

PART I

by Aaron Voorhees

Choosing the best site location, equipment supplier and building design



From Inception to Cash Flow

Many car washes I've seen built recently look more like the Taj Mahal than a place to clean a vehicle. They are beautiful in appearance, but cost a fortune to build! I have to wonder how much the *bank* owns and how much the *investor* owns. I have spoken with many new wash owners who are anxious when considering their "break-even cash flow point." As I survey these beautiful facilities, I see so many areas where they could have saved money on the design and construction, which later would translate to less time worrying about how they are going to turn a profit. It *is* possible to have a great-looking building and at the same time have a project be economically feasible for the ultimate end result... CASH FLOW!

As a new or current car wash investor, this article series is designed to help you ask the right questions, research important topics, and carefully review some hidden information so you can maximize profits on this investment. There are

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several major points to consider when taking a project from inception to cash flow. Part I of this series will cover how to choose the best site location, equipment supplier and building design. Part II will take your project from construction completion to cash flow using effective marketing techniques.

Choosing the Site Location

Designing a wash begins at a stage I call *Visioneering*. How successful can one location be over another? Don't just look at the demographics, also look at traffic patterns, local businesses and geographic strengths, weaknesses, opportunities and threats (marketers know this as a SWOT analysis). Are there state or local laws hindering the growth of certain residential areas? Are there any federal facilities like National Parks and reservoirs which could be marketed to (federal vehicle fleet accounts, motor homes you can wash, boats or recreational vehicles)? Are there schools nearby that you can allow to use your wash for fund raisers? Is the location near a controlled intersection where passing traffic would be stopped in view of your wash? Are there any office parks, businesses with company vehicles, or other fleet account

possibilities? Is the proposed location within the jurisdiction of a city or an unincorporated county? They each have different effects on your ongoing taxes. What businesses in the area might collaborate with your new wash? For example, there might be a lube shop that could have a point-of-sale (POS) at their location to sell car washes at your facility. I have had nearby fast food restaurants put coupons into every drive-through meal during a weekend. Consider how many other car washes are in the area? This is a very important subject to consider. We have an area in our city where there are seven new wash facilities within a 2.5-mile radius! This *is* a growing area but there is no way the population could support that many new car washes in such close proximity. There are good locations out there and car wash investors should exercise not only ethics but sheer commonsense when choosing their location. Just because you CAN build a wash there, doesn't mean you SHOULD.

Choosing an Equipment Supplier

A seasoned equipment manufacturer is crucial to your success. You'll need to design the building to their specs and they will have a lot of input on the project as well. When the project is finished they will aid in on-going technical support, which is a key component to the success of your business. We depend heavily upon our supplier for their support in maintenance, repairs and technical know-how. They are on-call and available 24/7 and will also troubleshoot problems with you over the phone. Make sure you ask to see recommendations from current customers and personally visit their car washes. It is a good idea to speak with other operators to see what they have to say regarding experiences with a particular supplier.

Voorhee's newest wash was built tower ready to house a cell site to generate additional passive income.



Design a building that will be scalable, allowing later additions to preserve or increase PROFITS.

Choosing the Best Building & Site Design

Once the location is determined, you'll need to layout the site for maximum visibility and maximum "stackability" for an efficient flow of traffic into and out of your wash. A car wash building will market itself simply because passersby will see cars being washed, so it's obviously important that the building be visible. Yet, don't let that be a deciding factor. I have seen a car wash be successful even when it is located off the main drag because they marketed it well.

Another key point is keeping the flow of traffic running *through* the wash instead of just *to* the wash, which will increase efficiency for the customer and cash flow for you. For example, it is a good idea to have the vacuums located somewhere other than right in front of the self-serve bays. The issue being someone will want to vacuum only and be right in the way of the person who wants to wash only.

Scalability & Flexibility

Design a building that will be scalable, allowing later additions to preserve or increase profits. Our washes are designed with flat roofs, ready to receive solar panels at a later date. They also were built to house a cell site in order to generate additional passive income. Building your wash with the ability to add on additional bays at a later time will allow you much flexibility. Investors may also opt to run other businesses at this location and the design will need to follow suit. We have seen Laundromats, dog washes, coffee shops, dry cleaners, sandwich shops all a part of the same car wash building.

Local, City & State Municipalities

Architectural committees and local municipalities will also play a huge part in the design of your new building. It is usually the county that will eventually issue the permits to build. These agencies are concerned about the layout of the site, the shape and look of the facility, the look and up-keep of the grounds and landscaping, the effects your building will play on local traffic patterns, and the impact your new business will have on the local community. Counties can be difficult to work with, which must also be taken into consideration. Multiple interwoven departments that lack good intercommunication can greatly slow the advancement of your project. Differing codes and other stipulations will greatly affect your profit margin, both during construction and after completion. You will want to find out exactly what the taxes will be on this facility. Taxes in one county may be \$4,000 to \$10,000 greater than in an adjacent county or jurisdiction. You must also be aware that your taxes may change based on future voting results or legislation. Water taps are also increasing in price and vary in different jurisdictions. I have seen a two-inch water tap cost upwards of \$200,000! If this happens you may consider water storage and a booster pump. I know we have done this and saved more than \$100,000. The equipment supplier will be able to size the storage correctly.



The installation of a 10,000 gallon water storage tank saved more than \$100,000 in water tap fees on this project.

Valued-Assistance Builder

Remember the whole point of a business is CASH FLOW! (Unless you are looking for a write-off for another business.) The building itself should be valued-engineered *as* you architect it, not after when it is more costly to make changes. Also have a developer/builder who is experienced in value-engineering and construction costs, assist your architect *before* and *as* it goes through the engineering process. The reason for this is that architects are in business to design eye-catching buildings that may look great, but they'll cost too much to build. Architects don't realize they are essentially building a huge vending machine that is geared for cash flow. A good builder will be well-acquainted with construction costs including materials, set-up and tear-down and labor. Due to this, the builder can see transition points and areas where the costs of a certain element may take thousands of dollars more than an alternate material or process. A good builder can make other

suggestions in lieu of the original concept that will save you money. Your car wash supplier should know a reputable builder/developer to recommend to you that will work with you to make sense of every dollar throughout the entire process. The charge for this service should be minimal and should be taken off the final bid, if that builder is successful in the hard-bidding process.

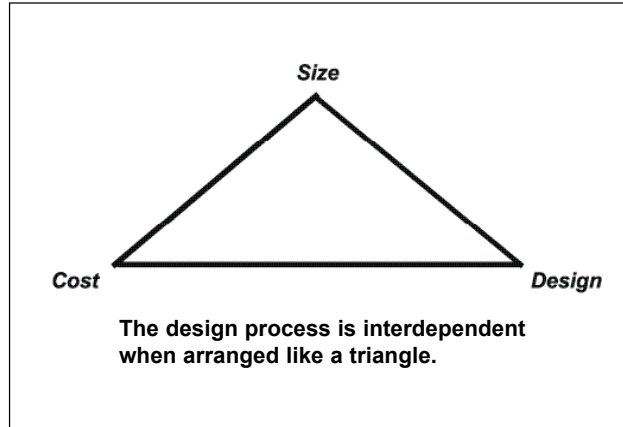
The efficiency of the builder is very important. Not only in coordinating subcontractors but also in working with the equipment supplier to make sure they are satisfied with the quality of the work of the construction subcontractors. It is necessary to have their approval because it is the equipment that is going to make you money; therefore, it is vital that not only local building codes are adhered to, but that the building compliments the equipment.

Materials

Building a new wash doesn't mean all the components need to be specially fabricated. I suggest using as many mass-made components as possible that can be purchased through a local distributor, i.e., pre-engineered metals and bolt patterns instead of welding and cutting on the jobsite. Every corner and angle that is added to the building design increases the cost to build, i.e., hip roofs have four slopes and five ridges, flat roofs have one slope and no ridge, therefore are cheaper to build. There are many areas in the design process that will impact your pocket book—*positively* or *negatively*. You don't want to be carrying \$50,000-plus of dead weight that could have gone toward profit-generating equipment or made a lower permanent loan payment.

You may be able to construct your building using "second" materials or "over inventories," such as CMU blocks. I have successfully done this with trusses, blocks and wood materials, saving us tens of thousands of dollars.

There are three parts of the design process that are interdependent when arranged like a triangle—size of the *building*,



budgeted cost, and *design*. Changing one will affect the other two. Setting two will automatically determine the third. I recommend for investors to determine the size by considering the demographics and allow the *budgeted cost* to determine the *design*.

The building will also need to be relatively easy to maintain. When sealing the walls of the bays, use a product that is easy to clean, protects your investment, and maintains a sharp look. We also recommend coating the floor in the automatic wash bays because the excessively high and low pH levels will eventually erode the concrete. The life-expectancy and durability of the coating is very important. In states like Colorado, extreme temperatures and thermal inversion wreaks havoc on building materials. We can see a morning that is zero degrees and by noon its 50 degrees! Your walls, like most building materials, will have the tendency to expand and contract. Products like epoxy tend to crack and can flake off within just two years, in some climates. I would advise using top coats that have an elongation of at least 25 percent, allowing for greater expansion and contraction. Vinyl wall covering systems work well but can be fairly pricey.

Join us next month when in Part II of *From Inception to Cash Flow*, we will discuss management, collaboration, fundraising and marketing.

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Block overruns were used in this project to save construction material costs.

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