's location.

### KEY CONSIDERATIONS

- Establish reliable inventory tracking to avoid stocking issues
- Determine peak times for fulfillment and consider dedicating some employees to this task
- Determine the best method to communicate with customers to provide information for pickup (i.e., when, where, and how)
- Use detailed signage to direct customers to pickup areas so they do not disrupt the flow of in-person customers

Use the following questions to define the right combination of sales channels for your business:

- Can your products or services be delivered across all channels?
- Is it easy to find your business's products and/or services through a simple online search?
- Do you have an integrated point-of-sale system?
- Have you established an adequate inventory management protocol to avoid selling the same item to multiple customers?
- Do your products or services easily ship without diminishing the quality of the goods or the experience?
- Can you provide a similar brand experience digitally and in person? Is there enough information for each channel for customers to make an informed and empowered purchasing decision?
- Will the online experience optimize the user experience for desktop, mobile, and tablets?
- Do you or your staff have the skills and experience to navigate operations across all channels (e.g., e-commerce, social media, inventory management)?

Resources: ICSC: The Halo Effect II; Omnichannel and Digital Transformation: Part 1; SCORE: Is a pop-up shop right for you?

## STEP 6: CREATE AN EXIT STRATEGY

Despite hoping for success, great business plans always include strategies to pivot or exit. A first step is to create a line of succession that dictates who is responsible for business operations in case you retire, become disabled or die. Consider identifying a family member, business partner or current employee to train the new responsible party in critical business operations and make any transition as seamless as possible. There are regulatory requirements that must be met when passing control of your business to others, so be sure to get legal advice before proceeding.

Note, if continuing to operate is not right for your business, there are options to sell your business on the open market through business brokers, to managers or employees outside of the succession plan or to other businesses. If you need to restructure your finances, consider bankruptcy and liquidation as a last resort. Consult business advisors, such as **SCORE**, to explore each option before making a decision.

# MANAGING CAPITAL

## ESTIMATING COSTS + BUDGET AND SECURING FUNDING + FINANCING (CO-AUTHORED WITH LISC)

To launch your business and secure your physical space, you will need to provide proof of financial solvency to begin operation and support your business plan until you make a profit. In this case, your solvency is represented by measuring the capital – cash funded from equity and debt financed by lenders – that you are able to raise against the various costs that you will face to make your business operational.

### STEP 1: CALCULATE RENT

As a business owner, you will run various calculations to track and forecast your business' metrics. Rent will usually be one of your largest single expenses. Estimating and securing an appropriate rent rate for your space will be one of the primary drivers in your success. Rent rates are often annualized per square foot by the real estate development or property owner community, but many small businesses utilize monthly costs as their primary metric to factor into ongoing audits of profit and loss statements. The following examples demonstrate how to convert rent between rent per square foot and monthly rent:

### RENT CONVERSIONS



ASSUMPTIONS	
3,000 square foot building	\$14 rent per square foot

#### Annual Rent Per Square Foot to Monthly Rent

$$3,000\text{sf} \times \$14\text{psf} = \$42,000 \text{ Annual Rent}$$
$$\$42,000 \text{ Annual Rent} \div 12 \text{ Months} = \$3,500 \text{ Monthly Rent}$$

#### Monthly Rent to Annual Rent Per Square Foot

$$\$3,500\text{mo} \times 12 \text{ Months} = \$42,000 \text{ Annual Rent}$$
$$\$42,000 \text{ Annual Rent} \div 3,000\text{sf} = \$14\text{psf}$$

Annual revenue is often used as the basis for rent affordability. According to national standards, 6 to 10 percent of annual revenue is typically dedicated to rent costs. Startup businesses often have greater rent-to-sales ratios. Still, you should have realistic plans to grow revenue to meet national standards. Rent per square foot is typically an annualized rate. Use the following key terms to guide your understanding of rent rates:

## ASKING RENT \_\_\_\_\_

The amount requested by landlords for available space, expressed in dollars per square foot per year in most parts of the country and per month in other selected markets (also known as “face rate”)

## EFFECTIVE RENT \_\_\_\_\_

The rent amount “effectively” paid by the tenant, equating to the asking rent less rent concessions and other incentives given by the landlord

## COMMON AREA MAINTENANCE (CAM) CHARGES \_\_\_\_\_

An amount charged by a landlord to all tenants in a property to cover the property’s upkeep of parking lots, hallways or other nontenant spaces

## ESCALATIONS \_\_\_\_\_

Adjustments to annual rent, which may be set percentage increases or could be tied to CPI and the US inflation rate, that occur at set times or intervals during the lease term, likely calculated using the actual annual rent, not effective rent (e.g., *On the second anniversary of the Lease Commencement Date and each anniversary thereafter, the Annual Rent shall increase by 3 percent over the previous year.*)

## PERCENTAGE RENT \_\_\_\_\_

A percentage payment based on the tenant’s revenue, generally with a minimum base rent to ensure the property owner covers its financial requirements; rent payments are calculated in designated intervals, usually once per period

## RENT CONCESSIONS \_\_\_\_\_

Any benefit given by the landlord to the tenant that will reduce the effective rent, typically expressed in dollars

## RENT ABATEMENT (FREE-RENT) \_\_\_\_\_

An agreement between the landlord and the tenant that provides a period of free rent with the exception of pass-through expenses; most commonly offered during the initial period after rent commencement

## RENT DEFERRAL \_\_\_\_\_

An agreement between the landlord and the tenant that allows the tenant to defer payment for rent obligations during a specified period, with rent then due at a later date

## RENT INSTALLMENT \_\_\_\_\_

The amount of effective rent to be paid by the tenant during each period in the lease term; most leases include one period per month or 12 periods per year

## OCCUPANCY COST \_\_\_\_\_

Includes rent, real estate and personal property taxes, plus insurance, depreciation and amortization expenses

## UNDERSTANDING REAL ESTATE EXPENSES IN ADDITION TO RENT

Depending on your lease type, you may be responsible for paying all or a portion of the building’s operating expenses. These are paid in addition to base rent and are often referred to as net leases because the expenses pass through from the landlord to the tenant(s). Typical expenses that are passed through include insurance, real estate taxes/special assessments and common area maintenance (CAM). When in negotiations, it is important to comb through these charges and cap where possible. See page 40 for the differing lease types and reference above for more details on CAM charges.

## STEP 2: ESTIMATE STARTUP COSTS

Startup costs should include estimates of equipment and inventory, as well as the build-out of the space itself. Record how you built your assumptions in case you need to change anything, but always plan for unforeseen costs with contingencies (20 percent recommended). The following categories should be considered:

### PROFESSIONAL SERVICES (SOFT COSTS)

- Accountant
- Architect
- Engineer
- Broker (generally paid by property owner)
- General Contractor
- Lease Attorney

### PRE-OPENING COSTS

- Online (website hosting, point-of-sale (POS) system, accounting software)
- Advertising (printed collateral, social media ads, postage)
- Staff Training (hiring and training processes)
- Initial Inventory and Materials

### CONSTRUCTION COSTS (hard costs, typically provided by the general contractor)

- Contracting Requirements
- General Conditions
- Site Work
- Concrete and Masonry
- Metals
- Woods and Plastics
- Heating, Ventilation and
- Air Conditioning (HVAC)
- Thermal and Moisture Protection
- Doors and Windows
- Furniture, Fixtures and Equipment
- Finishes
- Signage
- Conveying Systems
- Mechanical and Plumbing
- Lighting and Electrical

Resource: SBA: Buy Assets and Equipment

## STEP 3: DRAFT PROFIT AND LOSS PROJECTIONS

Profit and loss projections track your estimated gross revenue and business expenses and are used to calculate an estimated net profit. For your business plan, annual revenue should be projected for the first three years of operation and will be reviewed by potential funding entities and lenders.

Resources: SBA: Calculate Your Startup Costs; SBA: Manage Your Finances (including balance sheets, calculators, cost-benefit analysis and more); SCORE: 12-Month Profit & Loss Projection

## STEP 4: SEEK FUNDING AND FINANCING

Funding and financing should be top of mind when you are considering brick-and-mortar spaces. Consult community banks and **community-based financial institutions** in your area to get a benchmark of your lending profile. Traditional banks are not likely to lend to startup businesses without substantial personal equity/cash on hand. Explore grant and nontraditional financing opportunities to fill the gap. If you are a startup owner, be prepared to personally contribute at least 10 to 20 percent of the initial project costs. You can use your own cash, contributions from friends and family and/or crowdfunding to source the necessary equity to start your business. The following capital ladder illustrates the typical opportunities available by business stage.

CAPITAL LADDER – ILLUSTRATIVE OVERVIEW		
DEMAND	SUPPLY – Sources of Funds	CHARACTERISTICS
Stable Business (5+ years) →	Traditional Banks: <i>Bank loans – lines of credit, term loans, asset-based loans, construction loans, etc.</i>	+ Market interest rates + Varying repayment terms - Slower turnaround time • Based on cash flow or collateral • Higher credit score required
Growing Business (2-5 years) →	Community Banks: <i>Some Regional/Local Banks, Credit Unions</i>  Alternative Responsible Lenders: <i>US SBA, CDFIs, P2P Lending, City Loan Programs</i>	+ Low to average interest rates + Longer repayment terms - More paperwork • Based primarily on cash flow
New Business (0-2 years) →	Micro-Business Programs: <i>City Loan Programs, CDCs, non-profits</i>  Friends & Family: <i>Gifts, loans, crowdfunding</i>  You, Friends, Family: <i>Personal savings, credit cards, home equity line of credits, bootstrapping, angel/equity</i>	+ Some are “risk-free” capital due to flexible repayment schedule + Potentially risky to relationships

Source: Cities and Businesses of Color: A Guide to Economic Growth (2020)

## CROWDFUNDING

To support initial capital raises, many businesses create crowdfunding campaigns, securing small amounts of money from large numbers of people. These campaigns are typically conducted over a finite period (e.g., two months) through an internet platform. Be sure to read the fine print, as some require interest rates, fees and reaching 100 percent of the goal as pre-conditions for issuing the funds. Substantial promotion is typically required to be successful.



## VENTURE CAPITAL AND ANGEL INVESTORS

Venture capital is typically offered by a group of high-net-worth investors interested in high-growth, high-potential investments. Angel investors are high-net-worth individuals (HNWIs) who can invest individually or, more often, as part of a group of individual investors in a venture capital fund. Venture capital funds are most frequently private ventures that place equity into early-stage growth of a new company; however, some states manage venture capital funds infused with public dollars.

Venture capital is usually the highest-priced option for financing, seeking returns above 20 percent on average but often structured as equity, taking the largest risk. Venture capital frequently comes with ownership requirements, mentorship and required coaching.

Venture capital funds are often hyperlocalized and/or industry-specific (e.g., tech, manufacturing, green energy, brewing). Your area Small Business Development Center (SBDC) should be able to direct business owners to the venture funds in the area, including **Small Business Investment Companies (SBICs) licensed by the Small Business Association (SBA)**. You can also look up **SBA collaborative financial partners, intermediary lenders, microlenders and investors by state**.

Resources: Kickstarter; Indiegogo; Fundable; Kiva

## STEP 5: EXPLORE INCENTIVES AND PARTNERSHIPS

Local economic development organizations, municipal governments, entrepreneurial support organizations and community-based organizations offer funding opportunities and flexible financing programs to support small businesses as they launch and grow. Start by reaching out to your **local economic development** entity, which can likely assist with navigating resources and directing you to other partner organizations and grant programs.

### LOCAL SUBSIDY PROGRAMS AND TAX ABATEMENTS

Most states and municipalities offer tax abatements to property owners when developing real estate or adding significant jobs to the area. Often, these programs reduce or eliminate the amount of property tax that owners pay for a duration of time. In addition, there may be grants, fast-track certification pathways and apprenticeship placements available for small businesses. These programs vary substantially by region but are created to support training of the local labor force. In return for the subsidy, businesses are often required to commit to documentation, payroll substantiation and other covenants.

### ENTREPRENEURIAL SUPPORT ORGANIZATIONS (ESOs)

Entrepreneurial support organizations, also known as business support organizations or business development organizations, are present in every market and range in size and structure. They include local Small Business Development Centers (SBDCs), chambers of commerce, merchants associations, district management associations, community development financial institutions (CDFIs) and community development corporations (CDCs). Focused on supporting local small businesses, these organizations are rooted in their communities, understand local regulatory contexts, provide services in multiple languages and often tailor their services to minority- and women-owned businesses. Access to capital is a key service provided by ESOs; they help business owners with financial coaching and planning, grants (when available), loans, accounting, crowdfunding and, importantly, referrals to other lenders.

In addition to local service providers, organizations like **Hello Alice**, **MicroMentor** and **Start Small Think Big** provide free online mentorship, professional services and small business support.

Resource: LISC: Small Business Resources State-by-State

# NARROWING THE SEARCH: IDENTIFYING THE RIGHT REAL ESTATE

Zeroing in on a location requires researching on- and off-market properties and understanding the neighborhood population that will comprise your customer base. This includes local residents, employees and visitors. Read on for a description of building typologies and guidance on how to choose the best location.

Resource: Fundamentals of Commercial Real Estate

## GROUND-FLOOR SPACE TYPOLOGIES:

### END CAP

A space located at the end of a strip of businesses, typically offering increased visibility to the business and additional signage opportunities on all facades that do not connect to other businesses

### IN-LINE

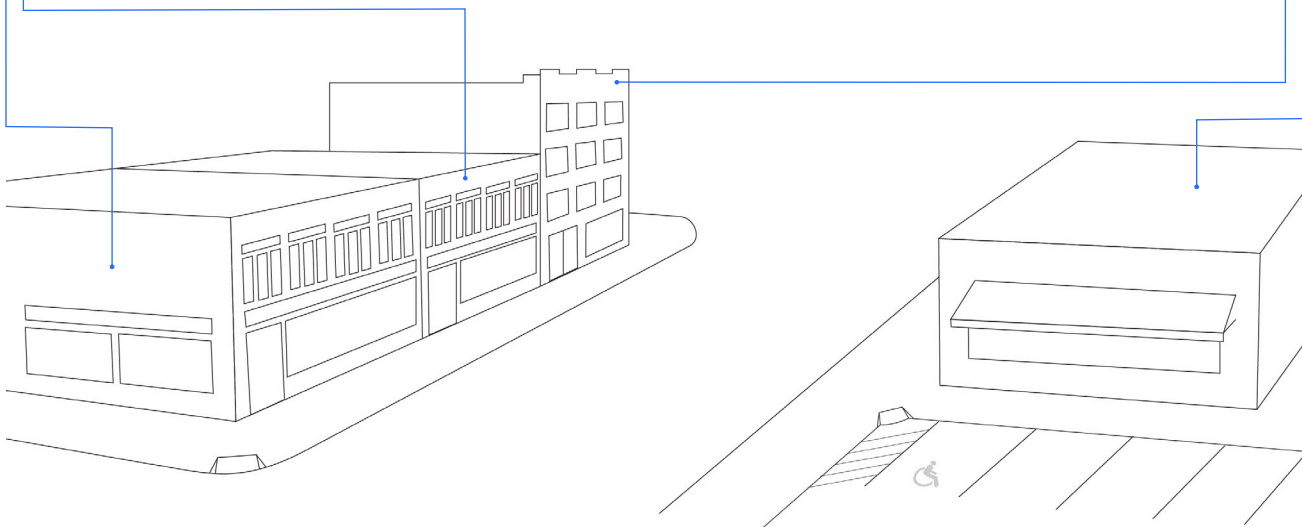
A space that shares a common wall on both sides of the entrance with another storefront, typically located in all shopping center categories, including urban cores that can span multiple ownership groups; often smaller and more affordable than other spaces and ideal for businesses seeking their first locations

### PAD SITE

A free-standing building typically surrounded by parking and driveways that enables efficient drive-thru operations, often home to fast food establishments, banks and big-box retailers; optimizing accessibility and visibility, these sites offer customers a convenient way to patronize stores but limit walkability, as they are isolated from other businesses

### ANCHOR

Typically the largest tenant(s) in a shopping center, often a department, big-box or grocery store that draws customers to the center; often, they pay less per square foot but more overall due to their size; transit stations, schools or museums can also be considered anchors, particularly in urban environments



## STEP 1: ESTABLISH SITE SEARCH CRITERIA

Selecting the right real estate for your business can determine your business's success, especially for retailers and restaurants that rely on well-trafficked areas to market to potential customers.

Rank the following characteristics based on their impact on your business's sales potential from 1 (most impactful) to 8 (least impactful). Consider whether your brick-and-mortar location will be a destination site, associated with convenience-oriented trips or reliant on impulse customers who enter by coincidence. Utilize these criteria to guide your search and conversations with your broker.

### — BUSINESS DIVERSITY

A mix of options can introduce a range of customers to your business. Conversely, when few businesses are near, customers must weigh the option of visiting your business or going to another area to complete more errands in one trip.

### — CONCENTRATED RETAIL

When a continuous row of retail is present, customers are more likely to continue their journey to check out your business. However, venture into neighborhoods with high competition cautiously. Highly competitive environments are typically beneficial for restaurants and apparel, while competition challenges convenience-based offerings.

### — DOUBLE-SIDED STREETS

When both sides of the street include occupied businesses, your business is likely exposed to higher pedestrian volume, as a customer can make a complete loop to and from their point of origin during leisure trips.

### — ACCESSIBILITY BY FOOT

Your business will thrive in locations that have the lowest number of obstacles between a potential customer's origination point and the front door. Impediments include hills, ramps, and large open spaces. In urban areas, where parking is limited and/or many customers do not arrive by car, prioritize the pedestrian's experience with signage and window decor.

### — ACCESSIBILITY BY CAR (I.E., PARKING)

In the U.S., most customers rely on their vehicles to complete shopping trips. However, most business owners underestimate the availability of parking; unless your customer hauls large or many items to their car, your business should be able to leverage nearby parking options.

### — HIGH VISIBILITY

Not every location is made for your business. Consider how customers find out about and decide to visit your business. If your business relies on impulse buyers or pedestrian awareness, prioritize visibility. Consider the location of your business within a development to ensure customers easily see it from the sidewalk, bike lane or road. At slow enough speeds, vehicular traffic can greatly benefit your business, attracting drivers who see your signage or storefront to visit your store or shop online.

### — NEARBY GATHERING SPOTS

Places where people congregate (e.g., public parks, bus stops) provide concentrated customers. Your business can tap into this pool as sales opportunities are located within a short walk or view of your space.

### — PROXIMITY TO TARGET AUDIENCE

Being located near your target market (typically determined by demographic profile) can increase sales opportunities.

Resource: SCORE: Questions to Ask Before Signing a Commercial Lease

## STEP 2: ENGAGE A BROKER

Enlisting a broker to support your real estate search is a best practice to help you find a space, compare market conditions and negotiate your letter of intent (LOI). Upon engagement, be sure to communicate your concept vision, ideal neighborhoods and any budgetary guidelines detailed in your business plan. Share any guiding principles, including your ranking of the criteria above.

Your broker will:

1. Review your business plan to provide appropriate revisions for potential landlords and better understand your space requirements.
2. Assemble site details and conduct a tour of available options.
3. Provide market data to help with decision-making. This can include demographic information, traffic counts, rents and sales comparables.
4. Conduct additional research as it relates to the site's suitability, including zoning and other use restrictions.
5. Optionally prepare and/or negotiate a letter of intent (LOI), a nonbinding agreement between two or more parties before an actual contract, such as a lease, is finalized. While LOIs may not be binding, their key terms and other protections will need to be further defined in the lease. Often the landlord or the landlord's leasing representative will prepare the LOI to which you and your broker should respond.

### ACCEPTING AN LOI

Use the following questions to guide your location selection:

- Do the occupancy costs fit into your budget? Does your budget include enough funds to cover your initial overhead costs through the initial months after opening?
- Is your business' use permitted? See zoning on page 29.
- Do the demographics of the neighborhood match your business' target audience?
- Does the existing tenant mix complement or compete with your business?
- Do the development and greater neighborhood offer the appropriate conditions? Refer back to your site search criteria.
- Do the building type and function (shopping center, outdoor space, etc.) meet the needs of your business? What are your options to grow?
- What are your options to get out of the lease? See page 23.
- How can you pivot your business in this space?
- What is your next best option for a location?

### AM I REQUIRED TO ENGAGE A BROKER?

No, but your attorney should review all legal documents. If you opt not to engage a broker, you still must identify properties most suitable for your business. The process is similar to working with a broker:

1. Drive around target neighborhoods and search online listings to identify potential buildings.
2. Reach out to local economic partnerships or search your municipality's real property database to find the owner or broker representing the property.
3. Contact your local economic development agency or search government databases to obtain relevant data (e.g., vehicular counts; residential, employee, and visitor population counts; household incomes and household composition; major industries; etc.).

## WHAT DOES BROKERAGE COMMISSION MEAN FOR YOUR BUSINESS?

Brokers are typically paid on commission by the property owner based upon the total value of the deal. For example, a 1,000-square-foot building at an annual rent rate of 10 per square foot and a lease duration of five years would be a total deal size of \$50,000; 6 percent (or \$3,000) typically goes to the broker. Because of this payment structure, selecting the right broker is key. A good broker will look beyond the numbers and view their role as a true partner to your business. They will share in your success as you grow and appreciate a good word-of-mouth referral. Keep in mind that when they work with you, it comes at an opportunity cost to them. Landlords typically prefer leasing to existing businesses because they have proven track records. For this reason, brokers are not as incentivized to work with startups unless they truly believe they can execute. So if you are going to engage, make sure you have done your homework and have a solid business plan in place.

## STEP 3: CONDUCT DUE DILIGENCE

Before signing a lease, it is important to conduct due diligence to assess property conditions and ensure the property is in compliance with regulatory requirements. Additional procedures and fees may be required for properties out of compliance.

### ENGAGE YOUR GENERAL CONTRACTOR

Consider paying for their time at this stage of the project separately from the final construction, as general contractors are hesitant to commit given changes in workloads and are skeptical about providing estimates for work that may happen six months to a year from now. General contractors should have in-house expertise or relationships with subcontractors to adequately offer services in the following categories:

- Rehabilitation of a building
- Structural engineering
- Mechanical, electrical and plumbing (MEP)
- Civil engineering (site design)
- Environmental site assessment (ESA)
- Parking
- Lighting

### CONDUCT A PRE-INSPECTION MEETING

A pre-inspection meeting with a contractor and an architect is one of the most important steps in the due diligence process. During the inspection, you, your architect and your contractor should assess:

- Structure (flooring, roof, walls, columns, etc.)
- HVAC systems
- Ingress/egress
- Loading and delivery systems
- Phone and cable lines
- Mechanical, electrical and plumbing (MEP) systems
- ADA compliance
- Fire and safety
- Qualifying historic features that impact the property
- Limitations on configurations
- Parking availability (if it meets municipal requirements)
- Signage opportunities
- Existing equipment

Resource: Commercial Inspection Checklist

## STEP 4: SIGN A LEASE

The lease serves as the contract between you and the property owner, giving you the rights to enter the building and start building out your dream business. Your lease attorney is key here, as they will help finalize negotiations and ensure that you and your business are protected. In these discussions, be sure to discuss potential exit or pivoting strategies, including permitted uses, assignment and subletting, termination and lease renewals (detailed in the next step).

In the lease negotiation process, it is essential to understand who your landlord is and what they can typically provide by type:

### LARGE CORPORATIONS AND REAL ESTATE INVESTMENT TRUSTS (REITS)

- Can establish a neighborhood “identity” across multiple properties in the same area
- Typically have in-house staff that handle leasing and will pay commissions
- Often use first-floor retail to increase rents in their residential or commercial spaces, commonly offering reduced rates to ensure their tenant mixes serves as amenities to the uses above
- Can get creative on deal structures and delivery conditions
- Will likely require financial reporting to assess the “health” of their retail

### INDEPENDENT PROPERTY OWNERS (REGIONAL)

- Typically have partnerships between investors
- Often have listing brokers and pay commissions
- Usually need to push for higher rent to pay for their loans/mortgage
- Can invest in the space, provide more generous build-out periods and/or allocate tenant improvement allowance into the deal
- Own and manage some of the mid-size to smaller mixed-use projects

### MOM-AND-POP (LESS THAN FIVE PROPERTIES)

- Typically are more sensitive to the property being vacant and are seeking a quick rent commencement
- Likely to provide reduced rent as a concession
- Frequently post a “for rent” sign
- Typically seek a shorter rent term with the hopes of capturing a higher rent in the near future

Note, verbal agreements between you and the property owner do not constitute a formal contract, and, as such, you should obtain everything in writing and formalize through lease agreements.

Resources: SCORE: Understanding the Key Clauses in Your Commercial Lease Webinar; Commercial Lease Checklist

## STEP 5: PLAN FOR FLEXIBILITY

A lease with tenant-friendly terms can be valuable beyond your initially planned business operations. The following terms and questions can help guide your negotiations with your landlord to ensure the mutual success of both parties:

### 1. PERMITTED USE

Understanding and altering the permitted use is one strategy in pivoting your business or determining other businesses to which you may assign or sublet your lease (if allowed).

1. What is your permitted use in the lease? Do you have the right to change?
2. Do zoning codes enable you to assign or sublet your lease to another use?

### 2. ASSIGNMENT AND SUBLETTING

There are cases in which it is more advantageous to bring in a new tenant. Ask these questions to determine your options:

1. Is the assignment or subletting of the lease permitted? If so, does it require a landlord's consent first?
2. Are there any associated costs to assign/sublet, including whether the landlord is entitled to any profits?

### 3. TERMINATION

The landlord may terminate a lease if certain conditions apply and were included in the initial lease agreement. In this case, there are some questions listed below to guide you:

1. Are there any clauses that give the tenant the right to exit or renegotiate the lease?  
Look for:
  - a. Poor sales
  - b. Legal impossibility (i.e., the inability to continue operating the store due to the law)
  - c. Co-tenant clauses (e.g., a threshold percentage of vacancies exist in the shopping center, giving the tenant the right to exit or renegotiate the lease)

### 4. LEASE RENEWALS

Renewal terms are an asset to your business; consider incorporating them to give your lease an increased value. Typical renewals are five years.

1. Are there any options to renew your lease upon expiration? How many are provided, and at what duration?
2. Does the lease state which terms are up for negotiations (e.g., whether the fair market value will be used to set rent price)?

# BUILDING THE VISION: DESIGNING AND CONSTRUCTING YOUR SPACE

The process of building out your space will require many professionals, from your team of designers and contractors to municipal government departments. Many regulations control this phase, so ask questions, create time lines and to-do lists and be patient. Keep in mind that design and construction requirements will vary by building condition.

Role of your property owner in the construction process:

- Large corporations and independent property owners often hold relationships with contractors and municipal staff to help you navigate the process or will take on some of the responsibilities themselves.
- Mom-and-pop owners are not as likely to walk you through the process due to the limited staff on their real estate teams.

## STEP 1: UNDERSTAND THE PROCESS

The process below outlines the steps typically required to open a brick-and-mortar business. Note, the approvals required for each municipality differ. Municipal departments and other government players can guide you through the process specific to your planned location. Be sure to ask each entity for required forms, approvals and deadlines to inform your grand opening plans.

PROCESS:

### 1 DUE DILIGENCE (PRE-LEASE)

- a. Obtain land use and zoning approval (variance)
- b. Check for license and permit requirements
- c. Receive clearances (e.g., tax, water/sewer)
- d. Conduct preliminary fire and code inspections

### 2 PRE-CONSTRUCTION

- a. Design the interior and exterior of space
- b. Pass plan review
- c. Obtain building and sidewalk permits

### 3 DURING CONSTRUCTION

- a. Conduct inspections (e.g., fire, food service/health, building)
- b. Review and authorize change orders

### 4 POST-CONSTRUCTION

- a. Conduct final inspections
- b. Apply for:
  - i. Certificate of Compliance (if existing use and no construction required)
  - ii. Certificate of Occupancy (if a change of use and construction required)
  - iii. Certificate of Acceptance (if no change of use or construction required)
- c. Obtain licenses (liquor, food safety, business, and sales tax verification)



## KEY PLAYERS IN MUNICIPAL GOVERNMENT:

### CITY/TOWN COUNCIL

Local council members may provide overall approval for your business' operation based on location, type of business, environmental concerns and other concerns (e.g., noise pollution, light emission)

### NEIGHBORHOOD/COMMUNITY ADVISORY COMMITTEES

Similar to City Council, community-specific advisory boards will approve your business based on factors like location, expected noise generation and hours of operation

### PLANNING DEPARTMENT AND HISTORICAL REVIEW

This entity helps establish zoning codes that define and/or limit the possible uses of a parcel or building (e.g., residential versus commercial versus public); see more on zoning on page 29

### BUILDING SAFETY DEPARTMENT

Often in conjunction with the fire department, this department will inspect the facilities to ensure that your building's structure is secure; verify that the building's

systems (e.g., HVAC) are compliant with municipal, county and state requirements; and provide guidance on maximum occupancy

### DEPARTMENT OF PUBLIC WORKS

Either as outright owner or active regulator of the use of utilities and right-of-way (i.e., sidewalks and roads), this department must approve structural changes, edits to utilities delivery (e.g., rerouting gas lines) and new construction

### DEPARTMENT OF HEALTH

If your business plans to sell food, the county or city health department will physically inspect the business' facilities prior to issuing a permit. That includes, checking facility conditions (i.e., cleanliness) and the condition of any equipment that will be used for preparation or service of food

### ALCOHOL AND LIQUOR BOARDS

If your business sells alcohol, tobacco or firearms, it must receive federal Alcohol and Tobacco Tax and Trade Bureau approval and obtain a local or state liquor license

Resource: EDA Economic Development Directory

## STEP 2: DESIGN YOUR BRICK-AND-MORTAR EXPERIENCE

Your business plan should include details on your brand experience and how it responds to the needs of your target customers. A branding professional can help you clarify your concept, establish a visual identity and produce a style guide to inform the interior design and all branded elements of your business. Share the foundational brand documents and style guide with your architect to kick off the storefront design process, which can be tailored to your budget. To have a productive kickoff conversation with your architect, consider the interior and exterior design considerations detailed below.

## THE ARCHITECTURAL DESIGN PROCESS:

### 1 CONCEPTUAL DESIGN

During this phase, the architect will go through a thorough and systematic evaluation of your values, goals and needs for the business. They will use this information to create a program that reflects your vision and provide you with images and illustrations.

### 2 SCHEMATIC DESIGN

In this conceptual phase, site, interior space and exterior designs are provided to you. During this stage, a design professional, in partnership with a contractor, will refine cost estimates. You will receive preliminary drawings like floor and site plans and elevations.

### 3 DESIGN DEVELOPMENT

The nuances of design happen in this phase, where the architect will finalize the exterior, interior layout, materials and required HVAC, plumbing and electrical systems. Drawings will likely be delivered with an updated cost estimate.

### 4 CONSTRUCTION DOCUMENTATION

During this phase, the architect translates the design documents to plans that enable your contractor to build your project. These drawings are what municipalities require for permitting, so be prepared for changes due to code requirements.

## FINALIZE LENDING

After your final quotes have been obtained, it's time to secure financing for the space. Meet with the lenders who pre-approved your loan to ensure everything checks out.

### 5 BIDDING AND NEGOTIATION

Many architects wait until this phase to bid out designs to contractors for the best rate, while others start this process early to avoid any cost overruns. At this phase, you will obtain bids from contractors to do the work with the help of an architect.

### 6 CONSTRUCTION ADMINISTRATION AND PROJECT CLOSEOUT

The architect can monitor the construction to ensure it aligns with your vision and can modify drawings if needed. At the end of the project, the architect typically provides the contractor with a punch list, an itemization of the construction alterations needed to complete the scope of work.

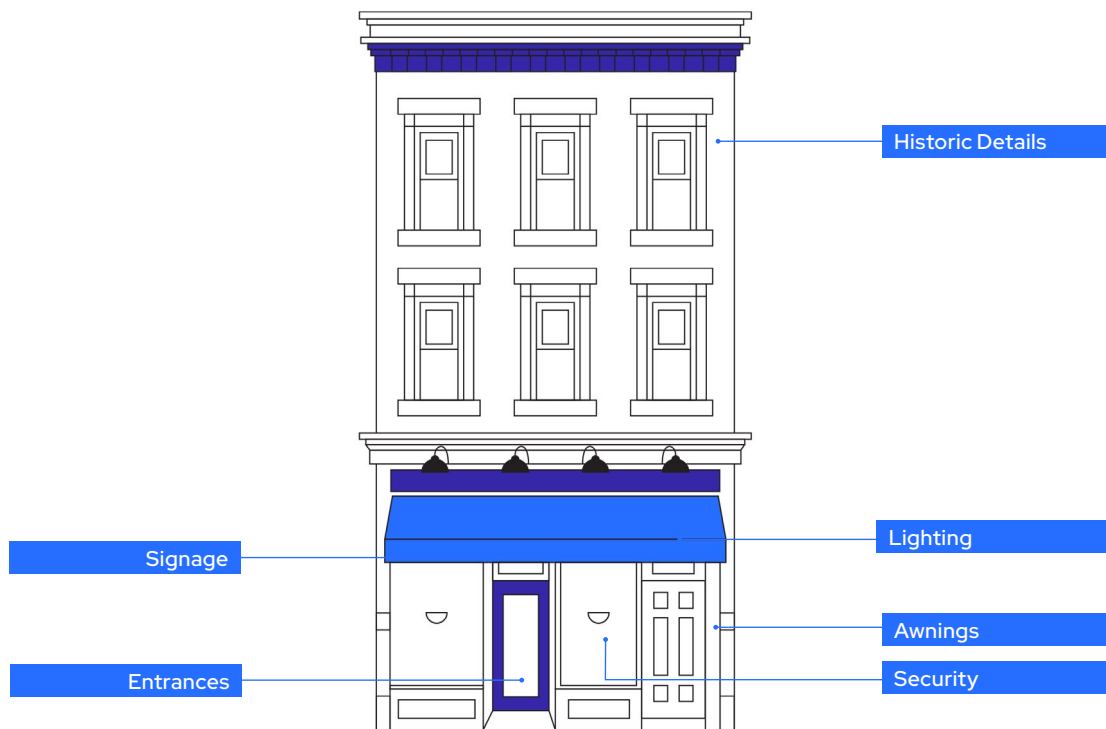
## INTERIOR DESIGN CONSIDERATIONS

The space must be intentionally designed and laid out to effectively communicate your brand story, allow customers to easily access merchandise and/or services and foster engagement. Retail shops and restaurants have varying layouts built on consumer psychology. An interior designer or architect can help determine the most efficient layout for your space and, if knowledgeable about retail and restaurant design, can help create a space that promotes sales. Regardless of business typology, a few common zones are universal:

<b>COMFORT</b>	service areas, non-selling areas, seating
<b>MERCHANDISE</b>	floors and walls
<b>FUNCTIONAL</b>	cash wrap, customer service, layaway, dressing rooms, restrooms
<b>OPERATIONAL</b>	shipping and receiving areas, overstock and storage areas, office, break room
<b>CIRCULATION</b>	the paths by which people move through the zones above

## FACADE DESIGN CONSIDERATIONS:

The facade, or front of the building, is the first impression potential customers have of your business when walking or driving by. This is a key touchpoint that communicates the brand experience that awaits. Consider the following elements when working with an architect to design your space.



	ENCOURAGED	DISCOURAGED
<b>SIGNAGE</b>		
Signage draws attention to a business and allows customers to locate and recognize the brand. Types include blade, mounted, and painted	<ul style="list-style-type: none"> <li>Simple, legible design</li> <li>Vibrant colors</li> <li>Appropriately scaled signs</li> </ul>	<ul style="list-style-type: none"> <li>Largely blocking visibility into building</li> <li>Too many signs that do not aid in guiding the customer</li> <li>Back-lit signs</li> </ul>
<b>AWNINGS</b>		
Awnings or canopies are the roof-like, protective, sloped projections over a door, window or storefront that define entrances and that shelter customers, interior spaces and merchandise from direct sunlight and weather conditions. Options include storefront, window-fitted and retractable awnings	<ul style="list-style-type: none"> <li>Canvas or other waterproof materials designed to resist fading and tearing</li> <li>Proportional to building with width matching the window and/or doors underneath</li> <li>Providing at least nine feet free and clear for pedestrian passage underneath</li> </ul>	<ul style="list-style-type: none"> <li>Rigid materials (e.g., aluminum, vinyl, plastic) that are more sensitive to weather conditions</li> <li>Back-lit or internally lit awnings</li> <li>Covering architectural details or windows</li> </ul>
<b>LIGHTING</b>		
Lighting draws the customer's attention to the building and business details, from architectural features to entrances. It showcase the business' brand during the evening and night hours and increases the perception of safety. Wall-mounted light fixtures, motion detector security lighting and merchandise storefront lighting are among the types of lighting to consider	<ul style="list-style-type: none"> <li>Illuminating signs from above, not behind</li> <li>Directing lighting downward at building entrances and along pedestrian walkways</li> <li>Complementing the architectural styles of the building</li> </ul>	<ul style="list-style-type: none"> <li>Directing light toward street, sidewalks, adjacent properties or windows in a manner that creates a glare</li> </ul>
<b>ENTRANCES (DOORS, WINDOWS AND FRAMING)</b>		
Entrances include the windows, doors, and framing utilized. Consider how much visibility and access into the space is appropriate for your business, as clear sight lines can provide insight into the products and services offered. Selections include clear, tinted, frosted and stained glass windows, as well as swing, revolving and sliding doors	<ul style="list-style-type: none"> <li>Use of glass on 70 percent of facade and glass on mail door(s) for increased visibility</li> <li>Doors placed directly below primary/largest sign and/or awning to denote entrance</li> <li>Minimum door dimensions of 80" by 32"</li> <li>Name and hours of operation on or near door</li> </ul>	<ul style="list-style-type: none"> <li>Opaque, reflective or translucent glass for retail/restaurant businesses</li> <li>Round door knobs</li> <li>Unlevel floors on both sides of doorway</li> </ul>
<b>SECURITY</b>		
Security gates and grills are often utilized to protect merchandise and cash held on-site, yet can communicate real or perceived safety issues	<ul style="list-style-type: none"> <li>Integrating security features in gate boxes behind storefront or underneath awnings</li> </ul>	<ul style="list-style-type: none"> <li>Gates or grills that block visibility into building</li> <li>Using security features while business is open</li> </ul>
<b>HISTORIC DETAILS</b>		
Historic architecture can be assets to your business, providing unique opportunities to align your brand with the story of the building and neighborhood	<ul style="list-style-type: none"> <li>Maintaining original details</li> <li>Utilizing the same materiality and design styles in renovations</li> </ul>	<ul style="list-style-type: none"> <li>Covering building facades and historic design elements</li> </ul>

Resources: Design Guide: Neighborhood Business; Ground Floor Retail Design; Facade Guide to Storefront Design

## STEP 3: OBTAIN REQUIRED MUNICIPAL APPROVALS

Your business' launch relies on obtaining inspections, permits and licenses required by the local, state and federal government. Businesses selling food and alcohol have the most substantial number of regulatory requirements, while professional services and retailers have fewer. Your contractor will play a role in ensuring your business complies with requirements specific to your brick-and-mortar space, while you or other members of your team (e.g., accountant, lawyer) will manage licensing, income and sales tax protocols and other requirements set by your local jurisdiction. Frequent communication with the key players in municipal government will minimize delays in opening.

### COMMON REGULATORY REQUIREMENTS:

**ZONING** | Zoning is the set of municipal laws which controls the physical development of land, including which business uses are permitted. There are typically three categories to consider when determining if your business' use is permitted:

- i. Permitted, by right: allowed in the zone **without** an additional review or approvals by local government
- ii. Permitted, conditional: allowed in the zone **with** an additional review or approvals by local government
- iii. Prohibited: not allowed
  - a. **Signs and awnings:** Local zoning laws or your landlord might detail sign ordinances that restrict the size, location and type of signs used. Check regulations and secure the written approval of the municipality and landlord before investing in a sign.
  - b. **Accessibility:** Required by the Americans with Disabilities Act (ADA), this aspect of the buildout considers how people with different physical limitations may interact with your space and ensures there are wheelchair-accessible doors and bathrooms.
  - c. **Historic preservation:** Historic and landmark districts are designated across the nation and are paired with rules and regulations that promote the preservation of the architectural features while providing space opportunities for your business. Rules are often regulated by preservation commissions and/or planning departments.

**PERMITS** | Permits represent approvals by government bodies (city/municipal, state, etc.) for tenants to conduct their business on the premises or for tenants to make necessary tenant improvements on the premises.

- a. **Building permits:** Once your plans are approved, the contractor must obtain building permits to start construction. Right of way, temporary fuel storage and trade (e.g., electrical, plumbing) permits are often required in the construction process.
- b. **Occupancy permits:** Once your business passes final inspections, you will apply for and receive a Certificate of Occupancy, Certificate of Compliance or Certificate of Acceptance. One of these certificates is required to open your doors to customers.
- c. **Sidewalks:** Sidewalks are considered public space. If you plan to utilize them for your business's awnings, valet parking, signage and/or seating, approvals are likely required. Public works, planning and transportation departments often oversee these use permits.
- d. **Moratoriums:** Moratoriums control for excessive uses (e.g., the number of restaurants or liquor stores in a district). When in place, permits are not available for a certain use.

**LICENSES** | Similar to permits, licenses grant the business authority to conduct business and to deliver certain regulated services to customers. Licenses can be granted federally, on the state level or by local municipal bodies.

- a. **Business License:** This license is usually issued by your state and is a basic requirement for you to conduct business. Many counties and cities require a separate business or tax registration in addition to your state business license.
- b. **Food service license:** Generally issued by the health department, food service licenses certify that your restaurant meets all food safety regulations. The license may expire or require renewal. Additionally, employees at restaurants are required to be licensed as food handlers.
- c. **Liquor license:** A license, permit, registration, qualification or other approval required to sell, dispense or distribute alcoholic beverages under the State's or District's liquor laws. Check with the department responsible for approving the liquor license to determine whether there are buffers or moratoriums and what other conditions apply during your due diligence period.
- d. **Other:** Many jurisdictions require live entertainment, pool table, gambling, and music licenses, among others. Be sure to talk to local regulators about what will be required for your business.

Resource: EDA Economic Development Directory

# GETTING TO LAUNCH: MARKETING YOUR BUSINESS

Rather than relying on incidental foot traffic, create a strategic plan for marketing initiatives like press outreach, invitations to local organizations and city departments, social promotion and advertising. Combining in-store and digital experiences will position you to increase visibility and grow your revenue, and maintaining these coordinated promotional efforts on an ongoing basis will be essential to your success.

## STEP 1: CREATE AND MAINTAIN AN ONLINE PRESENCE

Most people research businesses online via their website, social media and digital directories like [Yelp](#) and [Google](#). Consider which of these platforms, if not all, are most appropriate for your business, referring back to the omnichannel strategy recommendations on page 9 for guidance.

In designing your online presence, follow these phases:



### 1 BUDGET, GOALS, REACH AND MESSAGING

- Determine how much time and money you can spend on your digital presence. The time and dollar allotments you plan for will drive all of the following decisions. While your budget may vary depending on your specific business needs, start with a conservative but reasonable budget to avoid burnout and ensure that your limited resources are spent effectively.
- Identify the project outputs (e.g., a new website, updates to your existing online presence, a detailed strategy to enhance engagement). Consult with entrepreneurial and industry peers and omnichannel integration experts to map a strategy that aligns with your goals.
- Identify how to reach your target audience, and solidify the message that you want to convey. Rushed or sloppy messaging can diminish your customers' impression of your brand.

## 2 COMMUNICATIONS PLAN

- Your website can be your most valuable communications tool. Leverage your digital presence to tell your business origin story, introduce your team, showcase the products and services you offer and share previous work samples and testimonials. The website can also funnel customers to your social media channels or blog.
- Engaging with an audience through social media is fundamental to many business plans, and having a strong presence is an asset across the board. Take time to pinpoint the ways your target audience utilizes social media. Find out which platforms they frequent, and share meaningful content that magnifies your message and consistently entices customers. This exposure can be crucial to maintaining and expanding your customer base.
- Blogs are a way to keep your brand top of mind in your customer circle and in your industry, and they can be used for entertainment, for establishing authority on a subject or for further promoting your business. You can choose topics that relate directly to your business or find creative ways to tie current events into your brand. You can also invite your customers and your fellow entrepreneurs to engage in conversation over shared interests.
- Newsletters create an unobtrusive but reliable periodic snapshot of the various aspects of your business and brand. Use newsletters to highlight new products and services, to showcase your expertise by displaying knowledge you've gained in your work and to share information about other publications that have highlighted your business or that offer information that your customers and followers may find interesting.
- In addition to the website, social media presence and other components of your communications plan, predictable and consistent timing also helps you reach your audience effectively. Choose a monthly, quarterly or semi-annual newsletter frequency. Schedule weekly videos that offer helpful information to your customers.

## 3 DESIGN AND DEVELOPMENT

- Connect with experts from other small businesses that specialize in building functional and attractive websites. Many customers will depend on a cleanly designed and thoughtfully crafted website or an active social feed to build trust in your business. Your online presence will be many customers' first interaction with your business, so it's crucial to make the experience enjoyable and intuitive. Designing a user-friendly experience can be time-consuming, and hiring an experienced designer can pay off with increased exposure and revenue down the line.
- Visit your own website often, assuming the perspective of a potential customer or collaborator. Can you easily and intuitively navigate to relevant information about the business? Is your contact information in a logical place? Does the user experience feel inviting, or are you left frustrated with some aspects? Is your logo cleanly displayed or is it distorted or pixelated? Be deliberate and use restraint when deciding where to place information. Break information into logical groupings.
- Ensure that your brand, brick-and-mortar presence and digital channels are cohesive. Design your website with inspiration from your commercial space design, carry elements of your site design to your social media and strategically incorporate your logo throughout to increase brand recognition. Communicate your message clearly and consistently across platforms.



- Share news of your storefront launch with existing customers. They can serve as brand ambassadors, making prospective customers aware of your business.
- Interact with your online community and identify where they gather, what resources they depend on for information and how to garner the best response from them. Create partnerships with online blogs, news outlets, digital photographers and videographers in which you and your partner mutually benefit from connecting with customers. These partners are likely fellow small business owners.
- Local search engine optimization (SEO) drives organic traffic to your website by increasing brand visibility and helping your business reach more people. This process involves constructing your content so it is more relevant and more frequently displayed by search engines. Use search engines and fill out your business directory listing to help local customers find your brand. Ensure everything in your business directory, down to the street address, matches across your various online platforms.
- Calls to action (CTAs) provide the opportunity for your audience to engage with your brand by making a purchase or providing you with some form of quantifiable support. When delivered through social media, your blog and your weekly emails, these calls allow your supporters to take tangible actions that move you closer to your business goals. For example, a plant care business might post its prized succulent with a question box asking followers to share the plants making their holiday wishlists and might direct customers to an online order form.

- Use key performance indicators (KPIs) to determine the effectiveness of your digital approach. The following table outlines KPIs through SEO and CTAs.

TOOL	QUESTION	KPI	SOLUTION
SEO	Are search engines awarding my business new customers?	Click-through Rate (CTR) Keyword Ranking	Analyze which keywords drive the most traffic to your pages
CTA	Am I reaching my customers, and are they actively using my online tools to engage with my brand?	Clicks to submission	Make sure your CTA is compelling and that your submission process is streamlined

- Use your data findings to make targeted adjustments to your presence and approach. Continue to release new iterations of your online branding, and measure how your customer base responds to changes and tweaks. You want to connect with existing customers and build trust with new ones.
- Determine if you have budgeted your time and money correctly for managing your marketing/advertising. Make further adjustments to ensure you are directing your resources toward an online strategy that is achieving your desired budget, goals, reach and messaging.
- Customer reviews are aggregated online using several tools. Listing your business on these services can provide a valuable tool to gauge customer feedback. Online reputation management involves monitoring the feedback in these databases to address the concerns of your customers and target

audience. Interact with satisfied and dissatisfied customers. Create repeat customers out of would-be deserters.

- Keep your presence fresh. Support fellow entrepreneurs by hiring experts to tweak the various aspects of your web presence through back-end coding, user experience (UX), creative copy editing and content, and attractive design. Typical professional partners are detailed below.

DIGITAL PROFESSIONAL PARTNER	ROLE
Web Designer	Your web design enables you to grab and keep the attention of your visitors and prospective and repeat customers. Web designers collect, organize and assemble all the images, graphics and text that make up your website
Copywriter or Copy Editor	A copywriter or copy editor produces written content, helping you craft statements like your brand mission and backgrounder. This partner can establish tone guidelines to ensure that your writing is consistent and compelling across mediums
Photographer	Your photographer is responsible for capturing the images that will represent your brand. We recommend selecting a photographer that specializes in your industry
User Experience (UX)	UX designers create an environment that is welcoming to visitors. They ensure that the flow of your web design is natural and that users can navigate your web tools in an intuitive manner
Web Developer	Back-end development packages web design, copywriting, photography and UX into a cohesive whole. Web developers are experts in coding using several computer “languages” that will eventually become your website
Social Media Manager	This expert can help you identify your target audience online, which platform(s) will be most effective to reach them and what content to provide so you can capture and maintain their attention. They can provide guidance on posting frequency and direct how you engage with active users
Digital Strategist	This professional can act as your digital project manager, assisting you with all steps in the website process, informing you as you clarify your desired outcomes and analyzing your KPIs to help direct new iterations of your website. The strategist can relay your goals to other partners in the website development process

## THE VALUE OF YOUR ONLINE PRESENCE

Your comprehensive, cohesive web presence will act as a beacon to attract new customers and bring them to the doorway of your brick-and-mortar shop. Take advantage of your customers’ desire for digitally delivered information, and create an experience that will draw them to your physical location.

Resource: Design Guide: Neighborhood Business

## STEP 2: ATTRACT AND RETAIN CUSTOMERS THROUGH MARKETING

Marketing is a business practice that involves identifying, predicting and meeting customer needs. Marketing encompasses the planning and strategy of promoting your brand. Advertising is a subset of marketing, referring to the outreach efforts you take to reach potential customers. Public relations refers to the engagement of news and media outlets to shape public perception of your business. Leverage the web presence that you and your partners have curated to increase the effectiveness and visibility of your marketing, advertising and public relations.

### MARKETING PLAN

Successful marketing involves a marketing plan and a strategy for execution. Your marketing plan should be a living and changing document that evolves with your business. [Click here for more marketing plan strategies.](#)

To build your marketing plan, answer the following questions:

- What are your goals?
- How is your brand positioned (luxury, affordable, etc.)?
- Who is your target audience?
- How and where do you plan to reach customers?
- What strategies will you implement?
- How will you get feedback on success?

### MARKETING STRATEGY

Your marketing strategy refers to how you will implement your marketing plan. Your strategy will shift based on the stage of your business, time of year, product assortment and other factors. Considerations for different stages of the business lifecycle include:

#### PRE-OPENING

- Plan marketing prior to opening and launching
- Obtain any necessary signage
- Determine how you plan to advertise
- Create a launch campaign

#### GRAND OPENING

- Ensure campaign is up and running
- Measure your results, including any customer insights

#### NEW PRODUCT

- Introduce new promotional efforts as products launch
- Determine which types of promotion are most effective by product

#### HOLIDAYS AND SPECIAL EVENTS

- Can be the busiest sales season
- Consider a holiday marketing strategy

#### END OF SEASON

- Evaluate how to liquidate slow sellers
- Decide on promotions

#### CLOSING

- Gauge the best way to advertise the closure
- Consider final promotions

## USE A SOFT OPENING TO TEST OFFERINGS

The following strategies can be implemented by business owners to drive sales and build brand awareness.

DESCRIPTION	BENEFIT	ENCOURAGED	DISCOURAGED
<b>INFLUENCER MARKETING</b>			
Leverages a person's network by relying on word-of-mouth marketing to promote your brand	People buy from people they know and trust. Influencer marketing allows smaller communities to have exposure to your product or service through people they know	Selecting the right influencer for your brand Micro-influencers often have stronger relationships to their followers, generating the most valuable impact	Attempting to attract mega- or macro- influencers with too many followers at the outset
<b>SPECIALS AND DISCOUNTS</b>			
Include coupon codes, special offers, free products, digital products, guides and e-booklets.	Discounts and offers allow customers to try products or services without a full commitment to test the quality and benefits. It gives them a benefit without just asking for a sale	Offering customers small samples, discounts or e-books to quickly build trust	Constant sales and discounts can devalue your brand Unless you have a discount brand structure, you may want to limit specials and find other ways to add value
<b>SPECIALTY ITEMS</b>			
Provides niche offerings, smaller quantities and hard-to-get products	Specialty items are for particular audiences and will not always appeal to the masses. The keys to success are finding where this audience is and mastering how to reach them	Honing in on a specific group of people looking for your item	Selling items that are not aligned with current product and service selection
<b>ACTIVATIONS (EVENTS)</b>			
Include virtual events hosted via social media platforms. Get a feel for who is attending using event registration software like Eventbrite or Facebook Events	Activations allow people from all over the world to connect in real time with your brand. They get to ask questions and have a "virtual shopping" experience without leaving their homes	Creatively driving audience engagement via activations like online shopping events or product/service Q&As	Overextending with too many virtual events (ensure concepts align with your audience and time investment is realistic for your schedule)
<b>PARTNERSHIPS</b>			
Partnerships refer to strategic alliances with other businesses that complement your business	These relationships allow you to promote your brand to other business' audience, increasing visibility and the potential for new customers	Identifying brands with complementary offerings	Establishing partnerships with competitors
<b>EMAIL MARKETING</b>			
Collecting emails of potential and past customers and nurturing those relationships through regular outreach campaigns	Email marketing provides a tangible list of people from whom you can directly solicit business because they expressed interest in your business in some way. It keeps them updated on promotions, offers and new information	Newsletters that provide valuable, audience-specific content	Overtly salesy emails
<b>ADVERTISING</b>			
Promoting your business online and off, advertising can be paid, grassroots or word-of-mouth	Advertising expedites the Know-Like-Trust cycle a potential customer must go through prior to purchasing a product or service	Facebook and Instagram ads (low-cost, measurable ways to promote your business to the audience of your choosing using parameters you set)	Costly forms of advertisement without measurable results

## EXAMPLE

If your client is a Millennial or digital native who lives within an urban cityscape, you should not spend money on billboards in the suburbs.

## PUBLIC RELATIONS

This strategic communication process builds mutually beneficial relationships between organizations and the public. Experts in this field typically focus on preserving a brand's image by "pitching" stories to a curated group of print and TV reporters, bloggers and news outlets in the hope that the media will present the brand in a positive light. PR specialists also curate talking points so their clients can represent their brands effectively when speaking with the media. When managing your public relations (PR), consider:

- How is your brand perceived by the public? How would you like it to be perceived?
- Is garnering media coverage a priority for you? If so, consider engaging a PR specialist to build relationships with local and national media.
- Are there any aspects of your business that may be susceptible to negative news coverage? If so, consider enlisting a PR partner specializing in reputation management to anticipate and prepare responses ahead of time.

Resource: American Marketing Association: Advertising vs. Marketing

# APPENDIX

## KEY BUSINESS TERMS

### ENTITIES

- **Business Entity:** A body or organization that is created to provide a service or good.
  - **Domestic Entity:** An entity is considered domestic when it is operating within the state in which it was created.
  - **Foreign Entity:** An entity is considered a foreign entity anytime it is operating in a state other than its state of origin (e.g., a Limited Liability Company that was organized in Delaware doing business in Illinois).
- **Documents**
  - **Articles of Organization:** This is the originating document for a Partnership or a Company.
  - **Articles of Incorporation:** The originating document for a Corporation.
- **Entity Name**
  - **Legal Name:** The name found on the business' originating documents. In most cases, this name must include a phrase or abbreviation that represents the entity type (i.e., Corporation, Inc., or LLC).
  - **Assumed Name:** Also called Trade Name, this is the name that the business uses for operation and advertisement and is usually the most recognizable way a business is known.

## KEY OPERATIONS TERMS

### CUSTOMER EXPERIENCE

- **Experiential Retail:** Retailers create a buying experience that is augmented by add-on services, shareable experiences and inclusive purchasing that adds value to customers' purchases through in-store events like fitness and cooking classes, in-store enhancements like live music and art, and built-in additions like free snacks and beverages.
- **E-commerce:** A business model in which most or substantially all of the business-to-customer interactions take place online.

## MANAGING THE BUSINESS

- **Key Profitability Indicators (KPI):**

## KEY CAPITAL TERMS

### STARTUP COSTS

- **Soft Costs:** Costs that are not directly attributed to any single, specific activity of construction or buildout. These costs include legal fees, architects fees and non-fixed furnishings and equipment
- **Hard Costs:** Costs that can be directly attributed to construction and build-out. These include materials, labor and the cost of fixed assets like HVAC; fixed, non-movable furnishings; and utility lines.
- **Closing Costs:** Costs other than purchase price, construction and buildout and construction soft costs, that are associated with completing a real estate transaction. This could include title fees, title insurance, escrow fees and loan origination fees.

## SMALL BUSINESS FINANCE

- **Community Development Financial Institution (CDFI):** banks, credit unions and funds from nonprofit and venture capital sources that are specifically aimed at providing financial opportunities to organizations that traditional banks deem too risky.
- **Small Business Development Center (SBDC):** These organizations are located throughout the U.S. and provide information, training and other resources to startup and existing small businesses. They provide business owners with targeted and individualized guidance on growth, marketing, finance and analysis of business' success.
- **Community Development Corporations (CDC):** Nonprofit, nongovernmental organizations that exist to strengthen economic development in underinvested and disinvested areas through community services and programs.

## BUDGETING

- Financial Statements
  - Profit and Loss: Your P&L or Income Statement shows how much revenue you made and how many expenses you had during a given period.
  - Pro-Forma P&L: A pro-forma P&L shows a projected income for future periods.
  - Balance Sheet: This statement shows your financial position at a point in time.
- Profit
  - Net Profit: Your total income after accounting for all revenues and expenses; both operating and nonoperating
  - Operating Income: Operating revenue less operating expenses
  - EBITDA(R): Earnings before interest, taxes, depreciation and amortization (and rent)”. EBITDA is mostly interchangeable with operating income. EBITDAR is used to calculate the operating covenants in your lease (see Key Lease Terms below)
  - Operating Revenue: Money received in direct relation to your course of business, such as sales.
  - Operating Expenses: Expenses that relate directly to your revenue and everyday course of business.

## KEY LEASE TERMS

### PARTIES

- Parties: All individuals or business entities involved in the execution of a lease.
  - Landlord (lessor): The party consisting of the individual(s) and/or business entity(ies) that own or control the leased property. This person could also be the property owner.
  - Tenant (lessee): The party consisting of the individual(s) and/or business entity(ies) that will occupy and operate within the leased property.
- Guarantor: Any individual or entity that promises to uphold the agreements of the lease upon default of the tenant.
  - Lease Guaranty: A promise to uphold the agreements of the lease upon default of the tenant
  - Personal Guaranty: A guaranty made by a guarantor who is an individual. This will usually be the business owner(s).

## THE PROPERTY

- Premises: The combination of land, building and other improvements that constitute the leased property. The entire premises may or may not include portions tenanted by other parties under a separate master lease.
  - Building: Fully enclosed improvements upon a parcel of land.
  - Land: The total area of all improved and unimproved square footage on the property, as defined by the title or deed.
- Space Delivery Conditions: The state of the interior of the premises upon delivery from the landlord to the tenant.
  - As-Is: May include space that has been previously occupied (second generation) and includes many or most improvements needed for tenants to conduct their business.
  - Dark Shell: Property that is leased to a tenant without interior improvements like heating, lighting, interior walls, plumbing or air conditioning.
  - White Box: White box space delivery condition refers to a new property with basic furnishings already provided by the landlord.
  - Improvements: The building and any unenclosed improvements upon a parcel of land.
  - Signage: Placement of the tenant’s business name and/or logo on the exterior of the premises.
  - Tenant Improvements: Alterations made to the premises that are specific to the tenant’s needs.
  - Tenant Improvement Allowance: An amount of money that is paid by the landlord toward tenant improvements. This incentive is used by the landlord to secure a tenant and to provide assistance to make tenant improvements that are necessary for the tenant’s business.

### USE OF PROPERTY

- Use: A summary description of all the uses to be conducted on-site by the business (e.g., full-service restaurant, men’s apparel store).
  - Permitted Use: The possible uses of the premises or leased property as defined by its title, municipal law or ordinance, zoning designation or any other legislation that dictates the use of property in a particular jurisdiction.
  - Prohibitions of Use: This clause allows the landlord to restrict the use of the premises to only those activities that are relevant and necessary to the tenant’s business.

## TYPE OF LEASE

- **Gross Lease:** The Landlord (owner) pays all real estate taxes, insurance and common area maintenance (CAM) expenses associated with owning the property.
- **Master Lease:** Multiple spaces are leased to a single tenant, and that tenant often has subtenants. A master lease will not break out rents by space, as the tenant is responsible for paying a single rent payment for all spaces. Lease escalations and lease renewals are assigned to all spaces under the master lease.
- **Net Lease:** The tenant is responsible for all or a portion of taxes, insurance and/or CAM.
  - **Single Net:** The tenant pays a share of real estate taxes.
  - **Double Net:** The tenant, typically a stand-alone business, pays a share of real estate taxes and insurance.
  - **Triple Net:** The tenant pays its pro-rata share of real estate taxes, insurance and CAM. This lease structure is typically used for multiple tenants in a building.
- **Sublease:** A lease between a tenant to a master lease and any tenants that will utilize portions of the premises covered by the master lease.

## TERM

- **Lease Term:** The length of time that the landlord agrees to allow the tenant to occupy the premises. The lease term and the lease commencement date are generally used to determine the lease termination date.
  - **Lease Commencement Date:** The date specified in the lease on which the lease's obligation begins.
  - **Lease Termination Date:** The date on which the tenant will vacate the property and return it to the landlord.
  - **Occupancy Date:** The date on which the landlord delivers the leased property to the tenant. In many cases, this date coincides with the lease commencement date.
  - **Rent Commencement Date:** This date refers to the tenant's responsibility to pay rent to the landlord. This date may or may not coincide with the lease commencement date and occupancy date.

- **Build-Out Period:** The period between the lease and rent commencement dates. During this time, rent is not charged but the tenant has access to the property.

## RENT

- **Asking Rent:** The amount asked by landlords for available space, expressed in dollars per square foot per year in most parts of the country and per month in other selected markets (also known as “base rate”).
- **Common Area Maintenance (CAM) Charges:** CAM is an amount charged by a landlord to all tenants in a property to cover the upkeep of parking lots, hallways, landscaping or other nontenant spaces.
- **Escalations:** Adjustments to annual rent that will occur at set times or intervals during the lease term. This amount will likely be calculated using the actual annual rent, not the effective rent. It may be a set percentage increase or could be tied to CPI and the U.S. inflation rate (e.g., *On the second anniversary of the Lease Commencement Date and each anniversary thereafter, the Annual Rent shall increase by 3 percent over the previous year.*)
- **Percentage Rent:** Rent payments are calculated in designated intervals, usually once per period. Each period's rent payment is based on the tenant's revenue, generally with a minimum base rent to ensure the property owner covers its financial requirements.
- **Rent Concessions:** Any benefit given by the landlord to the tenant that will reduce the effective rent. This is usually expressed in dollars.
  - **Rent Abatement (Free-Rent):** An agreement between the landlord and the tenant that provides a period of free rent. Free-rent is most commonly offered during the initial period after the rent commencement date. During this time period, you are still expected to pay pass-through expenses.
  - **Rent Deferral:** An agreement between the landlord and the tenant that allows the tenant to defer payment for rent obligations under a specified period. Rent is then due at a later date.
- **Rent Installment:** The amount of effective rent to be paid by the tenant during each lease term period. Most leases have one period every month or 12 periods per year.
- **Occupancy Cost:** Includes rent, real estate and personal property taxes, plus insurance, depreciation and amortization expenses.



## LEASE OPTIONS

- **Assignment:** To execute an agreement with the landlord to have another individual or entity replace the lease's original tenant (e.g., Company A goes out of business and finds Company B to occupy the premises under the same lease that was negotiated and executed by Company A).
- **Co-Tenancy Clause:** This clause allows protection to Tenants of multi-tenant properties to have reduced rent if a key/anchor tenant leaves the property. It can also prevent the landlord from leasing an adjacent space to a competitor.
- **Early Termination Rights:** An ability by either party to exit the lease before the lease termination date. These rights will generally have a defined period during which they can be exercised. They can become effective and will typically include a monetary penalty to exercise.
- **Purchase Option:** The tenant's option to purchase the property after the end of the lease term. This is generally available only in single-tenant properties.
- **Renewal Options:** The tenant's option to continue to occupy the premises for an additional lease term. This lease term may differ in length from the original, and multiple renewal options may be available.

## TENANT LANDLORD OBLIGATIONS

- **Contingencies:** States that the lease is valid after satisfactory completion and results of due diligence items (e.g., survey review, title review, ESA Phase I)
- **Hazardous Materials:** Any substance that poses risk of injury to persons or property. This could include flammable liquids, certain compounds kept in pressurized tanks and substances with dangerous fumes.
- **Indemnity:** Relinquishes one party from any responsibility of harm caused to person or property that is not directly related to that party's use of the premises. Also called a "hold-harmless" clause (i.e., *the Landlord holds the Tenant harmless from any damages caused by another Tenant on the Premises, and the Tenant holds the Landlord harmless from any damage caused by the Tenant or any damage that should be caused by the Tenant's insurance policy*)
- **Insurance:** Defines the types of commercial insurance and the required limits on the insurance that a tenant must obtain (e.g., *Tenant shall maintain Commercial Liability, Business Interruption and Worker's Compensation Insurance for the duration of the Lease Term*).
- **Limits on Liability:** This clause protects and limits the landlord's exposure to responsibility for damages or injuries to the tenant and agents of the tenant.

- **Maintenance Obligations:** Define which sections of the premises must be maintained by the tenant and may define specific intervals for said maintenance (e.g., *The Landlord has furnished the premises with a forced-air HVAC system. The Tenant shall be responsible, at the Tenant's sole cost, to replace filters in this system each month during the Lease Term*).
- **Operating Covenant:** An obligation for the tenant to maintain specific operational metrics that provide evidence of the tenant's continued ability to pay rent to the landlord (e.g., *During each calendar quarter the Tenant must provide evidence to Landlord of Gross Profit that is at least 10x the monthly rent.*)

## OTHER

- **Security Deposit:** An amount of money, separate from rent, held by the landlord as additional consideration. This amount will generally be determined based on the tenant's financial standing and may be applied to rent upon default of a tenant or used to cover costs associated with other breaches of the lease. The amount is generally returned within a defined amount of time after the lease termination date.
- **Letter of Credit (LOC):** A letter undersigned by a tenant's financial institution that promises the payment of rent should the tenant default. The LOC is used in lieu of a security deposit.

## KEY MARKETING TERMS

### ONLINE

- **Messaging:** The combination of the information that you choose to share, the tone of your information sharing and the platform you use to share information.
- **Reach:** Measures the number of people who see your digital content.
- **Web Presence:** The combination of all of the online tools a business uses. This includes a website, blog, newsletter, social media accounts and registration on digital directories like Yelp.
- **Call to Action (CTA):** Digital content that is used to direct your audience and customers to perform an action like purchasing a product or service, engaging with a post or entering information into a digital address book.
- **Digital Native:** A person born or brought up during the age of digital technology and therefore familiar with computers and the internet from an early age.
- **Micro-Influencer:** A person with 1,000 to 100,000 followers who is regarded as an industry or topic expert in a niche area or specific focus.

- **Mega- or Macro-Influencer:** A person with more than 100,000 followers, often A- or B-list celebrities, bloggers, vloggers, beauty gurus and other self-made online stars.
- **Online Reputation Management (ORM):** The practice of crafting strategies that shape or influence the public perception of an organization, individual, or other entity on the internet. It helps drive public opinion about a business and its products and services.

## IN-PERSON

- **Signage:** The makeup of all of the physical – written and pictorial – information available in your brick-and-mortar location.

## OTHER

- **Know-Trust-Like:** a business principle describing the behavior in which customers purchase only from brands and organizations that are familiar, reliable and well-liked.

## ADDITIONAL RESOURCES

### BOOKS – READ UP BEFORE YOU START UP

- Start Your Own Retail Business and More; Entrepreneur Magazine; 4th Edition
- Retail Superstar: Inside the 25 Best Independent Stores in America, George Whalin, Penguin Books

### CONSUMER RESEARCH – KNOW THE MARKET, MEET THEIR NEEDS

- [eMarketer](#)
- [Envirosell](#)
- [Forrester Research](#)
- [Google Trend](#)
- [Google AdWords](#)

### SMALL BUSINESS SUPPORT – DON'T REINVENT THE WHEEL

- [SCORE](#)
- [Small Business Development Centers](#)
- [Hello Alice](#)

### POINT-OF-SALE SYSTEMS (POS) – KEEP TRACK OF YOUR INCOME

- [Toast](#)
- [Square](#)
- [TouchBistro](#)
- [ShopKeep](#)

### DELIVERY – GET YOUR GOODS RIGHT TO YOUR CUSTOMERS' DOORS

- [UberEats](#)
- [Seamless](#)
- [DoorDash](#)
- [Grub Hub](#)
- [Postmates](#)

### CROWDFUNDING – GET FUNDS FROM YOUR FRIENDS

- [Kickstarter](#)
- [Indiegogo](#)
- [Fundable](#)

### ALTERNATIVE LENDERS – FIND A WAY AROUND THE TRADITIONAL BANKS

- [Kabbage](#)
- [OnDeck](#)
- [StreetShares](#)

### PROPERTY SEARCH – BUILD IN THE RIGHT LOCATION

- [LoopNet](#)

### WEBSITE – BUILD YOUR WEBSITE AND E-COMMERCE STORE

- [Squarespace](#)
- [Wordpress](#)
- [Shopify](#)
- [Wix](#)
- [Big Commerce](#)

### SOCIAL MEDIA – REACH YOUR FANS AND FOLLOWERS

- [Facebook Ad Account](#)
- [Facebook Business Manager](#)
- [Facebook Shops](#)
- [Instagram](#)
- [Instagram Shopping](#)
- [Google Business Listing](#)
- [Google For Retail](#)
- [Yelp](#)
- [Bing Places](#)
- [Linkedin Business](#)

### ANALYTICS – OPTIMIZE YOUR WEB PRESENCE

- [HootSuite](#)
- [MixPanel](#)
- [Parse.ly](#)
- [Clicky](#)

