

Winning Strategies

Planning, Construction & Renovation **Real Life Issues**

This has been an interesting year. There are so many clubs with projects at many different levels of completion. It is amazing that the same issues resurface from club to club and project to project. It may be important to reflect on a few of these problems as this reflection may be valuable to those of you who are in the same situation. Remember what Winston Churchill said, “To improve is to change, to be perfect is to change often.”

What format should strategic and master planning take?

A lot of people are using the concept of circular planning where the process goes through several steps until it is back reinforcing the original step. Maybe instead of circular we should take a spherical perspective. Let's assume that you have a perfect ball with a hole in it that shoots out light. As you move the ball in all directions the light points out in every direction. It will hit on positive ideas and ones that do not work well. However, you will be able to cover everything in all directions of your thought process.

Now let's assume that we flatten the circle into a pancake. The light will shine either up or down. Or as Doctor Phil says “No matter how flat the pancake there is always two sides.” In essence you will either have a plan or not.

What is the senior mentality on strategic or capital planning? Now, before I start in, I must confess I would qualify a senior club member having been a member of my club for 36 years. That being said there are often too many senior club members who have a philosophy like “leave it alone, don't change anything, everything is all right and, oh by the way, don't charge me any more money.” Ever hear that before? So the only way to insure that their philosophy wins is not to have a plan at all. If you have a plan, something is likely to change. Without a plan, the thinking is that no change will occur.

The problem is most prevalent when you attempt to provide a master plan for capital replacement. We recently had a member at a client club that sent a letter to the membership about their concerns over completing a facility master plan. What was their concern? If you have a plan something might actually happen and if it happens the members will have to pay for the improvements. Every club should plan for the future. This includes facility improvements and capital investment strategies. It is paramount that master planning is appropriately phased so that the project is logical, provides increased value and satisfaction to the membership, and is of a scope that is affordable within the marketplace. We all have to remember that every club will have the ‘do nothing’ members to deal with. You need to prepare for that group and be able to address those issues.

Is the Club paying the right price for consulting services?

This is a subject we have discussed before. Remember, although you don't want to overpay for master planning, the real cost is in the architectural fees moving forward. In a recent project we prequalified four architectural firms to interview. Prequalified means that any of the firms we interviewed had the background and reputation to complete the work. The master planning fees ran from \$20,000 to \$50,000. The future architectural fees ran from 6% to 9.5%. On \$3 million of work those fees ranged from \$180,000 to \$285,000. That is a \$105,000 difference. I think that amount of difference is worth doing your homework

The reason we go through this exercise is that you never want to change horses in mid-stream. Once an architect is chosen you want to know your financial exposure to future fees. Whoever designs the project should complete it. If you hand off designs from one firm to another they will just change, as the new firm will want to make changes, sometimes major changes. So what happens is that you pay for design twice.

Why do so many clubs pay for the Architect and Interior Design firm for the same work?

On a recent project we ran into this actual scenario. This is an important and little addressed issue. A majority of clubs pay twice for a portion of the design work. Come on, that can't be true! Let's examine how this could happen. The contract between the architect and the club is on a form called AIA B 101. This is a standard contract written by the American Institute of Architects. Article 6 is called the Cost of Work. This is the total cost to construct all aspects of the project designed by the architect or specified by the owner.

When your project has a full service interior design company on the team it is not uncommon for the interior designer to specify and design all the millwork. They also specify the carpet, tile, decorative lighting, building hardware and much more. These items are all attached to the building and are not included in FF&A (Furniture, Fixtures and Accessories) that the interior designer will also provide.

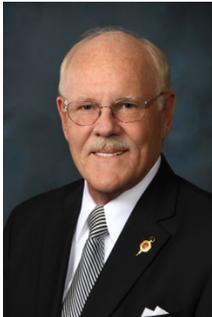
The club will have two contracts with the interior design firm. The first is to design the project (including those items fixed to the building and all the FF&A). The second contract is to procure all the furniture and install it at the appropriate time. The problem arises because most architects consider all items attached to the building subject to their fees. Let's look at the following example:

The budget for attached material was \$450,000. The interior design firm may have charged you an 8%-10% design fee (\$36,000 to \$45,000). We also noticed that the architectural fee included that \$450,000 of carpet, tile, millwork and hardware. \$450,000 X 7% architectural fee or \$31,500.

We contacted a top club architect who was not associated with the project. They said this issue is a real gray area in the industry. Our argument was that the Cost of Work was based on things designed by the architect. These items were designed by the interior designer. The architect made the argument that they had to supervise the installation of these items through the contractor and subcontractors. We agreed to compromise at a 3.5% fee (50% of the original) thereby saving the club \$15,750. This saving would never have happened if you don't address the issues.

The above examples are just a few of hundreds of issues from the beginning of planning till the project is finished. There are several resources for you to become more educated in the areas of master planning, construction and renovation. A number of years ago CMAA came out with a resource called the Facilities and Amenities Series Vol. I. & II. There are many articles on roles of the parties and contract documents that can be of assistance. You can also visit clubwiseconsulting.com/Publications/Articles.

If you are going to war, you might as well be fully armed.



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