

# Six Ways to Spoil Your Office Project

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Office projects can be exciting, at least until things start to get out of control. If you're the key client decision-maker, the ultimate success of the project will depend in large part on choices you make early in the planning and design process. This article looks at six key decisions in those early stages of a tenant improvements build out project that can lead to problems down the road with scope, budget and schedule. This article also offers some advice on how to avoid or mitigate those problems. Let's assume you, as your company's executive responsible for real estate, have the task of implementing a major office project. Perhaps your company is establishing a new presence in a market, relocating within a market, or setting up a satellite location. Based on some preliminary studies, you have a general idea of the overall size of the requirement. Here are six common mistakes that could spoil your project.

## *#1: Avoiding Input From Users.*

Why bother to solicit input from users? You can hardly tell what they want from what they need anyway, right? After all, there are often better ways to determine location, square footage and other requirements than by consulting with employees and managers. So why communicate? What if there is an unusual floor load or special power requirement? What if that embryonic telecommuting initiative has the potential to significantly affect space or location requirements? What if employees' lack of knowledge about the project breeds suspicion and rumor that could potentially hurt morale or subvert project goals?

Consider establishing an early and ongoing dialogue with users. Initially, the dialog should focus on accurately understanding the users' requirements. Hire a seasoned programming consultant who focuses on key design drivers, and who recognizes that a lot of detailed information gathered early-on could be a waste of your time and money, depending on your company's propensity to change. Later, establish a communications channel through which to keep employees and managers informed about project status. This is especially important if the project will involve a significant change in the workspace (i.e. moving employees from private offices to open plan workstations).

## *#2: Committing Before Fleshing Out The Details.*

Maybe a particular building is high on your preferred list. Perhaps this landlord's proposal is truly outstanding. Perhaps this landlord has a long, trusted relationship with a senior member of the management team. In any case, you've learned enough about the landlord/developer to feel certain they can deliver the project to your general criteria and within your budget. They've said, "yes" to all of your requests, and they'll even let you approve the design team. The developer/ landlord just wants a lease commitment before the design process goes too far. The rent formula seems straightforward and their standard workletter looks adequate. The landlord's senior project manager has put together a convincing project schedule?

However, the devil is in the details. What is the process to manage changes? What is the approval process on the design, and who pays for changes? Does the schedule provide sufficient time for internal company decision making? What is the landlords plan to assure the construction contractor finishes on time to the required level of quality? If you commit too early, without adequate control mechanisms in place in the form of contract provisions, detailed criteria, and a carefully-crafted negotiating strategy, the goodwill of the parties may not be sufficient to overcome unexpected budget overruns, troublesome compromises in project scope and quality, or serious timing issues. Avoid committing too early. Start the project planning process much earlier than you think necessary. Accept the pain of planning. Remain unemotional; this is business. Constantly question motives and assumptions. Involve a highly competent broker and project manager to help you tie down details and maintain control of the process and product.

### *#3: Managing Without Your Own Manager (Drilling Your Own Teeth)*

You know that the entire process has to be managed -- from site selection, planning and design to construction and move-in. But the developer/landlord has project management in his budget, the architect has a project manager on her team, and your people can handle the move-in. You've been in the middle of a couple of major office projects yourself, so there's no need for a dedicated project manager on your side of the table. Or is there? As the project rolls on, requests for information build to a flood, contracts require close scrutiny, consultants clamor for direction, invoices and budgets raise questions, options and alternatives demand analysis, users contest decisions, management wants reports, and schedule slips warrant explanation. Do you really have time for this? Will the developer/ landlord's project manager respond to your priorities first? Will the architect's project manager hold sway over the developer? Will your company's leadership start to question your decisions? Without an experienced manager whose allegiance is solely to your company and the project -- and who grasps the "big picture," you may lose the ability to anticipate and quickly resolve problems. Someone needs to have the time to fully manage both the known tasks and the uncharted territory (the "white space") inbetween those tasks where problems often crop up. Devote time up-front to understanding how different service providers define "project management," and lean toward the most comprehensive and aggressive approaches. Then concentrate on selecting the individual -- not the firm -- who has the right combination of experience, savvy, communication skills and diplomatic sensitivity, and importantly, who clicks with you and your staff.

### *#4: Over-Customizing The Solution.*

You've engaged an architect, and the first step is to develop a Program of Requirements for the building. They interview user groups and document their needs and requests in great detail. Then, they design your building "from the inside out", creating the perfect, custom solution. The floor plate dimensions and layout will mesh perfectly with your company's unique needs and high-tech furniture systems. The soaring 3-level lobby and product demonstration area will knock customers' socks off. In the end, though, the cost of this highly-customized design may knock your socks off. It may also render the building less valuable in the eyes

of a potential purchaser, or prohibitively expensive to sublet. Just ask a broker who is trying to dispose of a funky electro-loft dotcom headquarters building about the value of an exit strategy. Make sure that your consulting team includes someone in a leadership position who is pragmatic, is skeptical about the latest design fads and trends, and who is experienced in both multi-tenant and user-owned facilities design. They must also have the stature and credibility to win the trust of your team and your internal constituencies.

#### ***#5: Budgeting Without Your Own (Hefty) Contingency.***

That last fit-out project you worked on came in on budget (particularly since the cabling cost overrun was absorbed in the IT group's budget.) You've got an experienced developer running the numbers for you, and each line item is padded by up to 5%. That's enough of a contingency, isn't it? Maybe, maybe not. Who could have anticipated the sudden steel shortage and related price gouging? Who knew you'd need all those consultants -- food service, elevators, data center -- that the architect is just now suggesting? And wasn't it a surprise that the CEO should take an interest in the quality of the precast panels on the parking garage? The top sales guys won their fight against an open plan layout and cubicles, too -- and those additional 100 private offices just weren't in the budget. If only you'd started with an additional five or ten-percent contingency, you might have avoided the pain of going back to the Board of Directors with your hands out. First, budget as close to reality and as comprehensively as you can. Ensure the budget includes everything: design, construction, furniture, telephone system, data system, audio visual equipment, security equipment, artwork, signs, moving costs, etc. Then add a 20% contingency to the entire amount. Remember, the design is not complete at this point. You will need contingency for changes that you initiate in the design, changes recommended by the design team, unanticipated construction related overages, and a host of other unknowns. Remember, the 20% contingency belongs to you, the occupant/tenant. Do not reveal your internal budget -- with contingencies -- to the developer/landlord, architect, contractor or anyone outside your trusted inner circle.

#### ***#6: Building It Anyway.***

It's a down real estate market, and opportunities abound. Your broker has advised you that there is sufficient vacancy and expansion potential in a half-dozen, well-situated buildings to meet your long-term needs. Landlords are showering you with offers and incentives to get your attention. And in at least one case, you can exploit your company's good credit to buy an existing building and arrange a sale leaseback with one of several interested investors. In contrast to the real estate market, your business has been soaring for several years now, and it's hard to imagine there will ever be a slow-down. No existing building offers the perfect solution, and your company's growth and desire for a stronger presence in the community seem to warrant a new, custom-built headquarters facility. But how might things look in a couple of years at move-in time? What will you have ended up spending for that custom solution? How will your occupancy costs compare with an existing building scenario loaded with free rent, below-market rates and gracious tenant improvement allowances? And is it possible that a down-turn in

your company's business might have your customers, shareholders and employees second-guessing the decision to build that shiny, new headquarters? Stay well-informed on the condition of the local real estate market, remain objective about the long-term costs and benefits of a build-to-suit, ask your Board of Directors and trusted partners to play devil's advocate for an alternative to the build-to-suit, and have an exit strategy that includes the option of pulling the plug all the way up to groundbreaking.

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