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- 1) Starting point-----research options, decide on key decision factors, gain input from board, committees, outside consultant, etc.
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DDDS Financial Committee 2nd- December 2, 2022- ZOOM

Members Present: Treasurer Dr. Yuksel Erpardo, Secretary Dr. Sue Carron, Executive Director Ms. Marcy Dwyer. Absent: President, Dr. Jahan Wakeem, Board, Dr. Marvin Sonne
Guest: Mr. Kevin Pruitt, Klas Solutions, Business Real Estate Rep. For Klas Solutions. He helped Oakland County Dental Society. <https://klassolutions.com>

Meeting was called to order at 12:04 PM by Dr. Erpardo

Agenda to cover Operational planning and Lease Discussion (lease expires October 31, 2023)

Introductions to all. Kevin is new to Michigan from Little Rock, AR where he was in the Air Force for 20 years, has a degree in finance.

BACKGROUND OF DDDS OPERATIONS : not looking at Covid Years of Lease history and % of Budget,

Rent: 2018 -10% 2019- 8 % rent (lower because we had more meetings)

Historically rent has been 10% of Budget.

Historically since 1895, Detroit District has been located in Detroit. Times have changed and people do not all live in Detroit. Our society now expands to Wayne and Monroe Counties and we have members from all the surrounding Counties and suburban areas.

The last Office for DDDS location was in the Fisher building for a number of years (last year 2012). The office had space for 5 to 6 employees and a full time executive director. They were responsible for the operations and the Large Detroit District Dental Review, held in a large exhibit hall for sponsors and many classrooms; it was held at the Dearborn Hyatt Hotel. Two Conference rooms, nice offices for staff, storage, kitchen, file room, printing/ copier room. Expensive, membership above 1000.

DDDS moved to Dearborn in 2013 (1157 sq ft) with Fordland, Inc. (rent about \$25,000), because we needed less costs for rent and had less staff, and DDDS had a financial problem. Also, a more central location was desired by the board and for membership. Lease was set to expire in 2018 and we signed a new lease in the same building and floor for November 1,2019 to October 31, 2023. The second office in this building is smaller (768 sq ft) and less rent. This was initiated by Marcy, under President Dr. Rachel Stockhausen. No agent was used and the building was still owned by Fordland Corp. Rent was on a sliding scale, before per tenant. Our

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lease has a built in normal increase of \$50/per month per year from 2020 to end of 10-31-2023. This is about \$25,000 per year total for rent.

This year rent is \$19.53 sq ft. (\$ 1250 /month) with our deposit \$2100 still on landlord's books. The building was sold this last year to a company located in NJ/NY area. Company prefers to communicate by email. Marcy had troubles with getting an invoice for the correct rent amount (mistake was made by them and the CPA helped get a proper invoice), owners prefer no phone calls. NO security, anymore in building, if she works at night after a committee meeting. NO on- site maintenance people, took several days until landlord sent someone to fix a leak on our floor.** Building, per Kevin Pruitt, is now 42% empty, with 27.5% increase in tenants leaving the past year. He does not know if it is the location, management, rate per sq ft. The last lease signed this year was for \$15.75 sq ft. this summer.

DISCUSSION POINTS:

A) Meeting Space Costs: Committees & Board need conference room, Size of space, price per sq. ft. \$15.75 per sq ft). for new building tenant this summer vs. our \$19.53 per sq ft rate. Market Rate for area is \$16- \$20 per sq. ft. DDDS has about Four live meetings a year- including Review and Annual meeting. Committees could meet in a dental office, Zoom. How much can we afford to pay for rent, utilities and Insurance? Who uses the space and amount of time in office? Length of time for lease (planning for five years?) Vacancy in present building is 42%.

A1) Storage: Cloud storage for records- security needed and costs, Place for Convention supplies, office supplies, Insurance cost for storage, Storage must have temperature control environment. Files storage.

A2) Moving Costs: Furniture, Files, etc

B) PRESTIEGE IMAGE for DDDS: DDDS has been around since 1895

Brick and Motor space, importance of Location, What other societies are doing?, (Macomb in dental office of executive director, Oakland in rented space of

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dental office, West Michigan in insurance office, but loosing space this year-executive director works from home.), no physical location- P.O. Box, meetings in dental offices, meals in restaurants or hotels.

C) Permanence:

What others are doing? Need at least five years in planning, need to think about mass retirement of older dentists in 4 to 5 years. Need to gain younger dentists for membership. Cost of lease vs Increased services for members. No sharing space with another district, political issue, we need our own identity as a district.

D) Location: requirements

Free parking, convenience for driving into (30 min drive for most), security of neighborhood and building. Do we have to be in Detroit? Or Just Wayne County like we are now.

D1) Office Type:

*Leased office in office building= Stay in current location and Kevin negotiates a better rate

**) New location that Keven helps us with; Executive shared office space, Rent office or Barrow space in a dental office

***) Remote work place (Marcy's home) with P. O Box in Wayne county

Question who uses the space?

- E) Other: Is there a penalty for leaving early? Does the landlord automatically renew lease at higher rate if we do not give them enough notice, that we are leaving? We have a new Landlord in the past year- we lost security, we lost on property maintenance service. Need to Track our Deposit/ Neg deposit estimated at \$2100.

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F) Allan Lasser said after he reviewed our lease, that if we left early, we would be penalized. Still have to pay rent in present area and new space- For one month. May not get back the deposit or can apply it toward rent for last month.

OPTIONS FOR DISCUSSION WITH BOARD:

*Stay- negotiate more favorable rent- Length of lease and size of space are important to have a more favorable outcome on cost of rent..

* * New location -* Executive Shared office Space in Wayne County, with best location for members to drive, security, amenities, conference room for about 12-15 people, watch for hidden costs and assessments, length of time required for lease. *Dental office has space for meetings.

***Remote workspace with P.O. Box in Wayne County

Important: How much is this going to cost? No more than 10 % of budget. Extra savings can be used for Social Media presence and communication methods improvement with an addition of one part-time staff to help. The MDA does not have the ability to support us at this time.

Mr. Kevin Pruitt, Consultant from Klas Solutions: Referred by Oakland County.

He will be an agent working for US. How agents get paid.- The Fee paid to a Building agent is 5 to 6%. Kevin will work for us, as our Agent, and earn half the fee from the building agent. Therefore, his services will be free to us. He is a specialist in rental agreement and sales for dental offices.

The building agent's job is to get the best lease for the landlord. To get the most money for the landlord. By the next meeting, Kevin will have reviewed our current lease. He said our present building is 42% empty. 2100 left on deposit \$19.53 sq ft now. Most recent lease, \$15.75 sq Market rate for area is \$ 16 to \$20 sq ft. We are small tenant, not much negotiating room. He would Start negotiating at \$ 15.75. CON LIST: no security on the location, not having maintenance on location. Company has not reached out to us about our lease ending this coming year. HE usually starts one year out, to check on renters. Landlord would like

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everything on- line and not talking to us, located in NJ/NY area. Our Historical rent is 10% of our budget, This is normal for our area. Need to be centralized for everyone. Parking 10 to 12 people, conference room, storage. Negotiate rate on our terms. Longer terms, get better rate. Kevin will be able to get us the best rate for us.

We should not have to pay a deposit; we are long term residents of the area and have a good reputation and are not a flight risk. He can find us locations to view in person, or pull up leased space on computer for us to see, what is available. He likes to present multiple options, greater flexibility.

Market Prices: Goal to develop strategies to keep ahead of the competition. Capitalize “on low hanging fruit to identify a ball park value” for cost per sq ft.

OTHER CONSIDERATIONS: Some place to meet, neutral space for some committees, paying fee to make sure we have security ZOOM communications. Can we use a dental office in a central location. Society has changed. Dentists are not retiring till mid- 70's now. Average age per Marcy from a recent meeting she attended, is Mid- 70's. In 3 to 4 years, we will have mass exit of dentist. There will be a shortage of dentists in Michigan, per State of Michigan. Younger dentists do not care if we have a physical location. WE NEED TO need to Ask committee chairs and Board members about” Prestige” in Brick and Motor location. Need safe neighborhood. Hidden costs of the shared costs, special assessments. Storage on site. If existing landlord cut rent significantly, then we can use the money for something else.

HOW WE GET THERE:

KEVIN: will help with research for locations and costs, great value for office space, He will Talk to our current Landlord soon! Then he can talk to our board

COMMITTEE/ VOLUNTEER: Help tour places, talk to others, review information Bring to Board- meeting run by Dr. Erpardo: to get their thoughts on physical office or not, location

MARCY: What information to bring to committees. Talk to other dental societies, Check with MDA on restrictions for location for DDDS, Put it all together for Board and remote Costs, including P.O. Box

Meeting Adjourned at 1:07 PM

Respectively submitted, Susan H. Carron, DDS

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