7 Secrets for Getting Projects Funded Inside Large Organizations

A Guide for AEC Professionals, Facility Directors, and Planning Design & Construction Managers

Learn how to:

- *Persuade a client to adopt your solution*
- *Win the battle for money within your organization*

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Table of Contents

Foreword

Hearing "No"

Have you ever left a meeting shaking your head, wondering, "What just happened in there?" They said "No" to your project; maybe the best proposal you ever prepared.

Your package explaining the proposed project was spectacular. The details were covered to perfection. You painted a vision of the project's impact that was stunning. You provided graphic support for the project's need, and even incorporated carefully chosen testimony from those whose lives would be most impacted by the project. You had convinced industry "partners" to help with the proposal because everyone saw the need for the project, as well as its likely approval. The money for the project was reasonable, and the organization was churning with unprecedented success. It was a project virtually guaranteed to be approved.

And yet it wasn't. The Board had said "No." The reality of upcoming misery begins to sink in, as you will be called upon to band-aid the organization through the next budget cycle. Or worse, you grab your laptop and head to the coffee shop to review your resume to contemplate whether departure from the organization is imminent. Ever been there? Ever had those thoughts? Ever baffled as to what could have gone wrong?

Achieving "Yes"

Then this book is for you. It is a "How To" guide for framing your argument for a proposed project in financial terms most likely to achieve success. It could be as simple as correctly using the right financial markers, or not using the improper financial markers. Either way, you end up positioning your proposal for the greatest chance for approval and funding.

Part financial primer on capital project terminology, and part counseling manual for better understanding organizational dynamics, 7 Secrets to Getting Your Project Funded in a Large Organization is a "peek behind the curtain" of how spending decisions happen in organizations. It is insightful, launched from the personal project development experiences of the author, and sure to help you achieve that "Aha moment" when you finally comprehend why that last golden project of yours never got approved. The good news is that you never have to make that mistake again, and the tips in this book can help you achieve a greater success rate for capital project approvals going forward.

And here is the bonus wrapped inside each book: The truths apply to helping you get any project funded, whether on the scale of a new corporate headquarters, a major renovation/ addition, or even routine/ minor maintenance.

Building Consensus

A marvelous dynamic can happen when you begin to use the financial analysis tools in this book. By applying the tools Whitson teaches, the metrics become crystal clear. You can build consensus for your project. The value propositions, the cost, benefits, and trade-offs associated with the project are obvious to all. The project then begins to stand on its own feet with diminished influence from personal agendas or project biases.

In addition to learning how to successfully position your own project for approval, this book will equip you to become a top notch reviewer, evaluating other people's project proposals. Professionals seeking greater responsibility in their organization will enrich their prospects by mastering the project presentation language and review methods that Whitson offers.

Personal Use at Home

Further, the project evaluation tools offered in this book even work at a personal level, including projects at home. Never again will you look at crafting the personal family budget in quite the same way. Projects competing for your hard-earned money will have to measure up by simple metrics you will learn from this book. Gathering support for family projects will be easier using as you'll be applying these financial tools to prioritize household projects.

In summary

In writing 7 Secrets for Getting Projects Funded Inside Large Organizations, Alan Whitson offers a tool kit that has the potential to reshape virtually every aspect of your approach to capital project budgeting. The insights and tools he brings to you will guide you in:

- Getting to "Yes" with your proposals for projects at any scale
- Building consensus with your facilities teams and organizational leaders
- Equipping you to be a reviewer of project proposals, not just a proposal developer
- Reframing the values of even your personal and family project proposals

In short, Whitson gives you a set of tools that can help you have your way more often with projects that matter the most to you, while getting other people to understand and like it! Now, who doesn't like the sound of that?

Enjoy!

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Introduction

Discover the seven secrets for getting your projects funded, before your coffee gets cold.

How to get the money is the most frequent topic I'm asked to speak on for organizations including AIA, ASHE, BOMA, CoreNet, and IAMC, as well as at events such as the ACE Summit, Greenbuild, Healthcare Design Conference, NeoCon, NFMT, and World Workplace.

In packed meeting rooms, AEC professionals, facilities directors, and planning, design, construction managers from education, government, healthcare, and Fortune 500 companies want to know: "How do I get projects funded?"

Afterwards everyone wants my slides. They are a great visual aid to support what I'm presenting, but they don't include the dialogue. A book may serve these pros better when they get back to work — but not any book.

A book takes too long to read between emails, meetings, job site visits, and a personal life. A textbook will sit until a busy schedule allows the time, which somehow never comes.

Something different is needed — a guide you can read quickly.

Looking over decades of presentations and consulting work, I have identified seven nuggets, some cases to clarify the finer points, and an example. I pulled this together into an e-book that's formatted to work on your laptop, tablet, or smart phone.

This is not a financial skills class, we developed a great half-day training program for that: Finance 101.

Instead, use this guide to check for holes in your funding proposals, because it's these holes that get your projects denied or delayed!

It’s A Competition For The Money

1

It's A Competition For The Money

No matter how big the organization, there's never enough money!

Whether you are an AEC professional, facilities director, or a planning, design and construction manager, when dealing with a large organization you have to constantly fight for the money.

It's a battle that's won with Excel spreadsheets and PowerPoint slides.

Over the years, I've seen good projects rejected and questionable ones have money heaped on them. Why? Because those questionable projects came to the table with a better prepared funding proposal that won the competition.

Successful funding proposals have some common traits:

- Defines a problem clearly in terms management understands, including why it's important to fix, and offer a solution.
- Explains the project's benefits, including direct and indirect benefits for all stakeholders.
- Supports the organization's objectives.
- Aligns with key influencers and their needs.
- Explains the true net cost and benefits of the solution.
- Quantifies the benefits using proper financial metrics.
- Dollarizes projects benefits in "total dollars" and "per unit" terms.
- Shows the negative economic consequences of not carrying out the presented solution.
- Comes with a killer presentation.

No Is The Default Answer

2

No Is the Default Answer

People whose jobs are to make decisions, don't!

People whose jobs are to make decisions, don't! Rather they do nothing or stick with a decision made previously by the organization. This occurs even when the costs are small and benefits large.

Your proposal has to overcome four physiological biases:

- **Status Quo Bias** – People prefer things to stay the same by doing nothing or by sticking with a previous decision.
- **Risk Aversion** – When people do make a decision, they often will select the alternative they feel is least risky.
- **Sunk Cost Fallacy** – People continue a behavior or effort because of previously invested time, money, or effort.
- **Regret Avoidance** – People feel greater regret for bad results from new actions taken, than for bad results from inaction.

How can you overcome these biases when preparing your funding proposal?

You should frame the decision to do nothing as more painful physiologically than funding your proposal.

Few Can Say Yes,
But Many Can Say No

3

Few Can Say Yes, But Many Can Say No

"Murphy was an optimist."

O'Toole's Commentary on Murphy's Law

In reality, few people have the authority to approve funding for a project. However, many people can cause a project not to get funded or create enough friction no one wants to be associated with its approval.

The biggest missteps often arise from not coordinating with other groups inside your organization.

Engaging the right people when preparing your funding proposal can ensure the scope of work, projected costs, timelines, compliance, IT, finance, and other issues are well defined and considered. It also avoids your projects being at cross-purposes with others.

Remember, personal biases can creep into the funding process in many ways:

- Some managers prefer projects that are easy to carry out, hold low risk, and produce immediate benefits.
- Other managers lean toward projects with a higher profile or status over a mundane project like replacing a building's air handlers.
- Sometimes the negative opinion of others about you or your project's pros and cons will sway the person with final funding authority.

Don't be blindsided! Avoid misconceptions, miscommunications, misunderstandings, and conflicts by identifying the people and groups your project intersects, and engage them.

Does Your Project Measure Up?

4

Does Your Project Measure Up?

Is your project worth the investment?

Key to getting any funding proposal approved is answering one question: Is the project worth the investment?

First tip: use the financial metric preferred and trusted by your CFO. Make sure you understand the correct way to calculate it and use the preferred rates for inputs like inflation, discount rate, and reinvestment rate.

Second tip: understand the pros and cons of the four most common measures of a project's financial performance:

- Payback Period
- Return on Investment (ROI)
- Net Present Value (NPV)
- Internal Rate of Return (IRR)

Understand what these metrics are telling you and, more importantly, what they hide. Knowing this can help you avoid bad decisions.

Use these financial terms correctly, used incorrectly with 'finance people' you lose creditability and every number is suspect.

Third tip: provide a relevant revenue benchmark. This can vary by industry and company.

- For one hospital, it was the number of specific cardiology procedures.
- For a global distiller, it was the cases of whiskey they need to sell to equal the savings.
- For a Fortune 500 company it was the sales needed to equal the money saved.

Payback Period & Return on Investment

Using Payback Period may lead to rejection of worthwhile projects

Both these measures use the amount invested and return from year one.

Payback period is the investment divided by the return from Year One. The answer is the time it takes to recover the investment.

Return on Investment (ROI) is the return from Year One divided by the investment. The answer is the rate you recover the investment, stated as a percentage of the investment.

For example, consider a project that costs $1,500 and saves $750 in Year One.

Payback Period	$1,500 ÷ $750 = 2 years
Return on Investment	$750 ÷ $1,500 = 50%

The flaw with both these metrics is that neither addresses what happens after Year One.

Because it's a measure of time, payback period encourages solutions with quick paybacks – which leads to higher risk. Worse, this can lead to rejection of worthy projects because it was evaluated using this metric.

We all know managers who insist on a three-year payback. Yet, a three-year payback period is a 33.3% return on investment. Ask yourself, who is getting a 33.3% ROI consistently, because Warren Buffet wants to hire him.

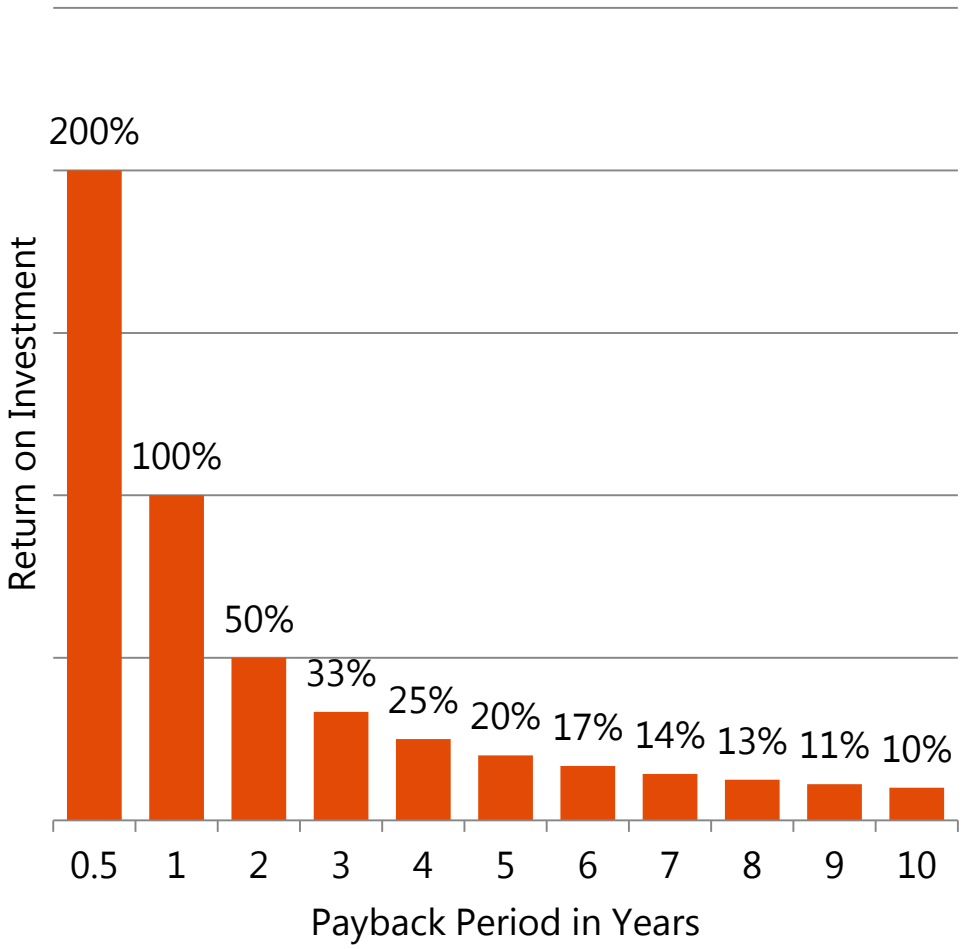
For comparison, the average annual return for the S&P 500 index from its start in 1926 through 2019 is roughly 10% — a payback period of 10-years.

Payback Period vs. Return on Investment

Issues with Payback Period & Return on Investment

- *Ignores any benefits that occur after payback period*
- *Ignores time value of money*

Because of these reasons, other measures of financial performance like NPV, IRR or discounted cash flow are generally preferred.



Net Present Value

Net Present Value (NPV) is the present value of your project's future cash flows discounted at your organization's required rate of return minus the investment.

Simply speaking, it's the future dollars you expect to make or save from investing in a project translated into a lump sum of today's dollars minus the investment.

Since the discount rate is the minimum acceptable rate of return, if the net present value is zero or a positive dollar figure it has met the minimum required rate of return.

If there are two or more mutually exclusive projects, it is more effective to use NPV than Internal Rate of Return (IRR).

NPV is important because it tells you in today's dollars the value a project adds to your organization.

Issues with Net Present Value

- Sensitivity to discount rate
- Can be difficult to compare investments with different:
  - Investment amounts
  - Investment time horizons
  - Levels of risk

NPV & Discount Rate Sensitivity

This example shows NPV's sensitivity to discount rate, a smaller discount rate will result in a larger NPV.

Year	Annual Cash Flow End of Year	Present Value Discounted @ 8%	Present Value Discounted @ 10%	Present Value Discounted @ 12%
1	$5.00	$4.63	$4.55	$4.46
2	$5.15	$4.42	$4.26	$4.11
3	$5.30	$4.21	$3.99	$3.78
4	$5.46	$4.02	$3.73	$3.47
5	$5.63	$3.83	$3.49	$3.19
6	$5.80	$3.65	$3.27	$2.94
7	$5.97	$3.48	$3.06	$2.70
8	$6.15	$3.32	$2.87	$2.48
9	$6.33	$3.17	$2.69	$2.28
10	$6.52	$3.02	$2.52	$2.10
Total	$57.32	$37.75	$34.42	$31.52
Initial Investment		-$12.50	-$12.50	-$12.50
Net Present Value		$25.25	$21.92	$19.02

Internal Rate of Return

IRR takes into account the time value of money.

While Net Present Value tells you if investing in a project earns your organization's required rate of return, Internal Rate of Return (IRR) lets you know the rate of return your project yields.

IRR is the discount rate at which the present value (PV) of all future cash flows is equal to the initial investment. In simpler terms, it's the discount rate that produces a NPV of zero.

Many CFO's prefer using IRR as a tool for comparing the financial benefits of projects

One strength that IRR has over ROI is that it takes into account the time value of money.

Issues with Internal Rate of Return

- Handles positive and negative cash flows equally
- When there are multiple negative cash flows it is possible to have multiple IRRs
- Difficult to compare investments with different:
  - Investment amounts
  - Investment time horizons
  - Levels of risk

Alternatives to resolve those issues include: Modified Internal Rate of Return(MIRR) & Financial Management Rate of Return (FMRR)

Internal Rate of Return

Year	Annual Cash Flow End of Year	Present Value Discounted @ 8%	Present Value Discounted @ 12%	Present Value Discounted @ IRR 41.3%
1	$5.00	$4.63	$4.46	$3.54
2	$5.15	$4.42	$4.11	$2.58
3	$5.30	$4.21	$3.78	$1.88
4	$5.46	$4.02	$3.47	$1.37
5	$5.63	$3.83	$3.19	$1.00
6	$5.80	$3.65	$2.94	$0.73
7	$5.97	$3.48	$2.70	$0.53
8	$6.15	$3.32	$2.48	$0.39
9	$6.33	$3.17	$2.28	$0.28
10	$6.52	$3.02	$2.10	$0.21
Total	$57.32	$37.75	$31.52	$12.50
Initial Investment		-$12.50	-$12.50	-$12.50
Net Present Value		$25.25	$19.02	$0.00

Internal Rate of Return is useful in comparing alternative solutions to the same problem. It allows you to know which solution creates the largest return.

Use Financial Terms Correctly

Using financial terms like Payback Period, ROI, PV, or NPV incorrectly is like fingernails scratching on a chalkboard to a CFO.

Perhaps you're comfortable using some these ideas or call them by another name. Don't congratulate yourself just yet. Terminology matters. Why?

Ever talk with someone on a topic you know well and they repeatedly used terms incorrectly? Did you feel confident in their knowledge and understanding of the subject?

A manufacturer recently sent me an email boasting of a "ROI of five months" on an upgrade project. See the problem?

- Five months is the payback period — not the ROI.
- The ROI is 240%, an amazing financial outcome.

In four words, the manufacturer made three mistakes. The results?

- Damaged the manufacturer's authority by using two financial terms incorrectly. Can you trust their claims?
- Encouraged potential clients to use financial terms erroneously, hurting their credibility.
- Failed to show the superior performance of their product in financial terms that CFOs use.

Three reasons using the correct financial terms is so important.

- Instills confidence in your management or client that you understand the organization, the project, and the financial implications.
- Allows you to explain your project's benefits in financial terms stakeholders know and use.
- Strengthens your ability to persuade, when talking to "finance people" about your numbers and better influence their decision to green-light your project.

The Status Quo Isn’t Free

5

The Status Quo Isn't Free

The Present Value for keeping the status quo is shocking!

SHOW IT!

The main failing of 99.99% of funding proposals is they only deal with the investment and the incremental benefits of the proposed project. This is only half the financial equation.

Not showing the financial costs of keeping the status quo in place can lead to multiple excuses to reject your proposal.

Explain that your project can produce the same or better results as the status quo for less money, then show the financial benefits created by reinvesting the savings.

Frame your funding proposal as a choice between:

1. Keeping the status quo, and it's cost, in place.
2. Funding your project and getting the project's benefits, including the ability to reinvest the money saved over the status quo.

Use NPV to show costs and benefits of both alternatives. The impact of keeping the status quo in terms the costs in today's dollar is very dramatic.

See Example starting page 23, for proof.

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Cost of Delay

6

Cost of Delay

One challenge every organization faces is deciding which projects to green light. To ensue your project isn't among s those that get put on the back burner, you must explain the cost of delay in your proposal.

The cost of delay issue combines both value and urgency — two things people are not good at distinguishing between. You need to explain how valuable your project is, but also how urgent it is to execute.

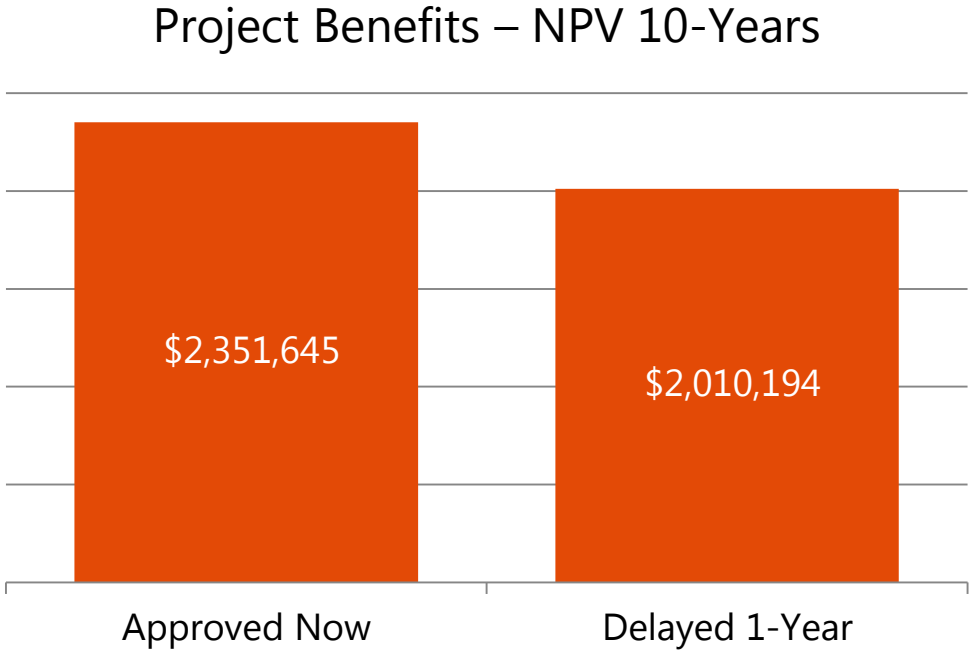
By postponing a project one year, you lose the savings from that first year plus the return that first year's savings will generate over time. Both are lost forever!

See the example on the next page.

Show the cost of delaying your project!

Understanding the Cost of Delay

Explain the cost of delaying your project or risk it being placed on the back burner .



Here's a green lighted project alongside the results of a one-year delay. The project costs $900,000 and saves $360,000 a year, a 40% ROI. The time horizon is 10 years, inflation is 2.5%, the savings are reinvested back into the organization at its EBIDTA Margin of 15.25%, and the discount rate is 7.34%.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) show a organization's earnings potential. EBITDA Margin is the percentage of each dollar of revenue left after operations.

The $900,000 earned $137,250 in the year of delay as compared to the savings of $360,000. The delay of a year costs $341,451 — 37.9% of the project cost!

Negative Economic Consequences

7

Negative Economic Consequences

In the end, it's straightforward.

Your funding proposal must clearly communicate the decision you are asking a manager, budget committee, or client to make.

They must choose between two options:

A. Approve your funding proposal.
B. Keep the status quo.

They must understand the outcome of their decision:

A. Positive economic consequences of your proposal.
B. Negative economic consequences of keeping the status quo.

This way, the clear choice is approving your funding proposal.

Make it painful for them not to approve you funding proposal.

Example

Why This Example?

People are more inductive than deductive reasoners — they learn better from examples than from starting with basic principles.

The advantage of using an example is that, you can see the principles in action. The problem ,is some people may not see how the example relates to them.

Therefore, I selected an example that everyone who deals with the built environment can associate — maintenance.

We take pride in the work we do. None of us enjoys seeing a project we worked hard on in disrepair.

It's simple example, a decision between two alternatives:

- Do preventive roof maintenance on this $1,500,000 asset.
- Take action only when the roof leaks.

Example

It's about making decisions that create the most value.

Many owners think that buying a new roof with a 20-year warranty means put it on and forget it for 20-years. It doesn't. If you don't maintain the roof properly and keep records — you won't get the benefit of the warranty!

In this example, we'll compare a reactive roof maintenance program to a proactive one on a newly renovated building.

Here are the steps:

1. Define the inputs and assumptions
2. Ensure the analysis reflects the real world conditions
3. Build a spreadsheet model for the costs under both alternatives
4. Prepare Net Present Value cost analysis
5. Develop a Differential Cash Flow analysis
6. Calculate the earnings from reinvesting the cost avoided
7. Determine the economic consequences of both alternatives
8. Compare the economic consequences of both alternatives
9. Select the alternative that yield the best outcome

Assumptions

The assumptions used show your understanding of the core business and the project. If they are data driven and logical, they will instill confidence in your proposal.

A key issue is deciding the time horizon for the analysis. We'll use 40 years because we'll start fresh with a new roof with a 20-year warranty, then in "theory" replace it at 20 years and again in Year 40.

Make sure your analysis reflects actual real world conditions

It's common for a roof that's not maintained properly to start leaking in Year 8 and by Years 10 or 12 need replacing. However, with proper maintenance, roofs in harsh weather conditions like the Midwest are preforming well after 50 years of service. Note the damages from leaks can be costly.

Assumptions

• Roof Size Sq. Ft	100,000
• Initial Roof Cost $/Sq. Ft	$15
• Replacement Roof Cost $/Sq. Ft	$20
• Repair Costs per Leak	$800
• Damages per Leak	$1,500
• Annual Leaks (1 per 75K Sq. Ft)	1.33
• Annual Inspection & Repair $/Sq. Ft	$0.20
• 1st Restore Year-10 $/Sq. Ft	$10.00
• 2nd Restore Year-20 $/Sq. Ft	$6.00
• Inflation Rate	3.0%
• Discount Rate (30-Yr CMT 2.9%+2%)	4.9%
• Reinvestment Rate	8.5%
• Investment Horizon	40 Years

Annual Roof Expenditures

Reactive roof maintenance includes cost to fix leaks, repair damage to building and contents, and replacing the roof in Years 12, 24, and 36.

Proactive roof maintenance plan covers cost for annual inspections and repairs, and roof restoration in years 10 and 30.

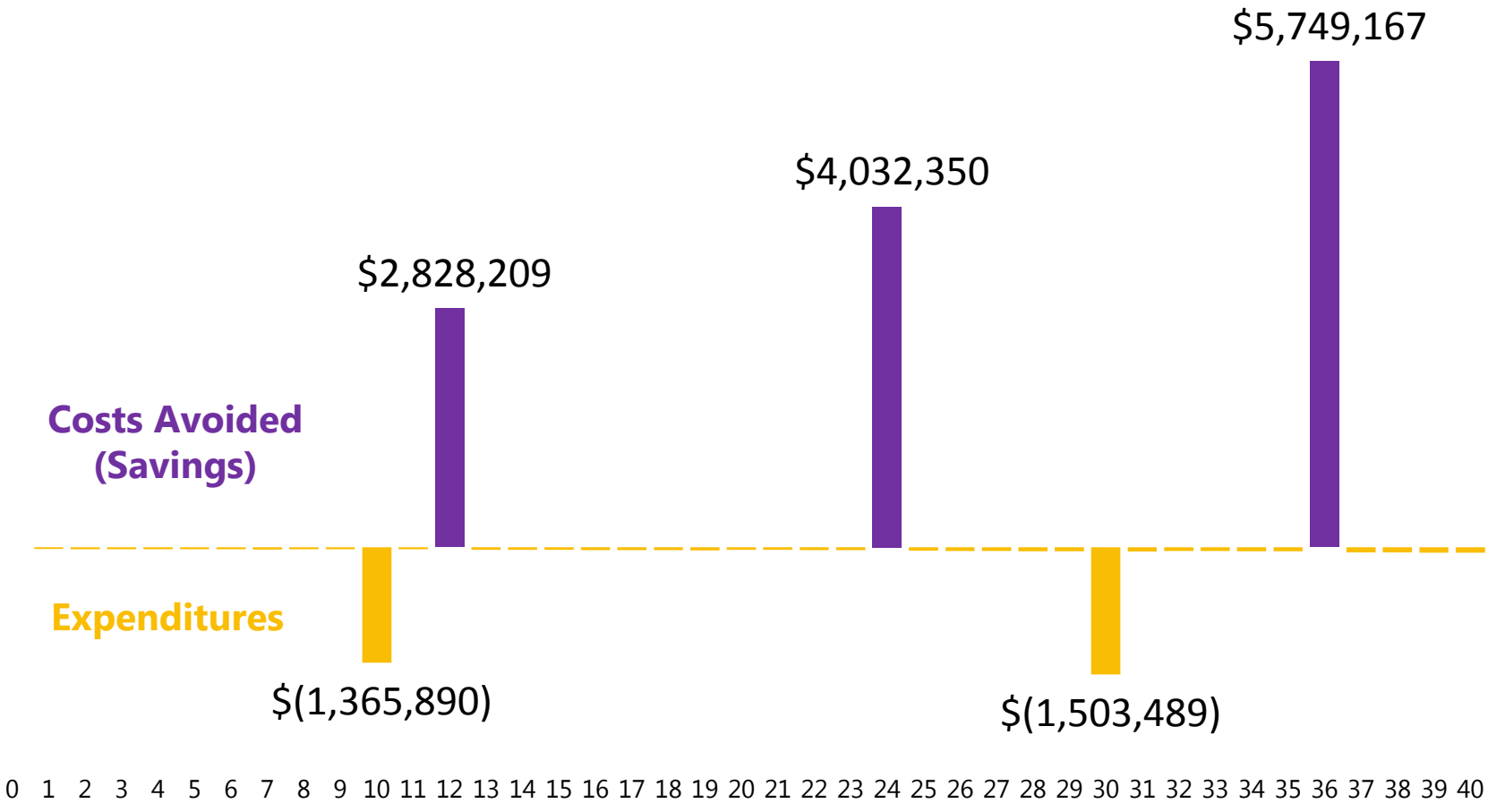
	Reactive Maintenance				Proactive Maintenance			Differential Cash Flow	
Yr.	Repair Leaks	Damage	Replace Roof	Total	Inspect & Repair	Restore	Total	Difference	Reinvested @ 8.5%
1					$20,000		$20,000	$(20,000)	$(20,000.00)
2					$20,600		$20,600	$(20,600)	$(42,300.00)
3					$21,218		$21,218	$(21,218)	$(67,113.50)
4					$21,855		$21,855	$(21,855)	$(94,672.69)
5					$22,510		$22,510	$(22,510)	$(125,230.04)
6					$23,185		$23,185	$(23,185)	$(159,060.08)
7					$23,881		$23,881	$(23,881)	$(196,461.23)
8	$1,351	$2,534		$3,885	$24,597		$24,597	$(20,713)	$(233,873.15)
9	$1,392	$2,610		$4,001	$25,335		$25,335	$(21,334)	$(275,086.46)
10	$1,434	$2,688		$4,121	$26,095	$1,343,916	$1,370,012	$(1,365,890)	$(1,664,359.31)
11	$1,477	$2,768		$4,245	$26,878		$26,878	$(22,633)	$(1,828,463.20)
12	$1,521	$2,852	$2,851,522	$2,855,894	$27,685		$27,685	$2,828,209	$844,326.86
13					$28,515		$28,515	$(28,515)	$887,579.42
14					$29,371		$29,371	$(29,371)	$933,653.00
15					$30,252		$30,252	$(30,252)	$982,761.71
16					$31,159		$31,159	$(31,159)	$1,035,137.11
17					$32,094		$32,094	$(32,094)	$1,091,029.63
18					$33,057		$33,057	$(33,057)	$1,150,710.20
19					$34,049		$34,049	$(34,049)	$1,214,471.91
20	$1,927	$3,612		$5,539	$35,070		$35,070	$(29,531)	$1,288,170.64

Continue next page

Yr.	Reactive Maintenance				Proactive Maintenance			Differential Cash Flow	
	Repair Leaks	Damage	Replace Roof	Total	Inspect & Repair	Restore	Total	Difference	Reinvested @ 8.5%
21	$1,984	$3,721		$5,705	$36,122		$36,122	$(30,417)	$1,367,247.82
22	$2,044	$3,832		$5,876	$37,206		$37,206	$(31,330)	$1,452,134.04
23	$2,105	$3,947		$6,052	$38,322		$38,322	$(32,270)	$1,543,295.70
24	$2,168	$4,066	$4,065,588	$4,071,822	$39,472		$39,472	$4,032,350	$5,706,826.22
25					$40,656		$40,656	$(40,656)	$6,151,250.57
26					$41,876		$41,876	$(41,876)	$6,632,231.31
27					$43,132		$43,132	$(43,132)	$7,152,839.14
28					$44,426		$44,426	$(44,426)	$7,716,404.69
29					$45,759		$45,759	$(45,759)	$8,326,540.54
30					$47,131	$1,456,357	$1,503,489	$(1,503,489)	$7,530,807.69
31					$48,545		$48,545	$(48,545)	$8,122,381.09
32	$2,747	$5,150		$7,897	$50,002		$50,002	$(42,105)	$8,770,678.80
33	$2,829	$5,305		$8,134	$51,502		$51,502	$(43,368)	$9,472,818.67
34	$2,914	$5,464		$8,378	$53,047		$53,047	$(44,669)	$10,233,339.39
35	$3,001	$5,628		$8,629	$54,638		$54,638	$(46,009)	$11,057,164.31
36	$3,091	$5,797	$5,796,557	$5,805,445	$56,277		$56,277	$5,749,167	$17,746,190.74
37					$57,966		$57,966	$(57,966)	$19,196,651.39
38					$59,705		$59,705	$(59,705)	$20,768,662.22
39					$61,496		$61,496	$(61,496)	$22,472,502.84
40					$63,341		$63,341	$(63,341)	$24,319,325.04
	$31,985	$59,972	$12,713,667	$12,805,623	$1,508,025	$2,800,274	$4,308,299	$8,497,324	$24,319,325.04
Present Value	$21,076	$39,518	$11,444,189	$11,504,783	$549,721	$2,606,118	$3,155,839	$8,268,202	$3,643,824
Per Sq. Ft.	$0.21	$0.40	$114.44	$115.05	$5.50	$26.06	$31.56		$36.44

Differential Cash Flow over 40 Years

The gold bars are the proactive maintenance expenditures to keep the roof in good condition. The purple bars are the costs avoided for replacing the roof in years 12, 24, and 36. The costs avoided offset all maintenance and interest costs in year 12 (breakeven), and remaining balance is reinvested.



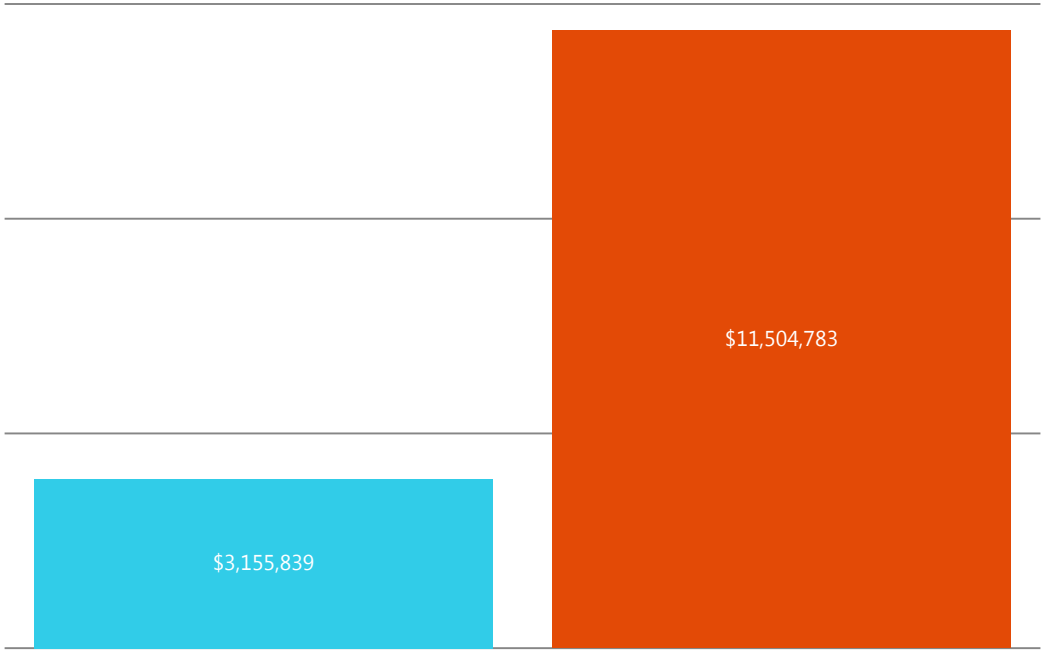
Roof Maintenance Costs Comparison for 40 Years

Proactive		Reactive	
Inspect | Repair	1,508,025	Fix Leaks	31,985
Restoration	2,800,274	Damage	59,972
		Replace Roofs	12,713,667
Total Cost	$ 4,308,299	Total Cost	$ 12,805,623
Present Value	$ 3,155,839	Present Value	$ 11,504,783

Less is more!

Show the financial consequences of not approving your funding request.

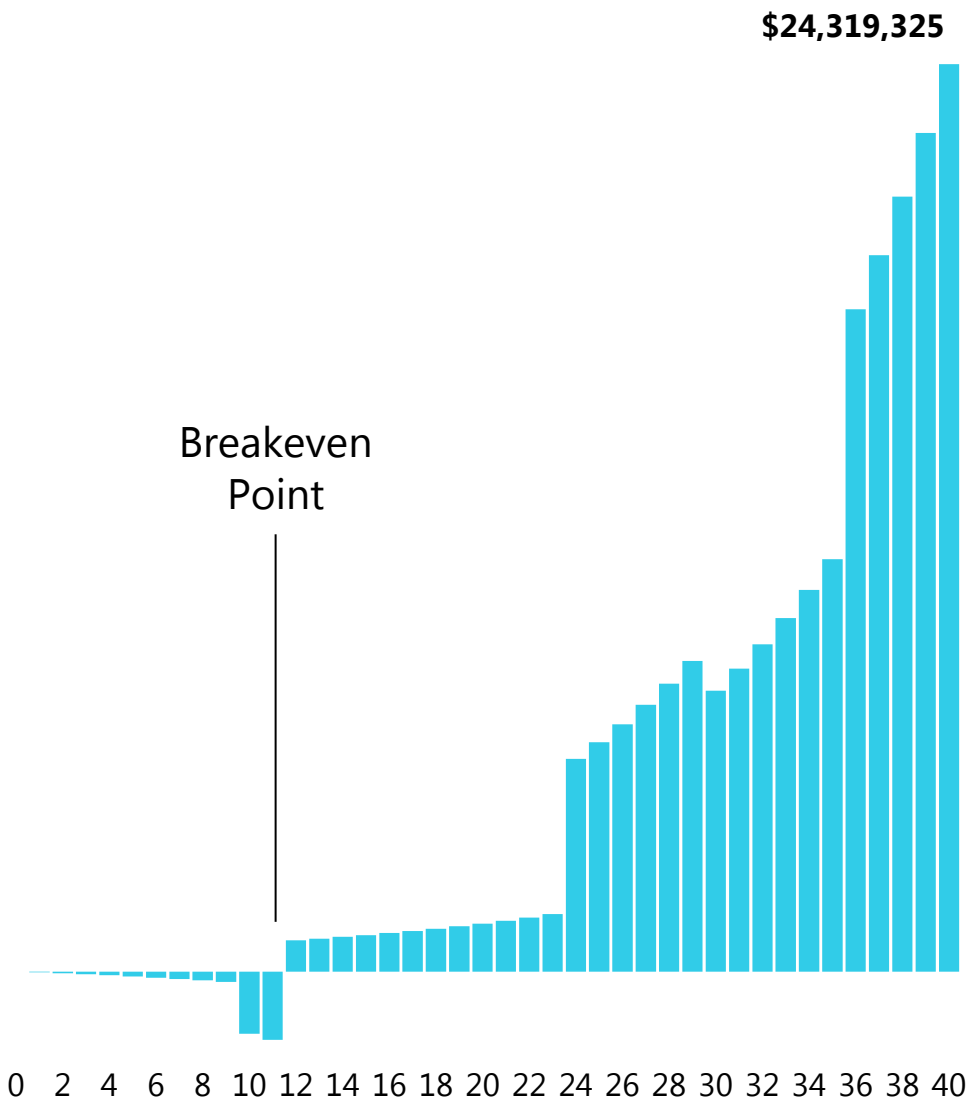
Use both numbers and charts.



Reinvestment of Cash Saved at 8.5%

Reinvesting the money you didn't spend is often the forgotten step in the process.

The money earned by reinvesting the savings will grow to more than $24 million by year 40. The Present Value is: $3,643,824

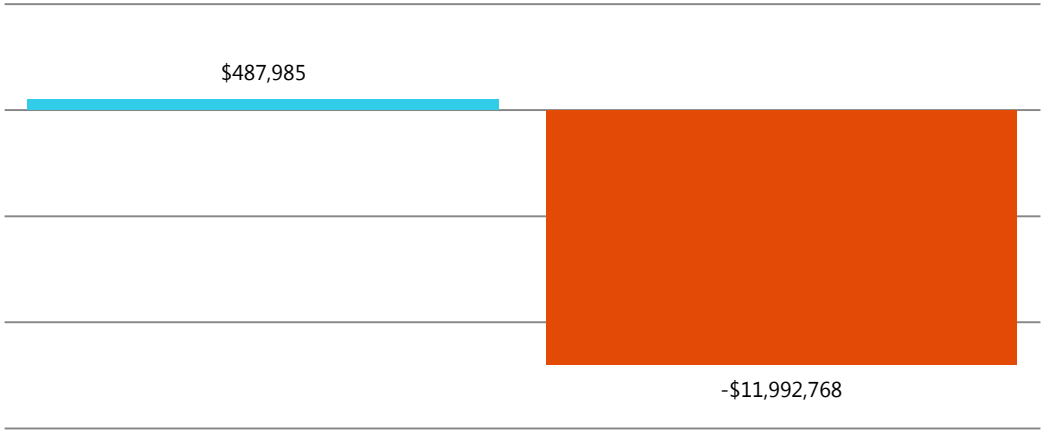


Comparing the Net Economic Consequences

Proactive Roof Maintenance Costs (present value)	
Expenditures	$ - 3,155,839
Reinvested Savings	3,643,824
Net Economic Consequences	$ 487,985

Reactive Roof Maintenance Costs (present value)	
Expenditures	$ - 11,504,783
Benefits of Savings Forgone	$ -487,985
Net Economic Consequences	$ - 11,992,768

Value is created when an organization decides to do something that generates value or decides not to do something that does not create value.



Summary

Adopting a proactive roof maintenance program yields significant operational and financial benefit over reactive maintenance. Here it converts an operating expense into a profit center.

The proactive maintenance program provides these benefits:

- Minimizes leaks, damage, and business disruption
- Extends life of original 20-year roof to 40 years or more
- Avoids future capital expenditures — 3 roof replacements
- Costs avoided are reinvested, growing to $24,319,325 or $3,643,824 present value

A reactive maintenance program has these detriments:

- Leaks, damage, and business disruption
- Premature roof failures
- Requires 3 roof replacements
- Diverts money from other uses, $11,504,783 present value
- Foregoes the $3,643,824 present value earned on the costs avoided by the proactive maintenance program

Not spending money is not the same thing as saving money!

Therein lies the problem – many think it is.

About the Author

B. Alan Whitson, RPA

President, Corporate Realty, Design & Management Institute

Alan Whitson started his real estate career after leaving the US Navy's nuclear submarine program in 1972. His experience encompasses over 40-million square feet of facilities around the world in the areas of Asset Management, Facilities Management, Construction, Real Estate Development, Commercial Real Estate Brokerage, and Corporate Real Estate Consulting. In 1995, Whitson launched Corporate Realty, Design & Management Institute to provide continuing education to those who design, build, operate, finance, and lease commercial, institutional, and medical buildings. He is on the faculty of Practising Law Institute.

Whitson has written over 100 articles, and is the author of:

- Understanding Regulatory Issues in Leasing Medical Office Buildings and Healthcare Facilities
- 327 Questions to Ask Before You Sign a Lease
- Model Green Lease
- Building Operating Cost – Model Lease Addendum
- Bottom Line – Comparative Lease Analysis Software
- Finance 101: a half-day financial skills training workshop
- Smart Moves Manual – The Step by Step Guide on How to Move Your Company
- Developing a Plan for Reducing Hospital Energy Costs (Healthcare Cost Containment, a Publication of Healthcare Financial Management Association)

Reviews

"A must read for any one spending money on a project. Alan's approach and examples give the step by step approach needed to get approvals. Too many projects are dead on arrival not because they are not needed, but because the sponsor does not know how to ask for the funding. This short book is the prefect guide before every project request is sent for review and approval."

David W. Hewett, RPA, FMA, CCIM, CPM, CFM, CRE
BOMA International Fellow
Chairman & Chief Elected Officer BOMA International 2005 - 2006

"Read this book! If you are an AEC professional, you owe it to yourself (and your clients) to have a thorough grasp of the concepts covered in this book. Packed with insightful tips in an easy-to-read format, this book has great take-away value in each chapter."

Kurt Neubek, FAIA
Principal / Healthcare Practice Leader
Page

This is a must-read for anyone related to the field of real estate, planning, design, construction, property investment and related management of such for the entire built environment. Although I specialize in the healthcare sector, I've done all of this in commercial, technology, transportation and the healthcare industries. This speaks plainly of the absolute language REQUIRED to succeed in analyzing, presenting and being successful for your organization in deploying the Capital we are stewards of. An immense leap forward in making a complex series of decisions and calculations easy to understand and present. Do yourself a professional favor – read and USE this Guide by Alan Whitson. Become a better Steward of the funds entrusted to you. Enjoy!"

Mike Wood, MD, CHC, MSM, ARRT
Vice President, Planning, Design, Construction & Energy
Medxcel