

# MISTAKES TO AVOID

## Lessons Learned from a Recovering Developer of an MTNC

Nonprofit Centers Network Conference

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**Alliance**  
for Sustainable Colorado

## Mission:

advancing sustainability through collaboration among

- \* individuals
- \* non-profit organizations
- \* sustainable / socially responsible businesses
- \* government
- \* education

# EXAMPLE FOR OTHERS

Lessons of collaboration

- Among 4 sectors  
and / or
- Mission driven MTNC

Alliance for Sustainable Colorado

Alliance for Sustainable [state]

# THE OPPORTUNITY

Building offered for purchase early 2004

18 blocks from State Capitol

1 block from Union Station bus and light rail hub

11 tenants:

- 10 non-profit organizations

  - 9 environmental

  - 1 historic preservation

- 1 commercial tenant

# ALLIANCE FORMATION

2004

March:

Applied for 501(c)(3) status  
Offer to purchase building

June:

18<sup>th</sup> received (c)(3) status  
30<sup>th</sup> closed on the building



ALLIANCE CENTER Denver, Colorado  
38,000 sq. ft.  
+ adjoining 6,000 sq. ft. lot (dogs are guarding)

# RENOVATIONS

- LEED Existing Building Gold
- LEED Commercial Interiors Silver
- EPA Energy Star *Leader*
- \$1 million
- 27 non-profit tenants plus 3 virtual tenants

# PROJECT DEVELOPMENT

Need to raise funds to

- Install LEED technologies
- Install interpretive / educational displays
- double office and event space

# OPPORTUNITY / **CHALLENGES**

Struck while the iron was hot

Received some burns

# HAVE CLEAR OVERSIGHT

- Define your decision making process:
  - how decisions will be made
  - who will make them
- Have clear understanding of roles and responsibilities

# PROJECT MANAGEMENT

- Define Decision Making Authority
- Designate Project Leader

# CHOOSE PROJECT TEAM

- Project Manager – LEED AP
- Architect – LEED AP
- Contractor – LEED AP
- Cost Estimator – LEED AP
- Building Commissioner – LEED AP

Did I mention utilizing LEED APs?

# SELECT CAREFULLY

Skills – Experience – Values

- Project particulars
- Embraces your mission

> **CHECK REFERENCES** <

# PROJECT MANAGER / OWNERS REP

- Match
  - Skills
  - Experience
  - Values
  - Temperament

with your project needs

# ARCHITECT & ENGINEER

- Responsible for designing a building to meet the needs of your mission and project
- Evaluate for
  - Experience with similar projects/budgets
  - Experience with LEED
  - Reputation, design skill and design style
  - Familiarity with particulars of your site –
    - zoning, historical district, parking requirements, etc.
  - Ability **& willingness** to adjust to changing project needs

# DUE DILIGENCE

- Occurs at stages
  - Site selection
  - Phase I Environmental
  - Sometimes Phase II Environmental

# GENERAL CONTRACTOR

- GC contract often largest expense
- Responsible for coordinating all aspects of construction
- Evaluate firms for:
  - LEED APs – experience with LEED construction
  - Experience with similar projects/budgets
  - Budget and schedule track record
  - Construction monitoring process, cost controls
  - Quality and durability of product
  - Community involvement
- Contract

# COST ESTIMATOR

DO NOT engage after design

Involve at the outset

Integrate into team

# INTEGRATING LEED

- Hire a LEED Accredited Professional Project Manager

## *At the outset*

- Understand your candidates' experience before you hire
- Pay attention to your LEED AP upfront -- and avoid costly mistakes
- Understand and plan for documentation

# COMMISSIONER

- Hire a Commissioner at the outset

# DESIGN CHARRETTE

It is not a luxury;

It's a necessity

# PROJECT DESIGN

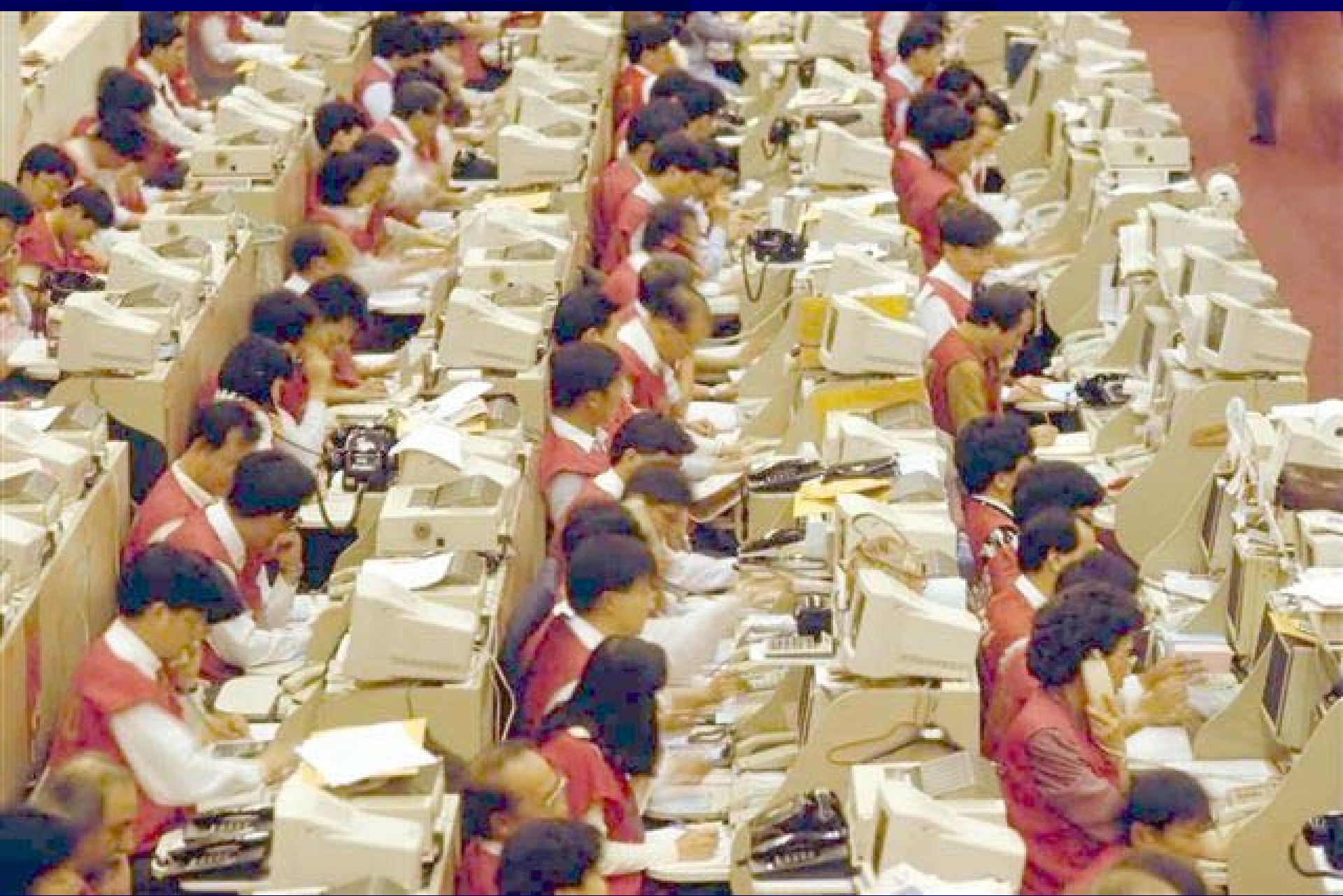
- Develop Space Plan
  - Management, Staff and Board work together to determine space requirements
  - Get cost estimates
  - Tenant Improvements
    - Decide whether you or tenants will pay

➤ **ADVANCE PLANNING WILL  
INCREASE CHANCES  
FOR RETAINING SANITY**

*I suppose...*

# BEWARE

AGREEING ON PHILOSOPHICAL  
CONCEPTS ISN'T ENOUGH;  
HOW THEY ARE IMPLEMENTED IS KEY



Oversee Implementation to get what you want



5' wide hallway



6' wide hallway



8' wide hallway



9'6" wide hallway – nice architectural feel for this basement.  
However, not income producing or usable space.



Who approved those 250 watt lamps? Wasted energy.

# LEASING

- Setting your rent level
  - Get a solid estimate of all costs
  - Do you want to
    - make \$ ?
    - breakeven ?
    - Subsidize tenants and cover a loss?
  - Calculate breakeven then add contingency for oversights and vacancy
  - Divide breakeven + contingency by total net rentable square feet
  - Get \$/sq. ft.

# IMPLEMENTATION TIPS

- Get independent checks on costs, fundraising ability, construction monitor
- Consider phasing your project
  - Incremental growth reduces risks
- Be specific about costs
  - Everyone has incentive to minimize costs
  - Must include all indirect costs
- **Remember - mission comes first**

# COMPARING RENT LEVELS

- Prospective tenants will ask what \$/sq ft. are you charging
  - Are you triple net?
  - Full service?
  - Who pays for which expenses?
  - Do you have a rent escalator?
  - Do you have an expense escalator?
  - How much and what common area is included?
  - Do you provide cost saving services?

# THE LEASE

- “Keep it as simple as possible, but no simpler.” ~ Albert Einstein
- Get examples from the network.
- Compare options
- Study and use “green” lease provisions
- UNDERSTAND YOUR LEASE PROVISIONS – YOU’LL HAVE TO NEGOTIATE THEM WITH TENANTS

# TEST YOUR LEASE

- Get “friends” to review and react
- Finalize and make air tight
- Encourage tenants to collectively use a lawyer to review
- Finalize and remove all air
- Now your work begins with new prospects who will find leaks

# LESSON

**UNDERSTAND YOUR LEASE**

***and all its clauses and  
implications***

# LEASE TERMS

- Triple Net
  - Operating costs
  - Insurance
  - Taxes
- Full Service
- Base stop
- Escalators of rent and costs

# ABOUT PROMISES

**DON'T MAKE THEM**

**UNLESS YOU'RE CERTAIN  
WHAT WILL BE FULFILLED AND  
ARE POSITIVE WHEN**

Covers your project team, staff, tenants,  
neighbors, friends, family...

# PROPERTY MANAGEMENT

- The (false) choice:
  - Hire a firm
  - Do it yourself – *NOT*

Conclusion: Put your effort into identifying a management company, not into learning how to manage.

# COMMON MISTAKES

- Facility > mission
- Falling in love with “unique” real estate
- Starting before a network of support is in place
- Not investigating all financing options
- Starting before financing is in place
- Starting before fundraising is in place
- Not having a financial cushion
- Expecting funders to bail you out
- Not updating costs throughout project
- Not establishing a tenant base
- Not having your website at the outset



# Alliance

for Sustainable Colorado

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