

A man with short dark hair and a light beard, wearing a light blue button-down shirt, is sitting at a table in a restaurant. He is smiling and resting his head on his right hand. The background shows a brick wall and a glass display case. The lighting is warm and ambient.

Top 7 Mistakes New Restaurant Owners Make

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I. No concept, just a dream

We have met many people who have a dream of opening a restaurant on the beach or at a location where their friends and family will gather but they have no idea what the concept is and how to carry it through all the other critical steps.

The concept is key to the location (demographics and competition), design and construction, menu / cooking style, equipment, service, marketing, etc.

The concept must be well thought out to lay the groundwork for all the details and ensuring consistency with the brand.

2. No menu, just an idea

Sometimes, a client has a Caribbean, Fish House, Italian, etc. concept in mind.

They know the feel they want and what type of food they will be cooking. They have an idea / bigger picture in mind, but the devil is in the details.

A new restaurant owner cannot select equipment and complete a design without having a menu first.

The menu will dictate the kind of equipment that is needed, as well as service, which then allows for the design to be developed for the workflow and service.

For example, if you plan on opening a pizza restaurant, you will need dough mixers, proofers, and pizza oven, which will require specific space and workflow design and mechanical, electrical and plumbing design.



3. No budget

Many times, new restaurateurs jump into the process too quickly without a budget.

It's important to think through *all the costs* to open a restaurant, especially when it comes to the design and construction. Restaurant owners often think they have enough money to open a restaurant and learn - too late - that they underestimated the costs and need financing.

A budget for design and construction must be well thought out. Professionals with experience in the design and build of restaurants need to be involved from the beginning.

Experienced contractors will walk through a space with the owner to understand the basics of what must be done and also understand the owner's wish list. An expert will be able to provide costs that are accurate and dependable. Note: There are design build elements unique to restaurants that inexperienced restaurant builders may not know.

There are 16 main divisions in construction and many more subdivisions. Not all divisions apply, especially in the case of a build out versus new construction. It is critical to not only understand the basic design and construction costs, but also all the infrastructure and utility costs, especially if the property was not a restaurant before. Second-generation restaurants will typically allow new restaurant owners to save money in their build out.

Keep in mind that a budget can be generated for a build out but it is not truly an accurate estimate of your costs *until you have a full set of construction documents including architectural, mechanical, electrical and plumbing, and the estimate is backed by subcontractor bids*. The cost of construction documents are what are considered “soft costs” and many times are overlooked by an eager restaurant owner.

Please note that architectural fees are typically an additional percentage of the construction costs. Lastly, many new restaurant owners don't factor in building department costs and requirements for permit fees, surveys, and reports, which can easily cost thousands of dollars even for a small restaurant.



4. No financing for design and construction costs

Because new restaurant owners underestimate the design and construction costs for their restaurant, they usually need financing.

This adds time onto the process of opening the restaurant - not only for the bank approval, but also for the documents they require.

Traditional financing through a bank will require construction documents that are ready for permitting, as well as an estimate. An investment is required up-front to get the financing to complete the project.

Important: Any change orders due to owner changes, or unforeseen conditions, require special approvals by the bank. Consequently, if you (as the restaurant owner) want to keep the job going and not be delayed by bank approvals, you should have a contingency of at least 20% of the total budget set aside.

There are also great options for those with good credit to get a line of credit for equipment, fixtures and furniture.

5. No design or floor plan to accommodate equipment and workflow - and meet code requirements

New restaurant owners typically know what they want to cook, but have not thought out all the equipment needed, workflow in the food preparation process, service areas, and how this will all fit into a space to also allow for patrons to sit comfortably or accommodate pick up and / or deliveries.

Interior and exterior design and construction plans are needed most likely to address these items for a restaurant needing more than new flooring and paint, as well as meeting building codes.

For example a hood or grease trap may be required, or additional power, HVAC and plumbing, depending on the building's systems and equipment.

When commencing the design phase, the equipment list is first required to not only figure out the layout but how much power, plumbing and air conditioning is needed – as well as knowing what codes may apply.





6. Under-estimating the timeline for design, permitting, construction, and licensing

A new restaurant owner typically does not think about the time it takes just to get construction plans and a permit.

It can easily take four to eight (4 – 8) weeks to complete the design phase and construction documents, and another four to eight (4 – 8) weeks to get a permit.

If there is financing involved, this process typically parallel paths the design phase, but will require the construction documents ready for permit before final approval.

The Building permit, plans, shop drawings (i.e. hood, fire sprinkler, refrigeration), subcontractor permit applications, environmental application, and asbestos report are submitted to a building department. After a week or two comments are sent out.

The general contractor, architects, and engineers respond to the comments. And there may be a couple of rounds of comments and responses, depending on the building department and who is reviewing.

Typically, a building department will not allow you to send the responses one-by-one, as you receive them; all the responses are needed at the same time to submit them. This process takes time and coordination. The restaurant owner must also get a DBPR approval, and foodservice and liquor licenses. If this is not completed, then inspections may be held up.

7. Leasing space before you know your needs and construction costs

Excited new restaurant owners can often fall in love with a space and sign a lease even before they understand the costs of the project and their responsibilities.

Please - do not do this!

All leases should first be reviewed by an attorney to help you understand your responsibilities, and help negotiate the terms. For example, lease payments should not start until a permit is received and time is allowed for the construction. Building owners should also provide allowances for capital improvements. If the roof, HVAC or electrical panels are not in good condition or to code, the building owner should pay for these items.

An experienced restaurant contractor should also be consulted to do a site visit in order to understand the infrastructure and utilities available. For example, a retail space will require additional costs to build out a restaurant (i.e. grease trap, gas, ventilation for a hood, additional HVAC requirements) due to the equipment and occupancy.

Typically, a second-generation restaurant will help on the costs but there may be some major code violations for which you need to be aware before signing a lease that says you are responsible for all improvements.

In the case of a new restaurant owner who signs a lease prematurely, they could run into numerous issues, all of which they'll now have to pay for out-of-pocket, such as new gas lines and mechanical systems. Whether it is your first restaurant or your 10th restaurant...always check for zoning, seating capacity, electrical power source, plumbing sizes, and ventilation access.

Our advice is: find the right team of professionals who have restaurant experience, so that you have a clear understanding for what is needed - and set yourself up for success.





To avoid these mistakes
and many others -
please contact me first.

I'm here to help make
your restaurant dreams
come true!

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