

The restaurant industry has always been competitive, as consumer tastes and trends can be quite changeable. Even so, entrepreneurs with a passion for food are undeterred, and many are taking advantage of the recent CARES Act to increase critical cash flow in a restaurant's early years.

Consider a 1,400 SF steakhouse, Project SH. This sophisticated east coast establishment was newly constructed in an existing building, with the tenant fitting-out both the main floor and the basement. In addition to the typical interior systems and finishes updated in a tenant fit-out, the owners of Project SH added new windows and doors and installed tasteful masonry on the front façade. Wooden ceilings, built-in bookshelves, and specialty millwork with glass and metal accents bring the understated elegance into the dining room. Two state-of-the-art kitchens -- a primary location on the main floor and a smaller prep kitchen in the basement -- turn out quality hot and cold plates that please all patrons.

The depreciable basis for Project SH was \$1,547,000. The Capstan engineer worked closely with the client, scrutinizing drawings and invoices, to carve out as much personal property as possible. He completed an electric load analysis, which allowed him to classify 70% of the electrical system as personal property. He also did a reverse analysis of the plumbing system, in which he assumed all plumbing was personal property and then backed out the base building plumbing. This method, while time-consuming, ensures that all plumbing assets that are actually personal property will be treated as such. Capstan engineers employ strategies like these daily, producing meticulous reports that leave no asset behind.

Going above and beyond really paid off. The engineer was able to move 70.9% of assets to 5-year, 2.1% to 15-year land improvements, and 14.7% to 15-year QIP (now eligible for 100% bonus depreciation thanks to the CARES Act.) This resulted in a first-year tax savings of \$458,880, or nearly one-third of the property's depreciable basis. Savings of this magnitude will give the restauranters behind Project SH a solid leg up at this important stage of building their business.

