



# Nonprofit Finance Fund

## Before You Begin

Part Three: Pitfalls and Dangers to Avoid

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In the second article of this series we talked about what to take into account when deciding whether to go ahead with a facility project. This entails recognizing that a major project represents risk to your organization, and that due diligence should be exercised so the full scale and nature of the risk is understood before you make the decision to proceed.

Having done that, you've cleared your first hurdle and are now ready to face the challenges of construction. Though not as potentially dangerous to your organization as making the wrong decision initially, the project itself will provide plenty of opportunities for missteps, many of which can be costly...most of which can be avoided.

The first and most effective step you can take to minimize unpleasant surprises is to hire a project manager, who serves as the owner's representative in both planning and dealing with the critical day-to-day aspects of a capital project. This is not a role that should be given to your architect or general contractor. In fact, one of the most valuable functions of a project manager is to help you identify and negotiate with the architect and general contractor. The project manager's responsibilities include the following:



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### Planning

- Assist in hiring architect
- Work with the architect to:
  - develop space utilization program and project scope
  - identify site and work scope alternatives
  - define timeline and overall project budget
- Support marketing effort as required

### Design

- Coordinate in-house design reviews at various stages
- Work with architect, estimator and committee to develop budget

### Construction

- Assist in hiring contractor including:
  - negotiate fee
  - formulate construction contract
  - make adjustments to the scope of work
- Coordinate regular job meetings
  - interface with architect and construction team
- Work with architect, builder, and project committee to develop schedule
- Coordinate in-house design/sample approvals
- Track/reconcile project budget regularly
- Review and approve contractor requisitions with owner
- Review, negotiate and approve change orders with owner
- Track schedule - follow progress
- Coordinate project with move-in effort
- Verify that permits/approvals are in place



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How big does your project need to be to justify hiring a project manager? How much does one cost? Anything beyond the simplest work, a paint job or installing carpeting for example, should involve a project manager. Certainly any work that requires a general contractor and the coordination of different sub-contractors should not be managed by a staff person. Depending on the size of the project, your contractor will charge by the hour or, more likely, a flat fee of between five and ten percent of the total project cost, with the percentage decreasing as the project gets larger.

It's advisable to hire your project manager early in the planning process. There is a lot more to it than merely coordinating the work. A good project manager will be familiar with zoning regulations, permits and other compliance requirements that might apply to your project. Hiring someone who knows the system and how to speed the process will save you many headaches –not to mention time and money.

It's best to get your project manager involved as early as possible in the planning process. His or her experience (in an environment that may be unfamiliar to you) will help ensure you don't overlook small but important factors. The project manager can also be very helpful in putting together a comprehensive, realistic budget and invaluable in guiding you through the bidding process.

While your project manager can minimize problems related to the actual project, there are other potential sources of trouble that you can prepare for. Simply speaking, you need to be realistic in budgeting time, money and staff resources. Projects almost always take longer than you expect, even with a top-notch project manager. You should avoid creating deadlines in order to meet program commitments.



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If the opening of your season depends on the project being completed, be extremely generous in the time you allow for the project.

Costs frequently turn out higher than expected, although this can be minimized through realistic budgeting and the help of your project manager. A related issue: the availability of cash when you need it. Anticipate your cash flow needs and borrow if necessary, so you don't incur additional expense through unplanned work delays. Monthly cash flow projections throughout the life of the project are an invaluable planning tool.

Any sizeable project is going to distract your organization from its day-to-day work, especially the staff point person. Be careful not give staff members responsibilities they aren't qualified to handle. Recognize the need for outside professionals, and resist the temptation to save money by relying on in-house solutions. It's a good idea to take a sober look at the potential impact of the project on your ongoing programs and services –especially if this could result in reduced income. If your staff will be required to deliver programs and services with construction going on around them, there will be a price in both productivity and morale. Planning for and managing the disruption will require the extended attention of a methodical, detail-oriented coordinator.

The most important thing to remember when planning a facility project is that you'll be dealing with an environment that has its own language and procedures. Your project can be managed smoothly and affordably, but only if you don't underestimate the complexity of the undertaking or the level of professionalism required to bring it to a successful conclusion.