# Tenant Improvements That Yield Long-Term Cost Efficiency Require Careful Planning

*By Jackie Jennings*

With a tenant improvement or remodeling project, satisfying all parties involved—while ensuring cost-efficient results that last—is easier said than done. Consider the perspectives of the people involved in a typical remodel. Tenants and/or building occupants want the renovated space to be more suitable to their tastes and needs. Building owners want assurance that the investment they make provides a good rate of return through reduced operating costs and better performance. Engineering and maintenance personnel hope to find that the facility is easier to operate and maintain.

Of these parties, the building owner (or perhaps the property manager working on the owner's behalf) generally bears the burden of facilitating the project — from hiring the contractor, designer and other consultants; to dealing with potential disruptions and other tenant/visitor issues; to overseeing budgeting and scheduling. Yet, perhaps the most critical objective overall for the owner is to make certain that the project itself is as cost-efficient as possible and will continue to "pay off" well into the future.

The good news is that a cost-efficient tenant improvement/remodel that satisfies all parties can be achieved if appropriate steps are taken. First and foremost, early involvement and assistance by a reputable contractor can maximize cost efficiency. A seasoned contractor can give invaluable input on the project's preliminary budget, attest to the constructability of early design concepts, and perform value engineering before the design is finalized or construction begins.

Next, all stages of the project should be formulated and scheduled through intensive, strategic planning. This includes paying special attention to critical areas of the remodel, such as those involving HVAC, electrical distribution, and roofing systems, where the most expensive mistakes can be made.

## Approaching HVAC Improvements

When renovating an HVAC system as part of a remodeling project, a common approach is to replace the existing system with a new system that matches the old one in both system type and capacity. However, this kind of approach can become a costly mistake, especially if one or more of the following circumstances is true:

- The average number of people occupying the building each day has significantly increased or decreased since the original HVAC was installed
- The type of operations performed in the building, and/or the quantity and type of equipment used in the building, have changed
- Conditions in the building today are vastly different from those found when the original system was installed
- The system being replaced does not meet current standards, not to mention public demand, for energy efficiency and environmental responsibility

Replacing in kind without considering any of these variables ensures that any existing capacity deficiencies or system inadequacies will be passed onto the newly installed system. Undersized systems will not properly heat or cool, and oversized systems will not operate as efficiently as possible.

Moreover, because energy pricing and availability have changed considerably over the last several years, options that were not economical when the building was constructed might prove to reduce operating costs now. Also, technological advances have led to HVAC systems that operate more efficiently, are more reliable, provide better environmental control, and are easier to maintain. Replacing in kind ignores the opportunities to reduce operating costs and take advantage of features that are more technologically and environmentally viable.

## Electrical Distribution Systems

If electrical distribution systems must be expanded or upgraded as part of a remodel, the system can grow in complexity, become difficult to maintain, and perform poorly if this portion of the project is not executed properly. Therefore, consideration must be given to the bigger picture of how the electrical system functions in the entire facility. This requires careful planning that provides for flexibility to accommodate future electrical requirements. Operations change, occupants move, and electrical needs change. If electrical systems are to keep up with these changes without causing major disruptions to building occupants and expenses to building owners, flexibility is essential.

To avoid the mistake of inadequate planning when approaching electrical system improvements, the facility's immediate, mid- and long-term requirements should be thoroughly examined. This may require conducting a system "audit," which entails analyzing how one particular component of the electrical distribution system is not meeting the needs of the facility or its occupants. An audit also can help to identify all suitable improvement options, from overhauling the existing system, to replacing it with one having an entirely different configuration.

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# Tenant Improvements

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## Roofing Renovations

A common mistake made when implementing a roofing renovation is to automatically choose the least expensive option, which seldom is the best suited option for the facility.

To find the best option, and ultimately the most cost-efficient option, it's important to investigate the roof's maintenance history, when it was installed, whether it is the original roof or a replacement, whether the roof has a history of leaks, and why the existing roof has failed.

To a great extent, the condition of the existing roof will determine the type and scope of the roof renovation. If damage is minor and confined to a relatively small area, the project can focus on recovering or repairing damaged areas. If the damage is extensive, the renovation likely will become a replacement project.

Regardless, planning and performing roofing inspections must be detailed and thorough. Underestimating or overestimating the extent of the damage can result in the wrong type of renovation.

Keep in mind that not all types of roofing perform equally well under different conditions, so it is also important to consider the type of facility, the slope of the existing roof, whether the roof will need to handle regular foot traffic, and whether equipment is to be installed on the roof.

## Keep Long-Term Goals at the Forefront

Avoiding costly renovation mistakes begins with keeping long-term goals in mind. How will this project interact with the rest of the facility? Can individual projects be combined to provide a more comprehensive solution? Is there a way to implement the remodel so the benefits can be more widespread and longer term?

By carefully planning renovation projects and incorporating long-term goals for a given space and the entire facility, owners and property managers can prevent expensive mistakes and maximize the benefits of their investment — which in turn will benefit the tenants, building occupants, and maintenance and engineering staff. Careful planning can yield continued cost savings long after the project is completed.

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