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Step by Step Guide to Starting a Medical Practice

By Sean Regan of Syncore Medical Realty

Starting your own medical practice is one of the most important decisions you will make in your professional career and often unlocks the door to a considerable increase in compensation and personal freedom. Since this is likely the first time you have pursued this endeavor, it is imperative that you understand the process and take the proper steps to ensure your practice has a solid foundation for success.

There are numerous decisions and steps involved with transforming your goal of starting a practice into a reality, including identifying your practice vision, building your team of advisors, finding an ideal location/office space, negotiating a lease, constructing and equipping your office, developing a brand and external marketing plan (logo, business cards, website, etc.), hiring and training staff, developing business systems and protocols, etc.

In order to provide you with some insight into my role as your commercial real estate agent and the journey that lies ahead, I would like to provide you with the following guide to utilize throughout the process:

1. Develop Your Practice Vision - As with any business, the first step is to identify the service you will be providing and to whom you will be providing that service to. While identifying the service you will be providing is likely an easy task, defining your target clientele is equally important and can be a little more complicated. What is the demographic profile of your desired patient base? What is the age range of your desired patient base? Will your practice revenue be derived from primarily Fee-For-Service, PPO, or Medicaid patients (or a combination of these)? How many operatories/treatment rooms do you need? What hours would you like your practice to be open?

2. Build Your Team of Advisors – As previously discussed, there are numerous steps to take and decisions to be made in order to successfully navigate the start-up process and ensure that your practice is positioned for success. Therefore, it's critical for you to build a strong team of professionals who can assist you with making the right decisions and getting all of the pieces of the puzzle in place so you are ready to hit the ground running when you open for business. Your team will typically consist of a tenant rep., lender, equipment rep., contractor, attorney, practice management consultant, marketing firm, accountant, and insurance agent. During the course of my career in this industry, I have developed close working relationships with many experienced, local advisors who I respect and trust to take excellent care of my clients. Therefore, I typically take an active role in helping each of my clients in completing this step of the process.

3. Financing Pre-Approval – Prior to beginning your property search, it is imperative for you to secure financing pre-approval so we know you will have the ability to obtain the necessary level of financing to turn your practice vision into a reality. Obtaining financing pre-approval prior to beginning your property search will also enable us to provide the landlord with evidence that you are a credit worthy tenant and help facilitate negotiations once we locate an ideal property. Your lender will typically require a copy of your CV or Resume, Personal Financial Statement, and last two years of tax returns in order to complete the pre-approval process. The landlord will also

require this same information to evaluate your creditworthiness, so it's helpful to gather this information at the start of the process.

4. Property Search - Once you have determined the vision for your practice and obtained financing pre-approval, we will work together to identify a property that fits your needs. If you have already identified the market area where you would like to start your practice, we can begin our property search immediately. During this process I will provide you with demographic data for the properties that interest you.

5. Letter of Intent - Upon finding an ideal location for your practice, I will contact the Landlord or Landlord's Broker to make them aware of your interest in the office space and obtain the economic terms the Landlord is seeking for the space. I will then work with you in drafting a Letter of Intent to further demonstrate your interest in leasing the office space. The Letter of Intent is a non-binding document that simply serves as a tool for negotiation between the two parties. The Letter of Intent will provide the basic economic terms of the lease such as the Base Rental Rate and Tenant Improvement Allowance in addition to other important business terms such as Exclusivity Clauses and Assignment Provisions. The negotiation of the LOI is intended to be conducted in such a manner that each exchange between the parties is progressive and ultimately culminates in mutually agreeable terms that will serve as the foundation for your Lease. While the amount of time necessary to negotiate and finalize the LOI may vary, I typically anticipate this process to take 2 - 4 weeks.

6. Lease - Upon arriving at mutually agreeable terms in the Letter of Intent, the Landlord will instruct their attorney to draft a Lease. The Texas Real Estate Commission does not allow Brokers/Agents to provide legal advice to their clients, so I highly recommended that you employ an attorney to assist you with reviewing the Lease. As with the Letter of Intent, there will likely be several exchanges between each party and their respective attorneys before the Lease is finalized. While the amount of time required to reach a consensus and finalize the lease can vary, this step typically takes about 4 weeks in most cases.

7 (a). Office Space Design & Equipment - Once we have negotiated an LOI for a particular office space, I highly recommended that you obtain a CAD file (electronic drawing of the office space) so that you can begin designing the layout and choose the equipment for your office. I encourage you to begin the office design process as soon as possible and utilize your preferred equipment company and contractor to complete this task.

7 (b). Obtaining Construction Bids / Creation of Construction Documents / Permitting - This step is critical to the process and needs to be completed in a timely manner. To begin this step, you will need to meet with your contractor(s) to review the office space design to ensure that it meets your municipality's building codes and decide upon the finishes for your build-out (countertops, flooring, paint, etc.). Once these decisions have been made, your contractor(s) will provide you with a construction bid. Upon awarding the project to a particular contractor, the contractor will need to prepare Construction Documents for the appropriate municipality, which should take approximately 2 weeks to complete. Each municipality is different and the amount of time it takes to receive a construction permit can vary greatly. The permitting process is currently taking about 60 days in the City of Austin compared to approximately 30 days in the City of San Antonio.

8. Construction - Once your contractor receives a building permit, they can begin construction of your practice. In general, you should anticipate construction to take about 90 days to complete. Having a contractor that is familiar with "medical" construction is critical due to the many nuances involved with building a medical practice compared to other types of businesses.

9. Branding / Marketing / Hiring & Training Staff / Business Systems - In the months leading up to opening your doors, you will need to work with your marketing firm and practice management consultant to establish a brand for your practice, implement a marketing plan, construct a website, hire and train your staff, implement business systems, etc. so that you will have appointments on the books and be prepared to take excellent care of your patients immediately upon opening your practice.

10. Certificate of Occupancy - This is the final step before opening your doors to patients. Once your contractor has completed the construction of your practice, they will call for the City to make a final inspection. Upon passing that inspection, the City will award you with a Certificate of Occupancy and you can open for business!

Timing

The amount of time required to accomplish each of the above steps can vary greatly from project to project depending on the doctor's ability to perform (secure financing approval and satisfying the requirements of the landlord) and the following variables:

- Availability of the space
- Willingness of each party to reach a consensus during the Letter of Intent and Lease Negotiation Phases
- Ability of the doctor and their contractor to complete a final space plan, choose finishes, produce a set of Construction Documents for the appropriate municipality in pursuit of a construction permit, and complete construction.

While the total time it takes to navigate the start-up process can vary depending on the above variables, it typically takes 6 - 8 months from the time we locate an office space until you are open for business.

By following these steps and working with an experienced team of professionals, you will be on your way to accomplishing your dream of starting your own practice!