

ORTHODONTIC OFFICE DESIGN

The Case for Ownership

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Powerful intangibles come into play when we discuss the topic of ownership. Although the advantages of outright ownership of a practice facility have always been evident to orthodontists, one person's comfort level with making such a substantial investment can differ greatly from another's. Today, with interest rates still at favorable levels, a strong case can be made for building your own office.

There are basically two categories of practitioners who commit to ownership. One group does so relatively early in their careers. These doctors usually negotiate initial leases of five to seven years with renewal options, since they plan for their next moves to be into their own offices. In most situations, it takes five to 10 years of practice to accumulate the resources needed for a building project, and younger orthodontists often find that their new facilities cannot be built too soon for their growing practices. The economic and tax benefits of ownership can then be applied as they approach their peak years of income.

A significant advantage of owning a practice is that it becomes the cornerstone of a safe, forced savings plan toward wealth accumulation. The potential for appreciation and debt payoff over a 15-

year term (most advisers recommend 15-year mortgages) makes it much more attractive than renting from a third party¹ (Table 1). In addition, a family limited partnership that involves a gift to future generations and a lease-back of the office building can generate thousands of dollars for college expenses. Other methods of funding educational costs with tax-deductible dollars are also available and should be explored with your accountant.²

Although a first office is usually only as large as the budget will allow, the expense may be more palatable early in a doctor's career, when the cost of raising a family is less than when the children are of college age. It is not unusual to purchase desirable, commercially zoned land in future growth areas in anticipation of building an office. The land value will only escalate, and a fully paid lot becomes an important asset to the lending institution that will finance the project.

The second group of doctors consists of those who decide to build later in their careers, but are generally still near their peak income production. They will usually have rented more than one office, but with 10 or more years remaining to practice, they are still able to take advantage of ownership benefits. These doctors are also more likely to be in an economic position to take on building projects without having to substantially change their lifestyles. Their financial portfolios may be more impressive to lenders, and their ventures often become more extensive developments that might include rentals or other income-generating property.

Most of these doctors want to enjoy their later years of orthodontics in outstanding work environments, which can also reward their loyal staff members for working under conditions that may have been less than ideal in the past. Another consideration is that by building new offices, they



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**TABLE 1
INVESTMENT CONSIDERATIONS FOR VARIOUS OFFICE TYPES**

| | Rental | Condominium | Small Office | Larger Development |
|-------------------------|--------------------------|------------------------------------|----------------------|--|
| Initial Expenditure | Minimal | Moderate | Moderate | Highest |
| Financial Qualification | None | Condo group | Lending institution | Most rigorous |
| Ownership | Lease agreement | Shared, along with costs | Personal | Personal or partnership |
| Investment Benefits | Least | Moderate | Good | Excellent |
| Tax Implications | Business deductions only | Ownership advantages | Ownership advantages | Ownership advantages; rental income |
| Appreciation | None | Shared; tied to entire development | Entirely personal | Maximum appreciation; personal or shared with partners |
| Return on Sale | None | Moderate | Good | Very good |
| Division of Profits | None | One share only | Full profit | Full or shared with partners |

feel they will be in a better position to sell their practices or attract associates.³ A larger, well-designed transitional floor plan can accommodate a new associate and even allow for an ongoing relationship, with the owner scaling back to part-time practice.

As the number of retiring orthodontists increasingly outpaces the number of graduates seeking associateships, it is now a buyer's market. Assuming that geographic regions and financial arrangements are comparable, the following factors are crucial for orthodontic students⁴:

- Appearance of the building.
- Location in a high-growth area of the community.
- Efficient working environment with a modern, well-equipped operator.
- Provision for future purchase of the building, if desired, and protection for long-term occupancy.

Land Costs

Land is always an important consideration, whether you are purchasing an existing building

or constructing a new one (Table 2). Smaller communities are more likely to have affordable commercial properties, even in central areas. Larger cities are generally much more competitive in preferred locations. Fringe areas or growing suburbs may actually be more desirable, given the potential for unfavorable demographic changes in downtown locales. Construction costs also tend to be more favorable in smaller communities, when compared to the union labor of larger cities.

Once the general location of the practice has been determined, there must be due diligence in selecting the land to be purchased. Real-estate brokers can be helpful in locating properly zoned lots. In growing areas, developers often control land availability, and they are usually reluctant to subdivide and sell smaller plots for single dental offices. Gaining the best location may therefore require purchasing a plot that is much larger than is needed. As a general rule, however, when building an orthodontic clinic in the 4,000-to-5,000-square-foot range, one-half to one acre of land will probably be adequate. A smaller lot may be risky, because lots are subject to setback require-

**TABLE 2
HYPOTHETICAL COST ANALYSIS FOR 4,000-SQ.-FT. FREESTANDING OFFICE**

| | Urban | Rural* |
|-----------------------------|-----------------------------|----------------------------|
| Land Costs | \$3-15/sq. ft. | \$.50-2.50/sq. ft. |
| Facility Design/Engineering | 7-12% of construction costs | 5-7% of construction costs |
| Construction Costs | \$75-220/sq. ft. | \$50-100/sq. ft. |
| Financing | 6.5-9% | 6.5-9% |

*Individual project costs will vary greatly; amounts given are generalizations.

ments, easements, and drainage and parking regulations that will reduce the area left for the building. Developing a site plan with a professional is the only way to determine whether the plot will safely qualify for a purchase.

Real Estate Development

A cardinal rule in real estate is to maximize the building size and develop a site to its greatest potential use. With larger parcels, it would be wise to determine the possibility of subdividing before purchasing the land. If permitted, the orthodontic office could be placed on the prime portion of the lot, leaving open the potential for future development or the sale of subdivided lots, perhaps to other doctors. A new, high-quality building would immediately raise the value of the adjoining land.

If excess land is available, it provides the

opportunity to develop rental property for additional income and gain a greater return on the original investment. Busy orthodontists are often hesitant to invest in real estate because they are afraid that property management will take up too much of their time. Nevertheless, this is a proven method of building personal wealth (Table 1). Larger projects involving multi-tenant buildings will usually require some form of partnership, but the range of potential real-estate investments is so wide that the subject is impossible to cover adequately in this article.

Condo Ownership

Condominium ownership appears to be a growing trend (Figs. 1,2), especially in affluent, high-growth areas of larger cities. This approach may be the only way for an orthodontist to obtain a prime spot in a location where the land cost for



Fig. 1 Condominium owned by Dr. Peter Cain, Guilford, CT, reflects residential style of area.



Fig. 2 Condominium owned by Dr. John Wiger, Sterling, VA, has more contemporary style in tune with its commercial surroundings.

a single, freestanding building is prohibitive. Although a condo purchase is still a sizeable investment, the developer may only require a 20% down payment (Table 1). If you qualify for a small business loan, even less cash may be required up front.

A word of caution if you are considering condo ownership: be certain about the integrity and track record of the developer. A financial institution will usually not make construction loans until the developer has presold 40-50% of the project. What that means, of course, is that an early buyer might have to wait many months before taking possession. Delays in the project could affect your planned moving schedule, and your present lease may not allow for an extension without a sizeable penalty.

Another way to own a condo is to purchase from a developer who has already built and is selling shells of space by the square foot. You then design and build out your own office as a tenant-finish project. Build-out costs will vary greatly from one area to another, ranging from \$50-175 per square foot, excluding specialized equipment.

In condo ownership, you become a member of an association, with tax-deductible dues collected to take care of building maintenance, parking facilities, landscaping, and so on. Where office condominium developments have succeeded and become profitable, however, it is usually because of the participants' shared esthetic values as much as their economic solidarity.

Freestanding Building

Most orthodontists who want to own their facilities will build small, stand-alone buildings of 4,000-5,000 square feet (Tables 1,2). To make the endeavor a success, your work space more effective, and your investment more secure, you will need to make a number of major decisions, and you will probably require professional design assistance along the way. The following list summarizes the design process from site selection to the start of construction. Of course, many of these considerations also apply to larger construction projects or the purchase of existing buildings.

Site Development

All significant property characteristics should be carefully analyzed before purchasing the land for an orthodontic office.

Zoning: Ensure the property is zoned for a medical office as an unrestricted, "permitted use". Conditional-use permits can be time-consuming and expensive to obtain, and approval is not guaranteed.

Accessibility: Verify the site's accessibility for vehicular and pedestrian traffic. Patients must be able to access your building from the parking area without using stairs. The facility should be easy to navigate by arriving and departing patients without undue traffic congestion.

Visibility: Your site and potential building pad should be clearly visible, preferably from multiple directions. This will be your most important legal signage.

"Buildability": Even a flat site may present hidden challenges. Insist on appropriate studies of the site's geotechnical characteristics, water table height, building envelope restrictions, etc.

Parking: Parking availability can make or break a project. As a rule of thumb, 350 square feet per parking space should be allowed for a high-quality site. The available area should exceed that required for your structure, excluding no-build areas and setbacks.

Orientation: A site should be carefully evaluated for various pros and cons. Can specific views be captured? Can the designer take advantage of pure northern lighting? Can winter maintenance costs be reduced by a warm southern sun? Is the neighboring property a visual asset?

Natural beauty: Unique sites offer surroundings that can make the entire office experience more appealing.

Exterior Design

After the land has been secured, you will need to address the style and character of the office with your design consultant.

First impression: The image created by your exterior design may be the most important

decision you make, because it will set the expectations of your patients before they even enter your office (Fig. 3).

Character: The exterior style can be professional, traditional, modern, or thematic (Fig. 4).

Scale: The overall scale of a project can vary greatly. An urban site may accommodate a scale that would be inappropriate in a more rural environment.

Doors: Does the project require a front (public) door and a back (private) door? How you develop these areas will greatly affect the overall accessibility and function of your office.

Screening: Some exterior maintenance and utili-

ties structures may be visual nuisances. These elements must be considered early in the design process to avoid having them detract from your overall esthetics.

Finish materials: The ultimate quality of your project will be defined by the choice of your exterior finishes and the appropriate application of the materials selected (Fig. 5).

Detail: The exterior detailing of the building will not only act as the icing on the cake, but will tie all the other design elements together. A successful project integrates esthetic detail throughout (Fig. 6).

(continued on next page)



Fig. 3 Office of Dr. Corrado Ghidini, Castiglione, Italy, projects professional image through use of warm Mediterranean materials and detailing.



Fig. 5 Elegant corner of Dr. Adams's exterior finish synthesizes Austin limestone, glass, and steel.



Fig. 4 Dr. George Adams, Plano, TX, combined commercial and residential concepts and building materials to create dramatic exterior.



Fig. 6 Careful attention to detail translates into dynamic look for office of Dr. Eugene Williamson, Evans, GA.



Fig. 7 Dr. Adams established comfortable operatory corner by contrasting various materials with glass walls and soffit treatment.

Interior Design

Interior design is where form, function, and aesthetics all come together to define your office atmosphere.

Scale: Variations in scale and volume within the office can add interest to the interior environment (Fig. 7).

Circulation: The traffic flow should be obvious and natural, helping the patient understand the practice routine (Fig. 8).

Theme: Some orthodontists decide to develop interior themes for their offices. Well-designed theme architecture is consistent throughout the building (Fig. 9).

Lighting: Nothing more effectively sets the mood of your office than appropriate, intelligent, and creative lighting (Fig. 10).

Finish materials: As with the exterior finish, the



Fig. 8 Angular central island in office of Dr. David Bright, Katy, TX, naturally directs traffic flow of staff and patients through open-bay operatory.



Fig. 9 Dr. Barry Booth, Homer Glen, IL, designed exterior and interior theme honoring Frank Lloyd Wright, much of whose work was done in Chicago area.

quality of materials you employ will say a great deal about you and your practice (Fig. 11).

Public vs. private: Your design should clearly



Fig. 10 Dr. Henry Bussa, Katy, TX, eliminated a chairside light by combining natural window lighting, drop-down metal halide fixtures, and simulated skylight over central island.



Fig. 12 Dr. Harold Stevenson, Katy, TX, had fun with materials and structural forms, creating unique transition between patient area and more private sterilization alcove.



Fig. 11 Dramatic arch in Dr. Cain's office welcomes patients into spacious, modern operatory.

delineate public and private areas within the office (Fig. 12).

What you don't see: Don't forget the components that most people never see, but that make the office run: computer technology, mechanical and telephone systems, noise control, utility sinks, etc.

Conclusion

The final decision to own an orthodontic office can be as emotional as it is economical. As this article has shown, there are several possible levels of investment, depending on your degree of interest and acceptable level of risk.

In any case, site selection is paramount in determining a project's success. Professional guidance is a prerequisite at all stages of the undertaking if you are to realize your goals and gain the benefits of ownership.

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