

Planning Office Renovations? Don't "Wing It"!

By

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Some time ago, Doctor Green purchased a practice in Chicago and the old building in which it was located. He promptly spruced up the interior: He painted the walls, replaced some carpet and tile and added some new lighting. Overall, he was pleased with the fresh new look.

After 10 years he decided to build out the fifth, unfinished operatory. So he called in an electrician to look at the job. And when he was done writing up his estimate, the electrician told Dr. Green that he could do the job for \$40,000. Dr. Green was stunned. *"Why in the world should this cost so much?"* he wanted to know. *"Simple."* The electrician replied. *"We can't just wire up the new office without also upgrading the entire facility because the current system doesn't meet code."*

That news was terribly distressing to Dr. Green. He'd had a premonition that pulling a permit and doing it by the book might cause this very complication and run the cost way up. Instead, he had hoped to "wing it" without pulling any permits. So now he had a real dilemma. He could: (i) pass on completing the 5th treatment room altogether (and the additional revenue he had anticipated); (ii) follow the rules, pull a permit and do the full, very expensive electrical upgrade; or, (iii) wire the new room without a permit and take his chances with the electrical inspector.

After several sleepless nights recalling some of the horror stories that he had heard about what can happen when you try to by-pass the authorities, Dr. Green reluctantly decided to go the permit route in spite of the extra cost. And in the end, he was happy with his decision knowing that doing it the "right" way gave him peace of mind that he otherwise wouldn't have had.

There are those among us who will always approach the job by the numbers - pulling a permit and getting inspectors involved - even when that may mean running into bureaucratic obstacles and greater cost. And then there are others of us who just "wing it" to save money and/or avoid the bureaucracy. Unfortunately, if you choose to "wing it" instead of doing it by the numbers then, here's what may happen:

1. If you ever have a fire or other casualty in the building and your insurance company finds out that you have ever made any improvements without a permit, they will use that as an excuse to refuse payment of your claim. That can be very expensive!
2. If you ever want to refinance the real estate, the lender will require that you declare on your application that all improvements were legally permitted. If you ever renovated without a permit but make such a declaration anyway, that constitutes fraud. That's a felony. And it can also pose a major risk to your credit. That can be very expensive!
3. If you renovate without a permit and get caught by the building inspector, he may have the right to require that you remove all of your alterations and reconstruct them after pulling a valid permit. He might even have the authority to pull your occupancy certificate until you bring the building into compliance. That can be very expensive!
4. For those of you who own a condominium, the condo by-laws likely describe a renovation approval process to which you must adhere. Your failure to abide by that process may result in serious obstacles when you go to sell or refinance your condo. That can be very expensive!
5. For those of you who lease your space, your lease likely describes a renovation approval process to which you must adhere. Your failure to abide by that process may result in a breach of your lease that could put your occupancy in jeopardy. That can be very expensive!

These are just a few of the difficulties you might face if you decide to "wing it". So instead, play by the rules. Otherwise, the initial thrill that you get by saving a few dollars will be long gone after you end up at the mercy of the insurance adjuster or the building inspector or someone's lawyer.

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