

Before you Begin Part Two: Deciding on a Facility Project

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In the first article in this series we discussed the importance of understanding all the dimensions of a facility project before you start. How much money, time and energy is this project really going to cost your organization? The next question is whether such a project is the right step for your organization.

Let's say your operating budget is \$1 million (or \$2, \$3 or \$4 million) and that your initial but comprehensive estimate of the total cost of your project, including planning, fees, build-out, moving, furniture, equipment, etc., is \$1 million. Perhaps your lease is up and you have to find a new home, or your program is growing and you need more space, or your organization believes it's incomplete as long as it doesn't own its building. Whatever the impetus, your decision to move ahead will bring a special set of challenges to an infrastructure that probably is already hard-pressed to meet the demands of day-to-day responsibilities. As you prepare for the struggle ahead, your decision must be able to withstand scrutiny from several quarters.

Obviously, a project that requires a million dollars you don't have represents a significant risk to your organization. This stage of planning is all about anticipating the full impact of the project on your organization's ability to function and serve its mission – both during and after the project. As with cost, some aspects of the impact will be easy to identify and measure, some will be less so, and some may be so far down the road they seem unrelated.

What should you take into account? This will depend on the nature and scale of the project, but you should be able to provide positive and verifiable information relating to some or all of the following areas.

- **Mission:** does the proposed project support and further your organization's mission or will it require you to take on tangential or unrelated activities, perhaps to enable you to afford the project?



- Board and Staff consensus and support: does everyone understand and agree with the need for this step? If there is dissension, what are the possible ramifications?
- Leadership: in the case of a large project, is there a strong and effective leader who can articulate and rally the necessary support?
- Financial health: what sort of financial condition is your organization in? Does executive and board leadership really understand the financial position? Are they familiar with the audit? Can they interpret the balance sheet?
- Business plan: does this project evolve as a natural part of your business plan (i.e. your strategic plan with numbers attached) or will it cause you to modify existing plans?
- Need: if the purpose of the project is to support expanded programs, has the need for the expansion been objectively evaluated through market or audience studies? Is existing demand driving the project or is the project seen as a way to generate more demand? If so, what is the evidence for this?
- Fundraising: can you raise the necessary funds for this project and what are your assumptions based on? Does your target amount include funds to offset current operating shortfalls caused by the project and short-term increased operating needs caused by expanded programs, staff and overhead costs?
- Project management: who's going to manage the project? Anything beyond the simplest project usually requires a project manager, someone other than the architect or contractor, to represent your interests during construction. Are you being realistic in assigning staff to project-related tasks in addition to their regular work? What are the likely programmatic and financial ramifications of your attention being deflected from the primary business of the organization?
- Time: have you allowed enough time or are you trying to meet a deadline? If so, what will happen if you miss it? What are your contingency plans?
- Budget and cash flow: does your budget cover all possible direct and indirect costs? Have you included a contingency line to cover unanticipated costs? If you are planning a capital campaign, have you factored in the lag time between pledges and payment? Have you projected your cash flow needs, remembering that you'll have to pay for work as it is completed? Will you need to borrow money and if so, do you know how to do that?



- The future: do you know what your organization will look like after the project, say three years from now? If your project reflects or will lead to organizational growth, have you projected your new infrastructure needs? If your operating budget will grow, have you identified additional sources of unrestricted income?

This is by no means a complete list of the questions that need to be considered before you decide to go ahead with a project. Some will require the assistance of outside experts –another cost that needs to be factored in. In the context of \$1 million or more, an investment in getting the right information early can be money well-spent. The important thing is to be able to justify your decision by showing that you've taken all reasonable steps to mitigate risk by thorough, objective and informed analysis.