

2004 Athletic Business Conference

*Conducting a
Comprehensive
Feasibility Study*

Presented By:

Brad Noyes

Presentation Outline

- **Introductions**
- **The Planning Process**
 - ▶ Seeing the Big Picture
 - ▶ Evaluating your Starting Point
 - ▶ Developing a Scope of Work
- **Conducting the Study**
 - ▶ Tools & Methodologies
 - ▶ Managing the Process
- **Progressing from the Study**
- **Questions & Answers**

Case Study:

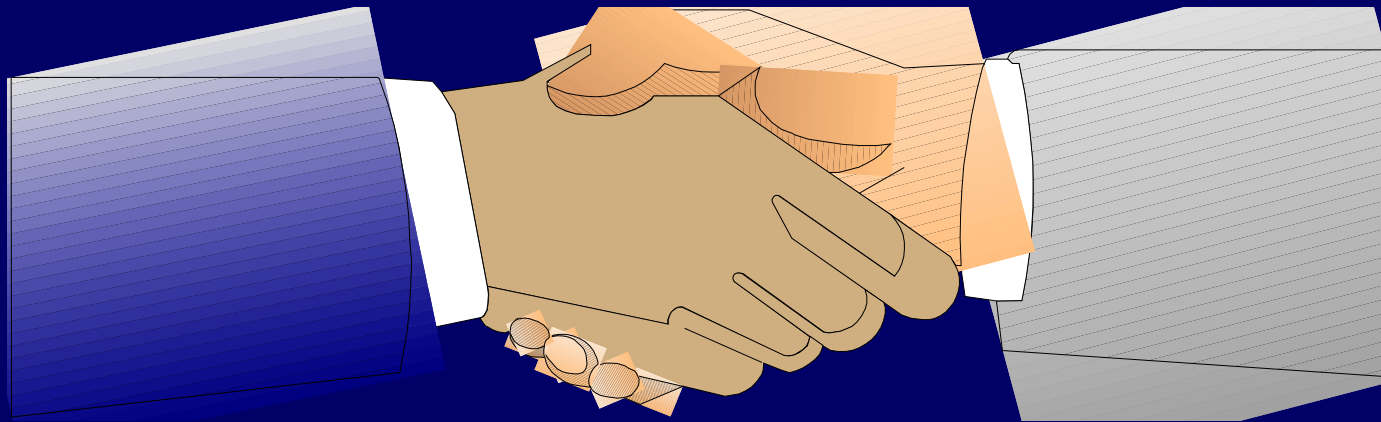
Butler University

Indianapolis, IN

Campus recreation
facility

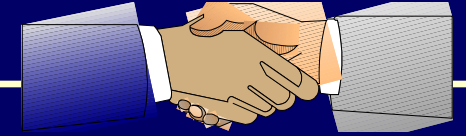


Introductions



BRAILSFORD & DUNLAVEY

Introductions

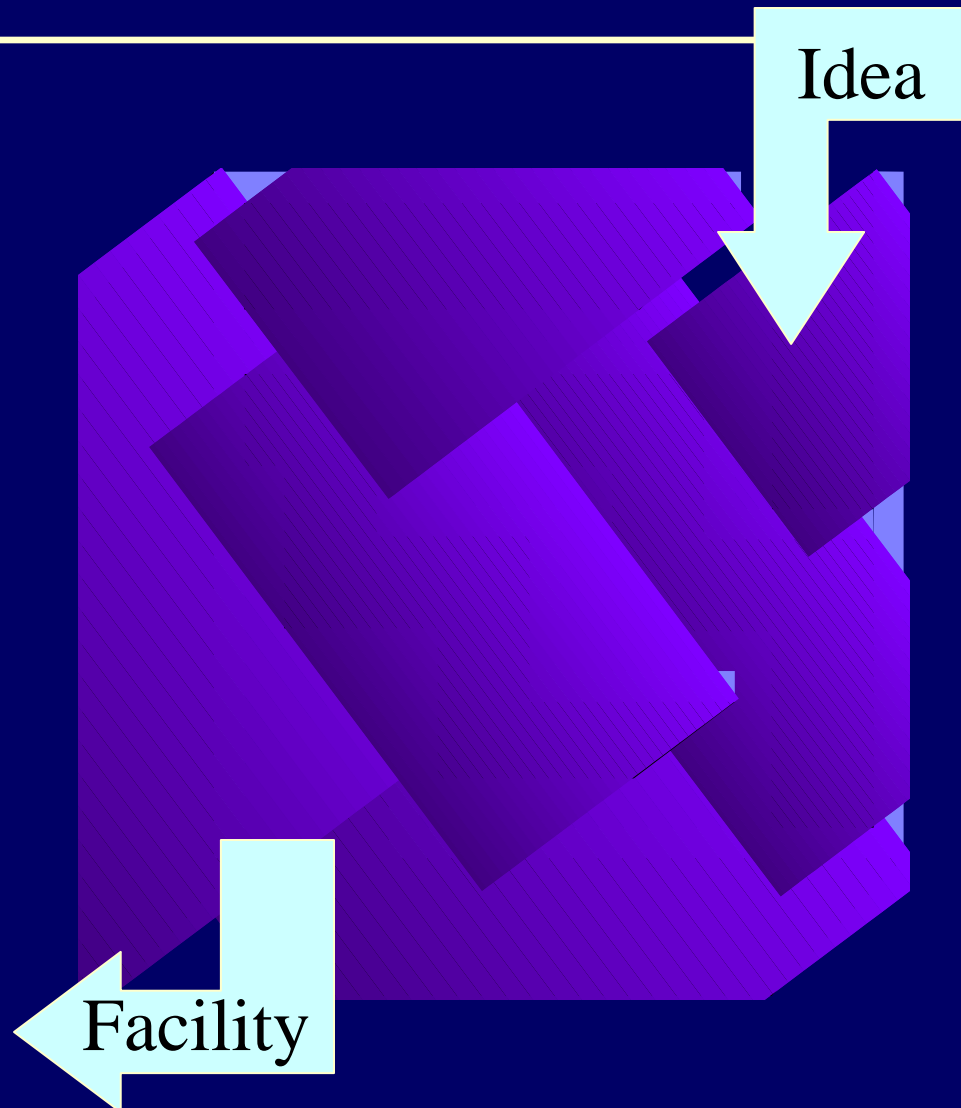


Today's Speaker

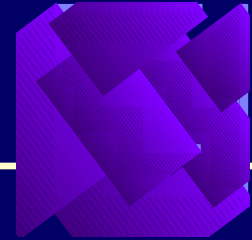
- **Ann Drummie - Associate, Brailsford & Dunlavey**
 - ▶ Architecture and Engineering Education
 - ▶ 15 Sports & Recreation Projects
 - ▶ 24 Quality of Life Facility (athletics, recreation, student housing, student union) Projects
 - ▶ Experience with Projects from Initial Concept to Ribbon Cutting



The Planning Process



The Planning Process



- Seeing the Big Picture
- Evaluating your Starting Point
- Developing a Scope of Work



The Planning Process

Seeing the Big Picture - The Dev

Concept

1 - 6 mos.

Program

3 - 6 mos.

De

6 -

35 Months

Sept - Oct '03

Nov - Feb '04

July '04 - Mar '05

Apr '05 - July '06

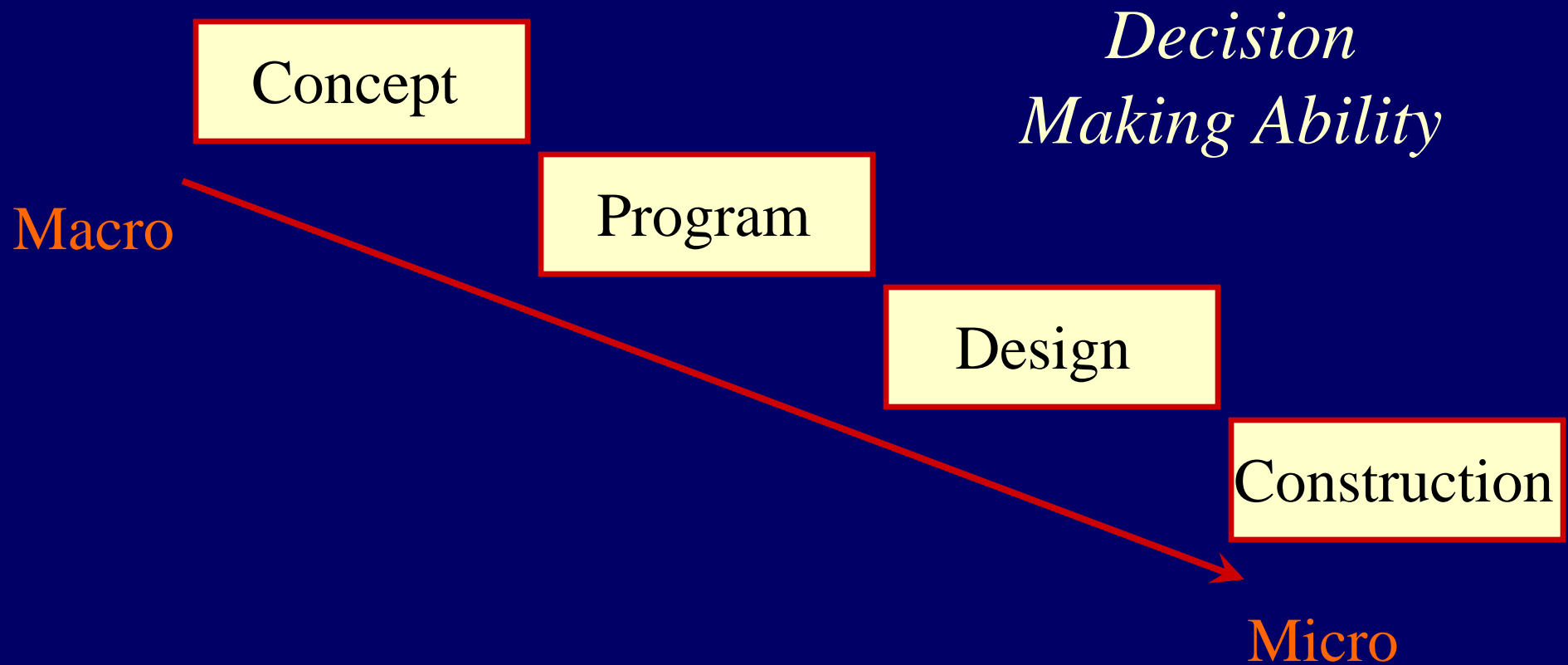
*19 to 50 Months for Project
Planning & Delivery*



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The Planning Process

Seeing the Big Picture - The Development Process



The Planning Process

Seeing the Big Picture - The Development Process

Key Decision Points

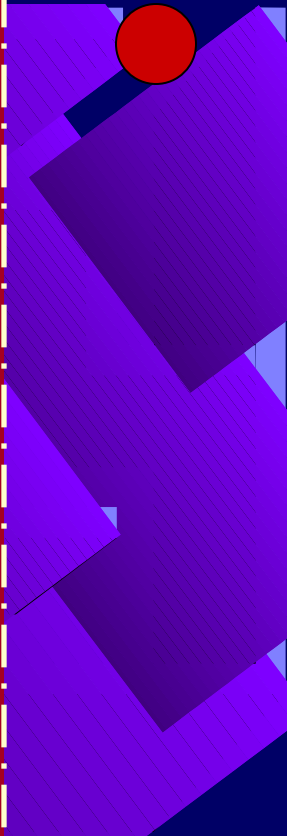


The Planning Process

Starting Point

- President's Vision Paper
- Minimal Existing Facilities
- Assumed Third Party Financing
- Campus Life / New Housing

Starting Point



- Commitment to Act
- Resource Availability
 - ▶ Human & Financial
- Pre-determined / Inflexible Variables
- Existing Conditions
 - ▶ Facilities & Programs





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The Planning Process

Developing a Scope of Work

Preliminary Assessment

Objectives

1. Relate Concept to Mission & Strategic Plan
2. Project Probable Cost
3. Define Feasibility Criteria
4. Determine Institutional Will

Primary Tasks

1. Analyze Existing Conditions
2. Determine Need Driver / Concept & Key Elements
3. Conduct Visioning Sessions
4. Develop Preliminary Outline Programs
5. Complete Quick & Dirty Financial Analysis



The Planning Process

Assessment

- VP Student Affairs
- VP Operations
- VP Finance
- B&D

Scope of Work

Assessment

Mission

Cost

Criteria

onal

Key Participants

1. President
2. V.P.'s for Student Affairs, Finance, Academic Affairs
3. Campus Architect

4. Feasibility Consultant
5. Architect
6. Builder / Code Consultant



The Planning Process

Developing a Scope of Work

Detailed Feasibility

Objectives

1. Confirm Feasibility
2. Enhance Concept /
Maximize Project Value
3. Prepare for the Approval
Process

Primary Tasks

1. Detailed Market Analysis
 - Surveys
 - Competitive context
 - Off-campus analysis
2. Detailed Financial Analysis
3. Site Analysis



The Planning Process

Feasibility

- President
- VPs
- User Groups
- Students
- B&D
 - Gilbane
 - Citigroup

Scope of Work

ity

Value
approval

Key Participants

1. Senior Steering Committee
2. Working Group of Constituents & Technical Advisors
3. Campus Architect / Planning
4. Feasibility Consultant
5. Architect
6. Builder / Code Consultant
7. Financial Advisor





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Conducting the Study



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Conducting the Study



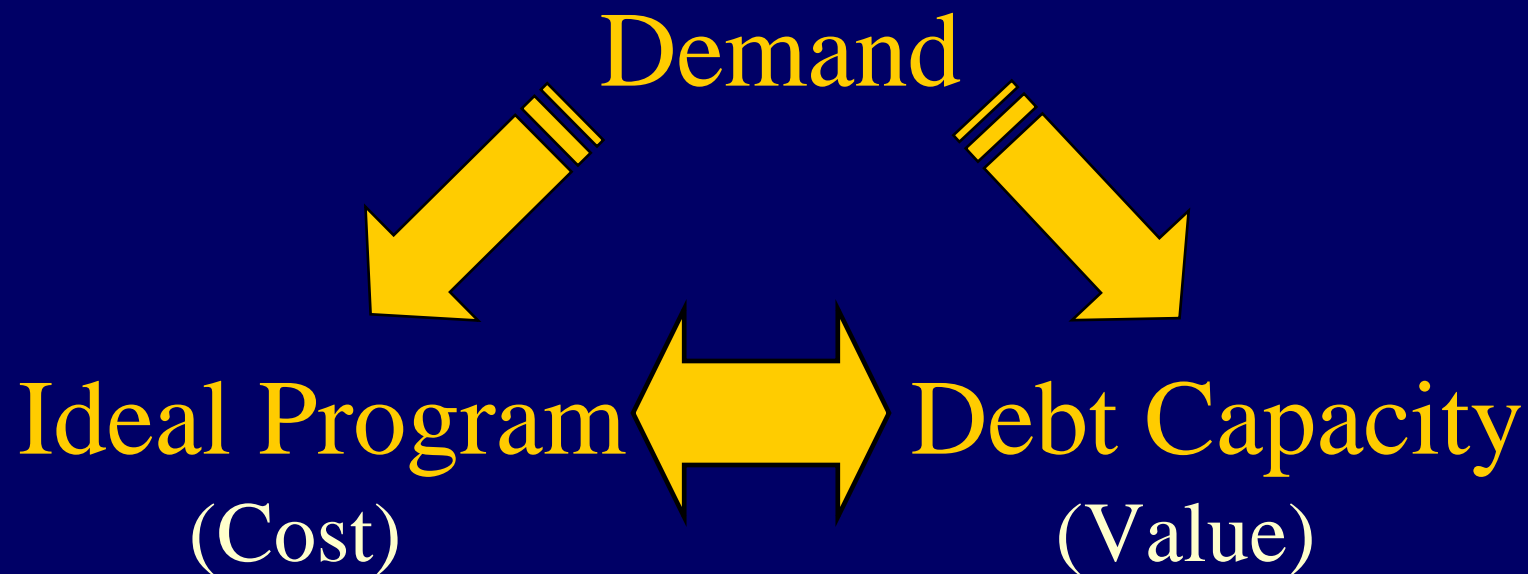
- Tools & Methodologies
- Managing the Process



Conducting the Study



Tools & Methodology - Feasibility Concept



Value Must Exceed Cost!



Conducting the Study

Cost:

- Demand
- Priority & Size of Spaces
- Construction Cost
- Project Cost



Conducting the Study

Cost:

- Demand

Tools:

- ▶ Visioning session
- ▶ Interviews
- ▶ Intercepts
- ▶ Competitive context
- ▶ Focus groups
- ▶ Surveys

Demand

- Pick-up Basketball
- Weight & Fitness
- Aquatics
- Racquetball
- Jogging Track
- Gathering Place



Conducting the Study

Cost:

- Priority & Size of Spaces

Tools:

- ▶ Working Group
- ▶ Survey Analysis
- ▶ Outline Program
- ▶ Rules of Thumb

Priority & Size

- Weight & Fitness: 5,700SF
- Jogging Track: 7,000SF
- Aquatics: 10,000SF
- Basketball: 2 courts
- Racquetball: 2 courts
- Gathering Place: 1,500SF



Conducting the Study



Rules of Thumb

- 9 to 13 Gross Square Feet per Student
 - ▶ Small Residential Camp
 - ▶ Large, Urban Non-traditional
- Add 1 to 1.5 GSF per Employee
- Add 5 to 7.5 GSF per Academic Hour
- Add for Non-redundant Existing Buildings
- Subtract Usable Existing Buildings
- Clubs & Efficiency of Existing Buildings

Priority & Size

- Students $3,700 \times 13\text{SF} = 48,100\text{SF}$
- Employees $1,050 \times 1\text{SF} = 1,050\text{SF}$
- Alum/Comm $500 \times 5\text{SF} = 2,500\text{SF}$

Estimated Ballpark = 51,650SF

Actual Program = 52,500SF

73,000GSF

Plus health & counselling

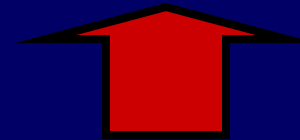


Conducting The Study

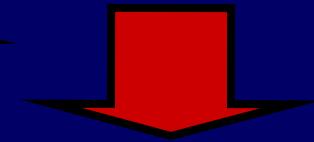
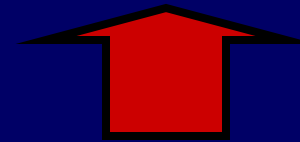


- 9 to 13 Gross Square Feet Per Student

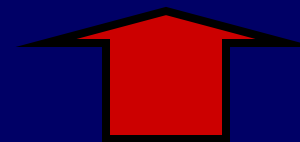
- ▶ Projected Enrollment Growth



- ▶ Residential / Commuter Mix



- ▶ Unique Cultural Considerations



Be Careful not to Undersize!



Conducting the Study

Cost:

- Construction Cost

Tools:

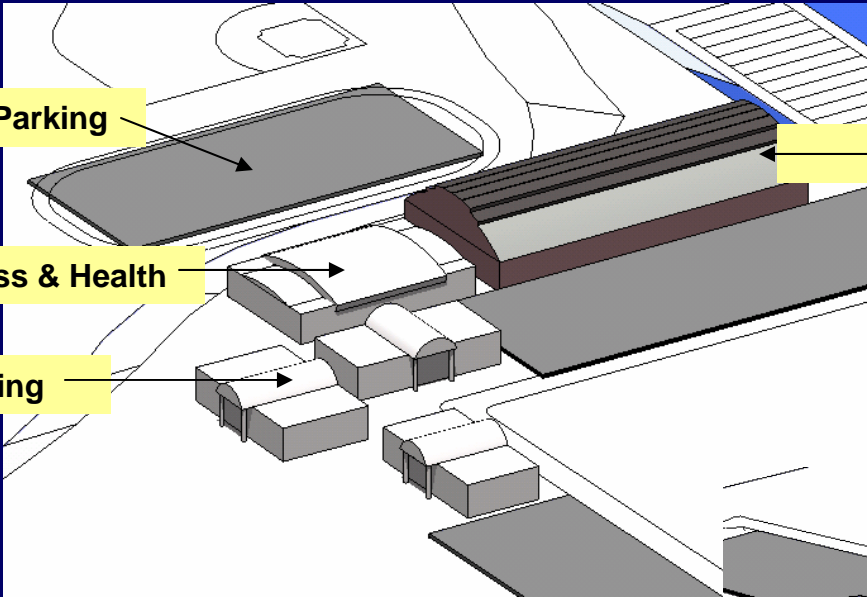
- ▶ Site Analysis
- ▶ Research
- ▶ Benchmarking – CAREFUL!
 - Year
 - Regional market
 - Program elements and proportions
 - Building quality
 - Just construction cost?

Construction Cost

- 81,400GSF
- ave. \$156/SF
- \$12.7M
- plus Sitework: \$2M
- plus Inflation: \$800k
- \$15M



New Parking

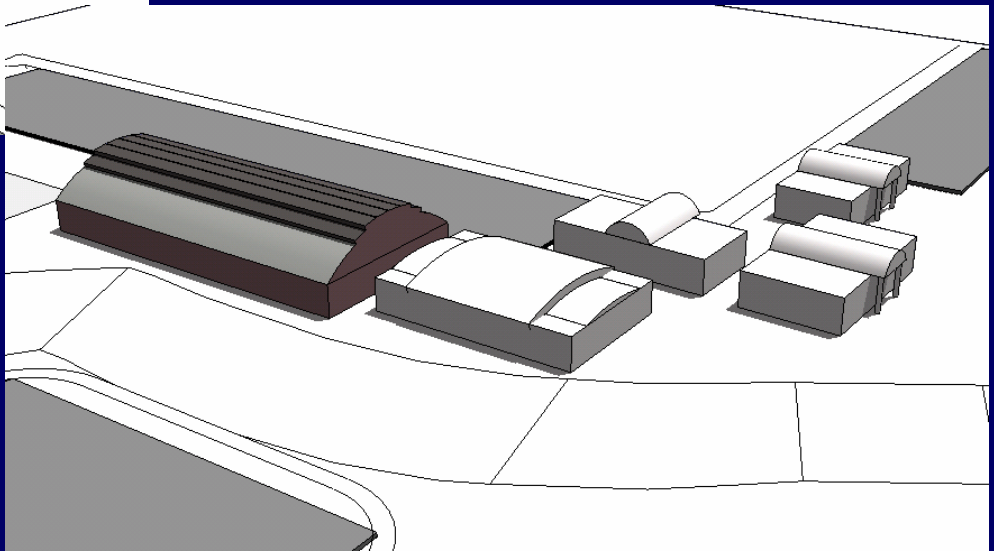


Hinkle

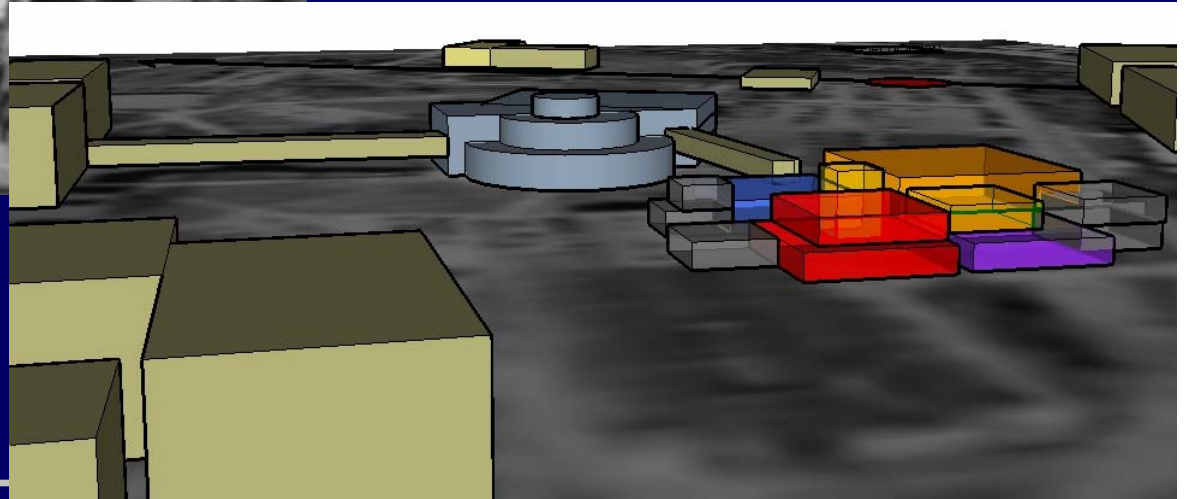
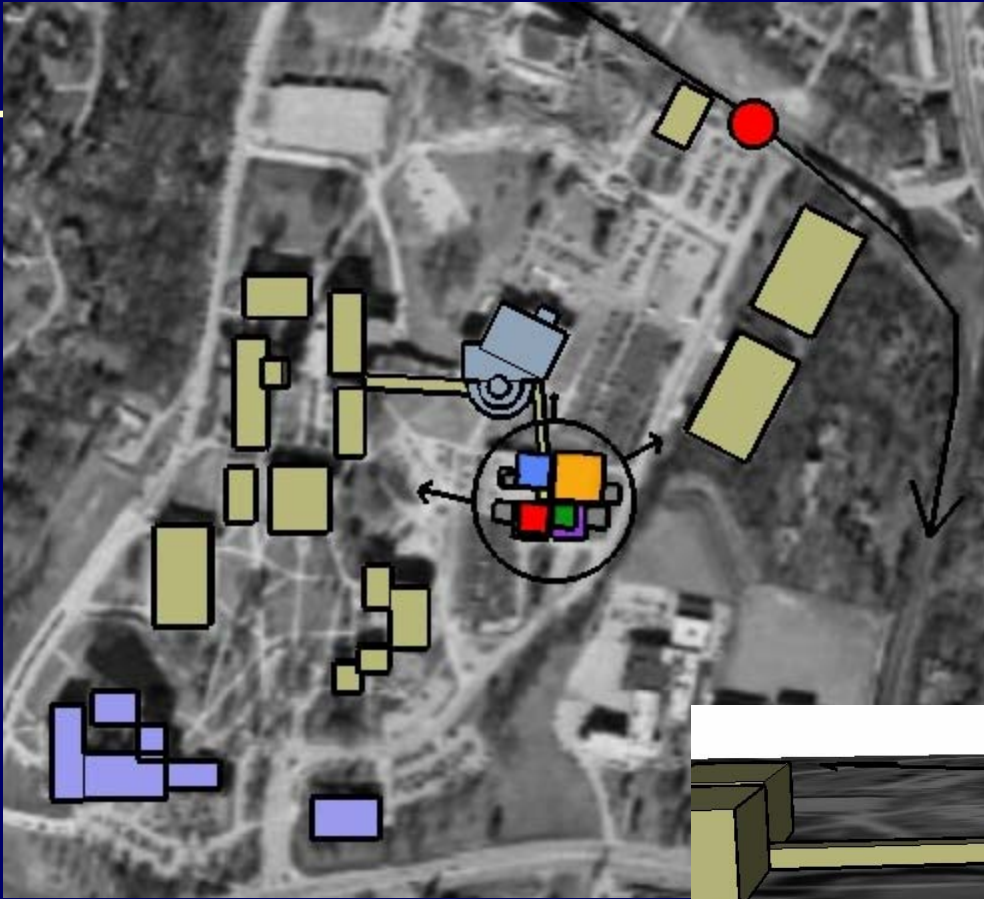
Fitness & Health

Housing

Notes:
▪Removal of trees
▪Relocation of tennis bubble
▪Relocation of track



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Conducting the Study

Cost:

- Project Cost

Tools:

- ▶ Research
- ▶ Rules of Thumb

Project Cost

- A&E: \$1M
- Fees, Permits, etc.: \$150K
- Start-Up: \$300K
- Direct Project: \$50K
- Owner's Contingency: \$800K
- Consulting: \$400K

\$17.7M



Conducting the Study



Rules of Thumb

- Architecture & Engineering Fees: **approx. 8.5% of construction cost**
- Owner's Representative / Program Manager: **2% to 4% of construction and most soft costs**
- Owner Controlled Contingency: **10% of project**
- Ratio of Hard to Soft Costs: **75% : 25%**

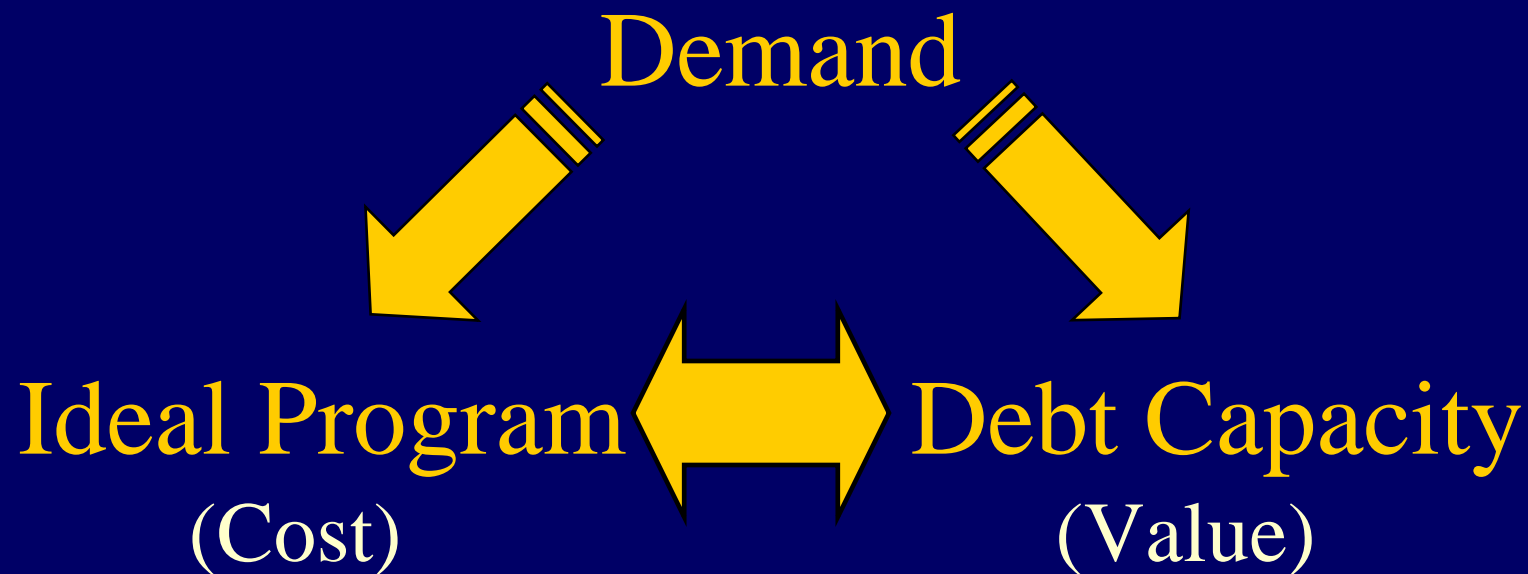
(FF&E, Start-up, Permits, Testing, Consultants, Financing Charges)



Conducting the Study



Tools & Methodology - Feasibility Concept



Value Must Exceed Cost!



Conducting the Study

Value:

- Revenue
- Expenses
- Net Operating Income



Conducting the Study

Value:

- Revenue

Tools:

- ▶ Quick & Dirty Assumptions
- ▶ Detailed Financial Model
- ▶ Rules of Thumb

Revenue

- Student Fee: \$2.6M
- Employee Memberships: \$127K
- Other: \$123K
- Transfers: \$120K

\$3M



Conducting the Study



Rules of Thumb

- **Student Fees Are the Primary**
 - ▶ Most Fees Fall Within \$80 - \$125
 - ▶ Revenue Yield Tied to Fee Position
 - ▶ Use Correct Enrollment Basis
 - **Faculty & Staff Participation**
 - ▶ Account for Ramp Up
 - ▶ Demographics, Culture & Project
 - **Other Income Can Add as Much**
 - ▶ Outside Memberships, Services
- **Student Fee:**
\$125/semester plus subsidy
 - **Employee**
Memberships: \$480/y
 - **Other:** camp, services/classes, lockers
 - **No outside members during school year**



Conducting the Study

Value:

- Expenses

Tools:

- ▶ Quick & Dirty Assumptions
- ▶ Detailed Financial Model

Expenses

- Personnel: \$650K
- Utilities: \$190K
- M&R: \$390K

\$1.23M



Conducting the Study

Value:

- Net Operating Income (NOI)

Tools:

- ▶ Quick Calculation:

$$\text{NOI} = \text{REVENUE} - \text{EXPENSES}$$

NOI

- Revenue: \$3.0M
- Expenses: \$1.23M

NOI \$1.77M



Conducting the Study

Cost vs. Value:

- How much steady profit will you have annually that you can apply to a loan?
- How much will a lender be willing to loan you? (Debt Capacity)
 - Interest Rate
 - Term
 - Debt Coverage Ratio

NOI \$1.77M

Interest Rate: 6.0%

Term: 30 years

DCR: 1.25

Debt Capacity: \$19.5M



Conducting the Study

Cost vs. Value:

- With the loan and other capital sources, do you have enough to buy the building you want???
- If not, what variables are you willing to change to make a **FEASIBLE** project?

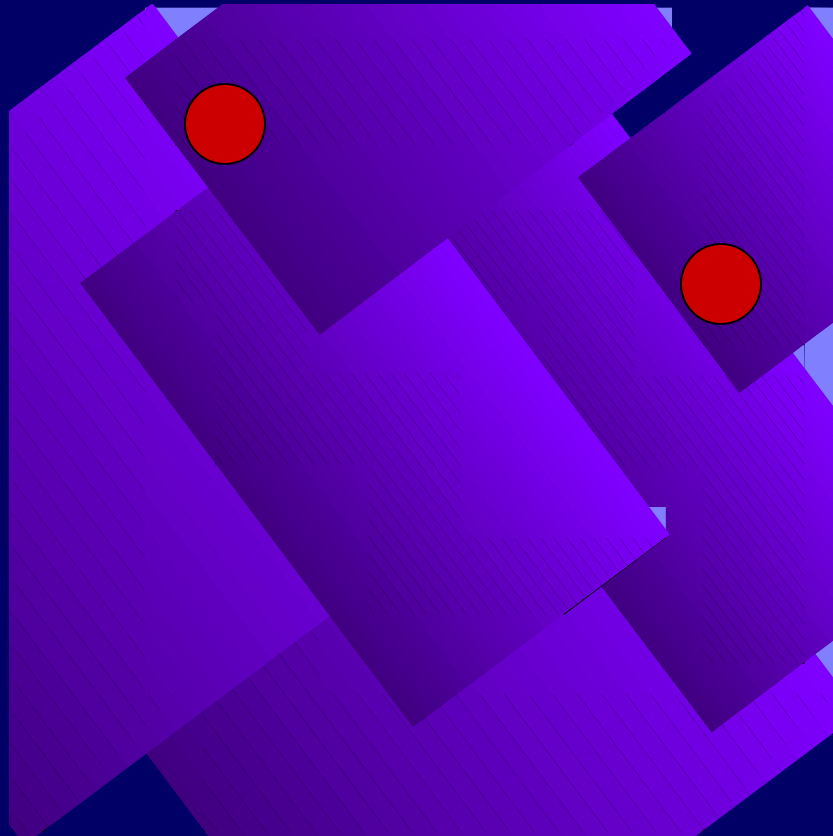
Cost: \$17.7M

Value: \$19.5M



Conducting the Study

Iterating Relationships:



- Concept / Mission
- Demand / Program
- Program / Site
- Program / Cost (budget)
- Cost / Debt Capacity
- Revenues / Expenses
- Program / Revenues
- Capacity / Revenues
- Debt Capacity / Operating Costs



Conducting the Study

Summary List of Tools:

- Visioning Session
- Existing Conditions Review
- Interviews
- Intercepts
- Outline Program
- Quick & Dirty Financial Analysis
- Focus Groups
- Survey
- Competitive Context
- Off-campus Review
- Site Analysis
- Benchmarking
- Detailed Financial Analysis



Conducting the Study



Managing the Process

= Preparing for Decisions

- Develop Broad Sense of Ownership and Accountability; Strength of Voice
- Develop Project Memory
- Maintain and Nurture Buy-in, particularly with Students



Progressing from the Study



So you have a FEAS

- Who the target market is
- What will be in the center
- When it will be opened
- Where it will be located
- Why it is integral to the business
- How much it will cost

Fitness & Health Center

- Butler students and employees
- W&F, 2 gyms, aquatics, jogging, gathering, health and counselling
- August 2006
- West of Hinkle Fieldhouse
- Mind – Body – Spirit
- \$15M



Progressing from the Study



Next Steps:

- Pursue a funding strategy
- Define the spaces with a
 - to then serve as a record t
- Define the business plan
- Pursue approvals:
 - Board / Agency / State
 - Referendum / Commitme

Progress

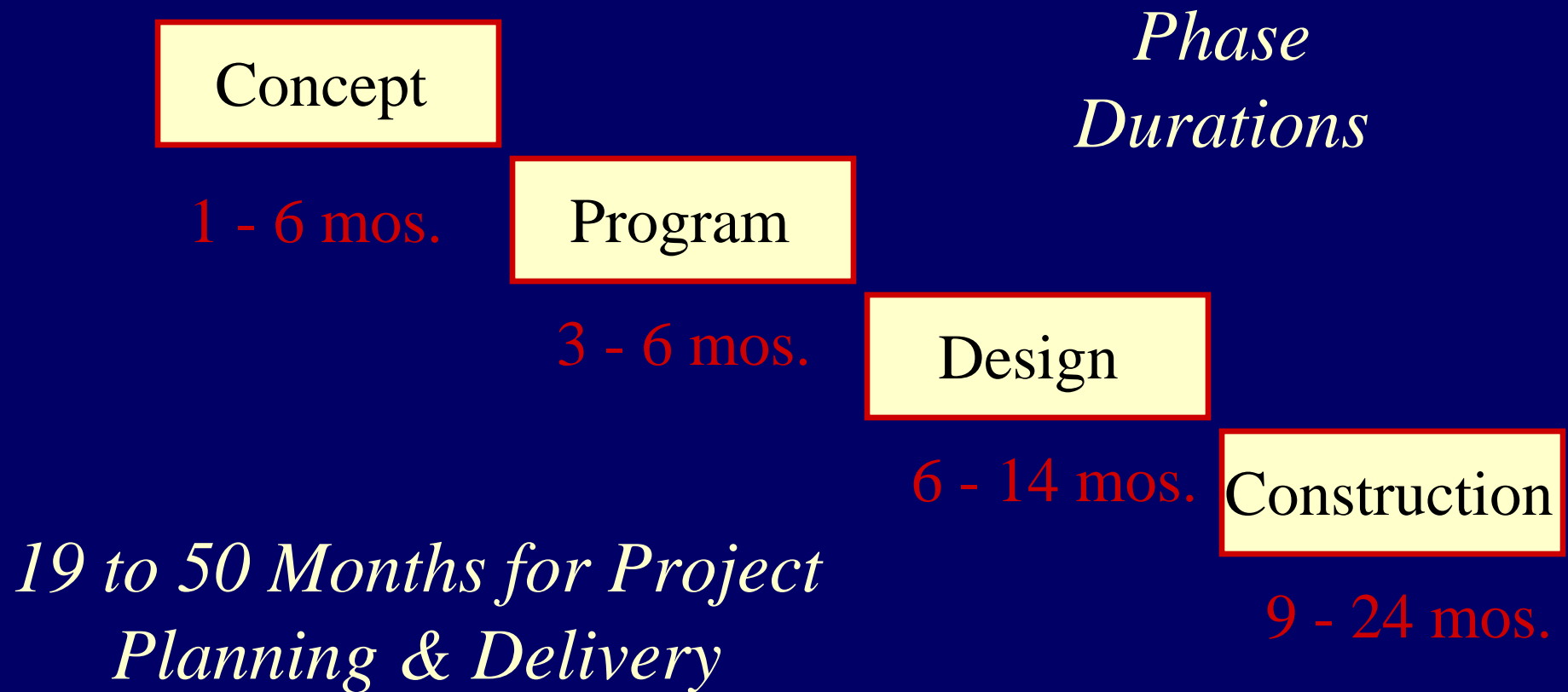
- Bond Financing instead of Third Party
- Detailed Program Document
- Architectural Selection
- Construction Manager at Risk Selection
- Board Approval

in Schematic Design

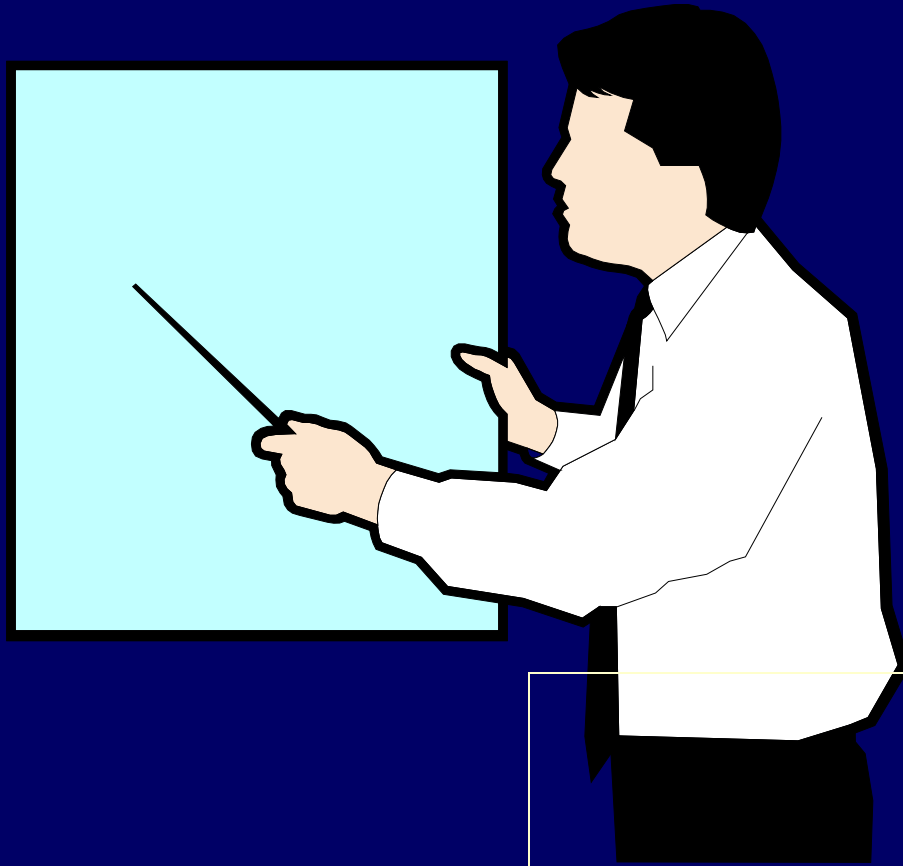


The Planning Process

Seeing the Big Picture - The Development Process



Questions & Answers



If not now:

Trade Show Booth or

Website: www.facilityplanners.com



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Conducting the Study

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Ann Drummie

Conducting the Study



Project Quality & Cost Implications



*Materials
&
Art*



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Project Quality & Cost Implications



Less Expensive Materials & Form



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Project Quality & Cost Implications



*Entry
Features*



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Project Quality & Cost Implications



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Project Quality & Cost Implications



*Volume &
Custom
Framing*



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Conducting the Study



Tools & Methodology - Rules of Thumb

If: *Interest Rates*  Then: *Debt Capacity* 

If: *Debt Term*  Then: *Debt Capacity* 

If: *Debt Coverage*  Then: *Debt Capacity* 

