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PLANNING & BUILDING REAL ESTATE

At a June workshop on planning and building office spaces, Jon Denham of Denham Wolf Real Estate Services, acknowledged that, "After hundreds of years, no one has come up with the perfect recipe for planning and building new space." Paul Wolf added the caution that, "There are no easy answers and there is no one correct way to do a real estate project because each project is unique. Hiring a consultant to oversee a project won't take care of all of your problems because consultants also have to be managed."

Denham and Wolf offered a list of factors that an organization needs to consider as it embarks on a project, grouped into five general areas.

VISION

It helps to begin a project with brainstorming sessions where everyone affected by the project can freely dream. While you may later have to limit these meetings, at the start open them up to everyone. Wolf reminded the group that, "People have good ideas and like to be asked their opinions, so hear them out."

A project needs consensus, clarity and consistency. However, consistency is not the same as rigidity or unwillingness to compromise. Commit to paper what you are looking for in the endeavor. Itemize your needs, and look at them in two ways: the best-case scenario (your dreams) and the minimum that you will accept.

Your primary responsibility as a client is to make and stick to decisions. In order to get the consultants (architect, engineer, etc.) to work to your vision, you have to establish the lead and set the tone for the project. Consultants all have their own agendas — architects want to design an award-winning building; construction companies want to maximize their own profit, etc. — but it's your agenda and vision that must come first.

You may want to also create a mission statement that summarizes the project. The organization's board of directors should approve the project and probably pass a resolution stating that they support the basic parameters of the endeavor.

TIME

The four basic phases of a project are concept, design and pre-construction, construction, and post-construction. Most people's concept of the timeline for these four stages is that construction is the longest, but, in reality each phase frequently requires the same amount of time. In projecting the duration of the project you should be extremely conservative. Allow for generous time-frames, because most people seriously underestimate how much time it will actually take.

Even if consultants are hired for every facet of the project there will still have to be staff involvement on at least one person's part. Be sure to assign a staff member who is committed and willing, and be realistic about the additional burden that will be placed on that person. Documentation is important, especially in the event of staff turn-over. Committees (whether board, staff or some combination of) are not ideal to act as a point-man.

To try to stay on schedule, hold team meetings at regularly scheduled times, whether weekly or monthly. Structure paths of communication so that everyone knows who to contact and to help avoid confusion and inefficiency.

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MONEY

Money management and projecting cash-flow is crucial. You're going to have a lot of people to pay, and you do not want to jeopardize the project. For example, if you don't pay the general contractor, he may not pay a supplier, the supplies aren't delivered and the construction crew can't work; ultimately your schedule and end product will suffer.

When budgeting, you have to estimate both the "hard" costs ("bricks and mortar" of construction) and the "soft" costs (fees and retainers for architects and consultants, permits, etc.). The soft costs will add between 20-50% of the actual hard costs. These are easy to lose track of and many people don't pay enough attention to these at the beginning of the project.

In identifying your income sources, be sure to note any strings that might be attached to any funding, especially if government grants are received or expected (competitive bidding, design guidelines, etc.). Build inflation into your budget. For example, if construction is delayed by a year, prices will increase.

Prepare a cash-flow budget that projects your expenses, revenues and any gaps that might occur. This should help ensure that you have enough capital in total and that you have enough money at the right time. It's tough to finance a project with pledges.

Estimating costs during the concept stage may be one of the most difficult tasks. To start estimating

these costs, conduct your needs analysis and hire an architect to translate those needs into square footage, and then apply a price. However, that price can vary as there are different degrees of construction quality, duration of lease and timing of the build-out that will increase or decrease costs. Also, ask other organizations what they spent on their project, but be sure to ask if those costs were both hard and soft costs.

SITE Establish and prioritize the criteria affecting your space requirements (do you want a view, nice building, location, etc.). Be reasonable about your needs and build flexibility into your search parameters. Be prepared to make difficult decisions and to compromise. A space planner, architect, and/or broker can be helpful in evaluating these criteria.

You will need to analyze and understand the financial implications of the following options: buying vs renting; renovating vs new construction; sharing space vs going solo; build-out by self vs build-out by landlord. Some of these answers, in part, will depend on the site because each situation and building is unique. Denham noted that renovations almost always have hidden pitfalls and surprises that are not found until the actual work has begun.

Your organization may have to do some soul-searching about the issue of growth: will the organization be increasing or decreasing in size, and how will that affect your space needs. An architect may help you be flexible and creative.

TEAM

Depending on the size and scope of the project the team may include up to a dozen or so people: broker, legal counsel, architect, contractor. You'll need to create lines of command, roles, and responsibilities.

In selecting and hiring the architects and contractors be sure to have clear, hard contracts, but be aware that a successful project requires trust and commitment from all parties. Hiring architects and builders is much like hiring staff: it's a people issue, finding compatible personalities, finding someone you think that you can trust.

In closing, Wolf noted that "There is no 'halo effect' in dealing with real estate and construction: no one is going to give you a break because your organization is a non-profit." You get what you pay for, so be careful of "free" services. Paying the fair price for work entitles you to have high expectations and results.

"Throughout the project," Denham urged, "be prepared to make the commitment and challenge those things and factors that distract you from your originally stated goals."

Paul Wolf and Jonathan Denham are principals in Denham Wolf Real Estate Services providing services in all aspects of real estate from identifying spaces to overseeing development projects and managing lease and purchase negotiations. They can be reached at 212/736-6777 or pwolf@denhamwolf.com and jdenham@denhamwolf.com ♦