Nonprofit Finance Fund
Where Money Meets Mission

Before you Begin

Part One: What is a Facility Project

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Most people know a facility project when they see one–buying or renting a building, renovation, office build-out, major repairs or systems upgrades. Not a difficult question to answer until you have to figure out how much the project is going to cost. Then, the definition of a facilities project broadens considerably. The question becomes, “how much and in what ways will this project have a financial impact on my organization?”

Whether it’s replacing a carpet or buying a new home for your organization, the one thing facility projects have in common is that they are paid for either by money raised specially for that purpose or by money which would otherwise be spent on program. The less money diverted from program, the better. The best way to ensure this is to be aware of all the ways that a facility project creates expense before you announce how much special money you have to raise.

Some of these costs are fairly obvious, especially those we call hard (or construction) costs. Non-construction costs, called soft costs, can be more difficult to identify. These include such things as fees for architects and other project consultants, as well as for appraisals, filings, permits and legal help. Then there are costs associated with planning the project, including staff time (that would normally be spent on program delivery) and raising money to hire a consultant or new staff member, which may compete with your ongoing fundraising activities. And don’t forget the costs of furniture and equipment, including telecommunications systems, and the move itself. If you have to borrow, you’ll need to factor in interest costs and transaction fees.

Figuring out the actual cost of a facility project (which can never be anything but an educated guess) is a matter of realistically and honestly analyzing all the demands the project will make on your organization. Because one way or another, those demands will most likely translate to cost. Unless you’ve built up a reserve fund or have sufficient operating surpluses to finance your project (not a typical scenario), embarking on a facility project puts your organization at risk. One way to mitigate risk is not to underestimate it.

Organizations engaging in their first facility project frequently miscalculate its impact in three ways. These are cost, time and the ability of staff to take on unfamiliar responsibilities while carrying out their regular jobs. Facility projects always cost more than you expect – much more. They also take far longer, which can become a serious problem if delivering your program depends on meeting a targeted completion date. Both difficulties are compounded when staff are required to plan and supervise activities they have no experience in. Without a realistic and well-informed assessment of cost, time and personnel needs, your decision to go ahead with a project will be seriously flawed. Your “project” thus encompasses every activity and cost identified in your assessment, generally a far wider range than you may have had in mind when you first contemplated a facility project.