



Creating Light at the End of the Tunnel

*What is happening in the world of strategic facilities planning and what
facility managers can do to add value during times of uncertainty*

By Barry Lynch
CFM, NCARB, MBA, IFMA Fellow

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The World Workplace panel that reviews submissions was stunned. There was a dearth of strategic facilities planning applications. What was happening? Phone calls were made across the country. There wasn't much planning. What was going on? Plenty!

We have brought together three strategic facility planners to discuss how their role is changing during this time of uncertainty.

Janet Pogue
Principal
Gensler

"At Gensler, we are seeing the marketplace starting to pick up. Savvy companies have used this time to re-plan, re-think, and poise themselves to come out of the recession stronger than their competitors. We have been active with these clients to step back & analyze how they will work in the future, study different RE strategies to get there, get rid of excess space and re-plan more effectively for their business and their employees. In the last month, we are seeing projects coming off hold and more activity in the marketplace.

This might be an interesting perspective that we just posted on our website: <http://www.gensler.com/#home/2>. The management mantra of the last 18 months, "doing more with less," is simpler said than done, especially when applied to the workplace. Companies may find it easier and cheaper to

leave their office environments alone, but in straitened times, inaction is a common mistake.

Studies show employee engagement and loyalty at the lowest levels in decades, and many brand reputations have declined in the downturn. Affirming commitment to staff and company values isn't a nicety, it's a necessity when maintaining and improving productivity is at a premium."

Pete Winters
Principal
HOK

"Companies are capitalizing on this pause in the economy and are using it as an opportunity to reinvent themselves. Facility changes will soon follow.

At HOK we have experienced the pause, but our strategic facility planners have been very busy in improving asset utilization, controlling long term occupancy cost, benchmarking and developing facility performance measures.

Strategic Facilities Planning is a systematic and continuous process where organizations make decisions about desired future facility infrastructure needs, then determine how future needs will be met and how success will be evaluated.

Many economists have warned of the danger of inflation as the economy rebounds. Working under the theory that prices will only increase, many enterprises are locking in lease rates for the long term and breaking ground on new construction in order to take advantage of favorable lease terms and construction prices.

Our strategic facility planners are helping clients answer questions like "How can we be more efficient?" and are creating scenarios that identify the repercussions of growth, no growth and shrinkage in the facility footprint. The results of these studies are frequently combined with benchmarking data into

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property analysis reports that are reviewed by management on a monthly basis.

Because most corporate headquarters are relatively new, deferred maintenance issues have been.... well..... deferred. There has been a renewed interest in developing and executing plans to address deferred maintenance.

In general we have seen our clients take advantage of the time afforded by this recession to reflect upon and improve performance, adapt best practices and better position their facilities so that they will be more efficient and responsive when the recession ends.”

Barry Lynch
Strategic Facility Planner
Labarre Associates, Inc.

“Unlike design giants, HOK and Gensler, we are a regional firm providing services to banks and credit unions in smaller markets throughout the southeast. We have seen an interesting dichotomy in our markets. Firms with strategic facility plans are moving forward and using the recession as a springboard for positive change, while those who have done no planning are doing nothing.

The most important change that we have noted recently is that organizations are becoming increasingly flexible and are adapting their strategic facilities plan to changing market conditions. Consider the financial institution that developed a fifteen-year strategic facilities plan in 2004 and purchased a site for headquarters construction in 2008. When a nearby office building with multiple tenants entered the marketplace, the institution put a “for sale sign” on the headquarters site and bought the existing building for use as a headquarters. When completed, the result will be a “like new” LEED EB facility in a prime location that will meet institutional needs for 15

years. Due to rental income from existing clients who will gradually exit to accommodate growth, the payback for purchase and renovation will be less than five years when compared to their current stream of lease payments. We are seeing building interest in purchasing existing buildings and renovating due to our track record of delivering the purchase/ renovate package for sixty cents on the dollar when compared with new construction.

Although many financial institutions are merging, we see a “make do for now approach” towards headquarters facilities - at least for now. Like HOK, we are also seeing a resurgence in interest in facility renewal (deferred maintenance).

What you can do

Here’s a list of activities you can implement to jump-start performance when transitioning from capacity-planning to improving the performance of your fixed assets:

1. **Sell Surplus Assets/ Check Asset Records** – sounds simple and starts with a buy/sell/ hold list for all facilities. Try combining a facility condition index for each facility with your buy/sell/ hold list and rethinking your previous long-term strategic facilities plan. Recheck property tax and asset disposition lists to make sure you are no longer paying for or depreciating that AC unit that was removed and replaced last year.
Potential Internal Rate of Return -70%+/-
2. **Improve Asset Utilization** –pack more people in existing space (make sure you have adequate HVAC and electrical capacity, parking elevators and so on).
Cost avoidance – 10-25% vs. baseline condition

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3. **Improve Operating Cost** – benchmark costs using the IFMA or BOMA formats and identify where your costs are higher than the median, then investigate ways to improve your processes and bring costs down.
A 10-20% improvement vs. existing is often achievable
4. **Accelerate Depreciation** – Cost segregation studies can be completed after construction is complete. By classifying a larger percentage of the building as personal property (i.e. moveable walls, quick-disconnect lights etc.) earnings per share can be improved.
Positive Internal Rate of Return 8-15%
5. **Portfolio Management** – One organization developed landscape plans for all facilities and used their combined purchasing power to get a better price on landscaping contracts. Talk to other facility managers to get additional ideas about how to leverage your purchasing power and manage multiple facilities more effectively.
An 8-20% improvement vs. existing is often achievable
6. **Improve Project Delivery** – develop cost segregation studies for completed construction projects. If costs have been consistent, consider partnering with select contractors to improve the process. For example, you would get quotes for a renovation project versus bidding in order to save time and increase quality. Occasionally bid projects to make sure that your partner's costs are in line.
5-12% cost avoidance is possible
7. **Implement Universal Plans** – Develop “standard” plans that can be implemented on all floors of a multi-story building or when converting manufacturing or warehouse space to office space.
2-12% improvement in Asset Utilization
8. **Improve Project Cycle Time** – measure all phases of past projects from management approval to move-in and identify how to improve Cycle time (i.e. doing things faster). By having pre-designed universal plans, design time can be reduced. Updated strategic facility plans that have been tweaked with some of the ideas mentioned in this article will help reduce the time it takes to approve projects.
The cycle time for select portions of the project can be improved by up to 80%.

About the Author:

Barry Lynch, CFM, NCARB, MBA, IFMA Fellow

Has been a strategic facility planner for more than 25 years. Mr. Lynch, Pete Winters and Janet Pogue will lead a panel discussion at World Workplace on the topic of this article. Be sure to join them in Atlanta for the latest developments in the field.