



Athletic Business Conference

How Much Money Do I Need? Creating a Project Budget

Wednesday, November 15, 2006 10:15am



BRAILSFORD & DUNLAVEY

Facility Planners • Program Managers

Catalysts for Building Community

Presentation Outline

- Introductions
- Overview of a Capital Project Budget
- 12 lines:
 - Site Acquisition
 - Hard Costs
 - Soft Costs
- Recap of Budget-making
- Review of Budget-managing
- Q&A



Introductions

- **Brad Noyes** – Vice President, B&D
 - Architecture and real estate background
 - Taken \$1 billion in projects from initial concept to ribbon cutting
- **Ann Drummie** – Senior Project Manager, B&D
 - Engineering and architecture background
 - Currently managing 3 projects with combined project budgets of \$56M



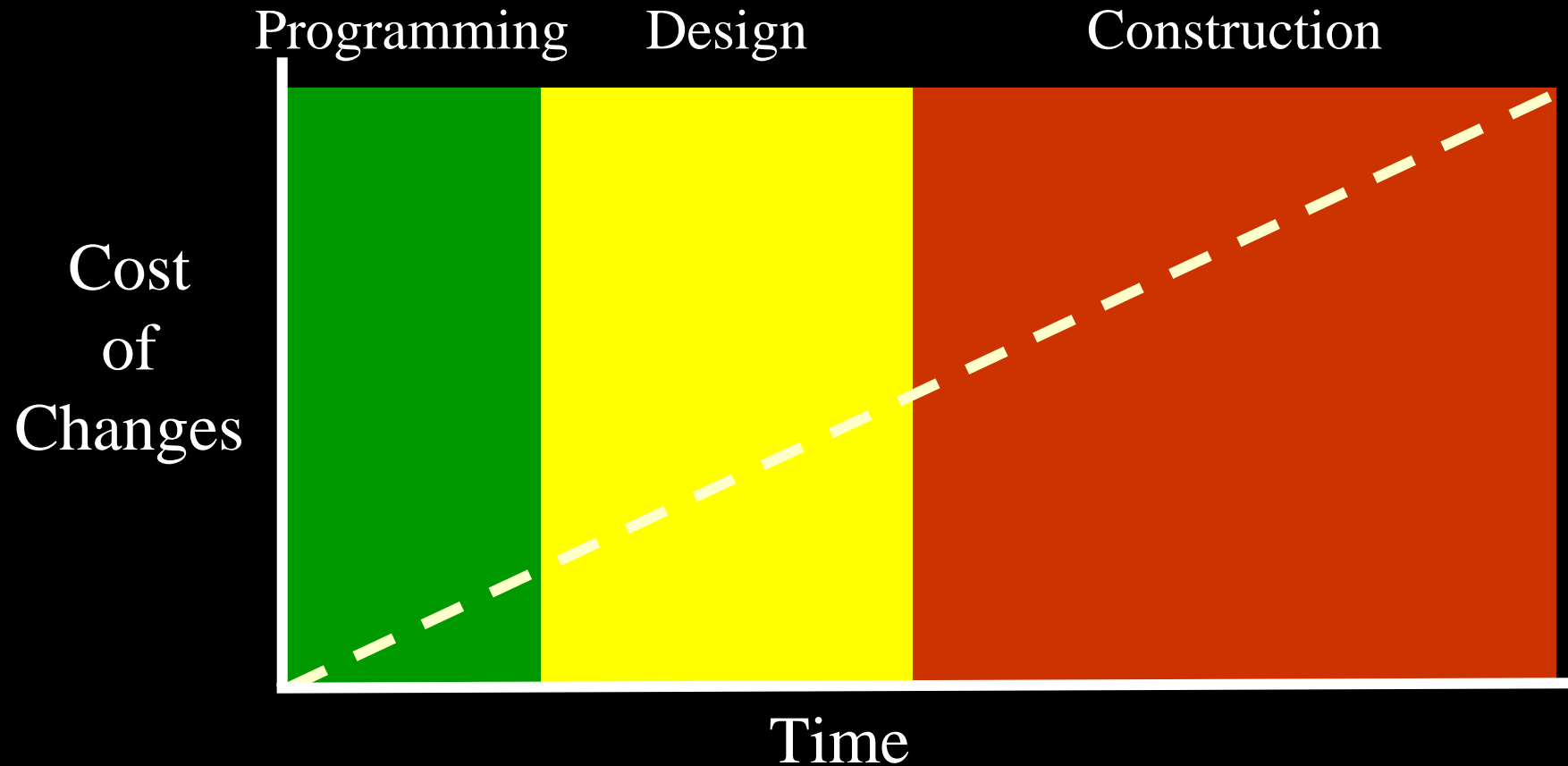
Overview of a Budget

- Difference between capital and operating costs
- When a capital budget is developed
- Who needs to use it
- Difference between budget, commitments, and actual expenditures



Overview of a Budget

Cost Controls = Effective Planning



Overview of a Budget

Current Challenges:

- Making “apples” to “apples” comparisons
- Trending recent escalation costs
- Understanding contracting nuances and industry changes
- Balancing conservative with aggressive approaches



1. Site Acquisition

Consider:

- Purchase versus lease
- Closing costs on the land deal
- Impact of existing tenants
- Impact of acquisition timing (taxes, utilities)
- Infrastructure available versus needed

Possible sources: City records, a local developer



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2. Construction Contract

Consider:

- Cost/SF (new construction versus renovation, geographic market, participation goal, union agreements, contract type)
- General conditions (staffing, schedule duration)
- Fee (overhead and profit)

Possible sources: a local builder, a local estimator



3. Sitework

Consider

- Number of parking spaces and type
- Accessibility of utilities
- Amount of demolition and clearing needed
- Amount of landscaping desired
- Amount of environmental remediate estimated

Possible sources: institutional memory



Hard Costs: Summary

1. Site Acquisition

2. Construction

3. Sitework

Inflation Allowance



4. Architecture & Engineering Fees

Consider

- Anticipated “Additional Services” beyond the Basic Services
- Means of negotiating the fee
- Reimbursable expenses

Possible sources: an architect (able or not able to submit for the work)



5. *FF&E*

Consider

- Anticipated reuse of existing equipment, and existing operating budget initiatives (computers)
- Choices for equipment to be CFCI or NIC
- Inflation versus “Buy-out savings” after budget specification purchase

Possible sources: a vendor, a builder, a peer



6. Owner's Consultants

Examples:

- topographic survey
- geotechnical survey
- traffic study
- air quality study
- legal services
- testing and inspection services

Possible sources: previous projects, a planner



7. Permits and Expenses

Examples

- Building permit fee
- Other approval/sign-off fees
- Permit expeditor fees

Possible sources: City official/document, an expeditor, a local builder



8. *Start-up Expenses*

Consider

- Pre-opening staffing
- Marketing
- Grand opening
- Conferences and professional affiliations
- Training

Possible sources: the appropriate staff/admin, a peer



9. Contingency

Consider

- General responsibility for having a contingency for unforeseen costs (design, discovery, change orders)
- Institutional or lender requirements
- Means for managing contingency

Possible sources: the Business Officer, management



10. Program Management

Consider

- Extent of lines 1 through 9
- Means of providing PM (in-house, cooperative, fully out-sourced)
- Amount of planning invested

Possible sources: a program manager



11. Financing Costs

Consider

- Construction Period Interest
- Debt Issuance Fees
- Credit Insurance

Possible sources: Business Officer, a lender



Soft Costs: Summary

4. A&E Fees
5. FF&E
6. Owner's Consultants
7. Permits and Expenses
8. Start-up Expenses
9. Contingency
10. Program Management
11. Financing Costs



12. Other

Examples, confirming that each project is unique:

- Full site security during construction
- Ancillary projects
- Swing space (if removing an old home before opening the new one)
- Schedule acceleration
- Sustainable design goals



Recap

- Engage with the sources versus just inputting values
- Identify sources and the background for values/choices
- Note if something is “unknown” or “not included” versus just omitting
- Engage with the project stakeholders and those who will be managing the budget lines



Budget Managing

Feasibility / Programming

Design and Construction



**Budget
(Estimate)**



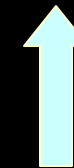
Diligent Research
Honest Estimating
Open Book Sources

**Commitment
(Encumbrance)**



Managing Risk
“Locking In” Variables

**Actual
(Expenditures)**



Open Reporting
Aggressive Mgmt



Questions & Answers

- Available at the B&D booth in the Trade Show



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Owner Name
 Project Name
Project Budget
 Date

"How Much Money Do I Need? Creating a Project Budget"

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 Wednesday, November 15, 2006 10:15-11:45am

1 Site Acquisition / Land			
Hard Costs			
2 Construction Contract		\$/SF	GSF
3 Sitework			
Demolition			
Utilities			
Parking		\$/space	spaces
Landscaping			
Inflation on Hard Costs		construction inflation rate	years to midpoint of construction
Subtotal - Hard Costs		\$/SF	
Soft Costs			
4 A&E			of hard costs
5 FF&E			
6 Owner's Consultants			
7 Permits and Expenses			
8 Start-Up Expenses			
9 Contingency			of lines 2 through 9
10 Project Management		\$/month	months of 2 through 9
11 Financing			
12 Other			
Subtotal - Soft Costs		\$/SF	of project cost (w/out land)
Total Project Cost (without land)		\$/SF	
Total Project Cost (with land)		\$/SF	

Notes:

1 _____

2 _____

3 _____

4 _____

5 _____

6 _____

7 _____

8 _____

9 _____

10 _____

11 _____

12 _____

1 Site Acquisition / Land	\$0			
Hard Costs				
2 Construction Contract	\$13,250,000	\$265.00 \$/SF	50000 GSF	
3 Sitework				
Demolition	\$100,000			
Utilities	\$875,000			
Parking	\$0	\$0 \$/space	0 spaces	
Landscaping	\$50,000			
Inflation on Hard Costs	\$3,000,000	10% construction inflation rate	2 years to midpoint of construction	
Subtotal - Hard Costs	\$17,275,000	\$345.50 \$/SF		
Soft Costs				
4 A&E	\$1,857,000	10.8% of hard costs		
5 FF&E	\$1,000,000			
6 Owner's Consultants	\$75,000			
7 Permits and Expenses	\$25,000			
8 Start-Up Expenses	\$400,000			
9 Contingency	\$2,476,000	12% of lines 2 through 9		
10 Project Management	\$250,000	\$0 \$/month	0 months	1.08% of 2 through 9
11 Financing	\$1,250,000			
12 Other	\$0			
Subtotal - Soft Costs	\$7,333,000	\$146.66 \$/SF	30% of project cost (w/out land)	
Total Project Cost (without land)	\$24,600,000	\$492.00 \$/SF		
Total Project Cost (with land)	\$24,600,000	\$492.00 \$/SF		

Notes:

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12

This is the version developed through audience participation during the presentation.