Abstract

The Project is a Build-out for a Tenant in an Office Building that includes a Lease Renewal for the existing space and expansion into a vertically connected space. This Project has two very important elements. The Lease Renewal, specifying remodeling the Tenant's existing second floor space and is comprised of 8,000 square feet. The second part of the project is expansion into 3,000 square feet of additional space located on the first floor immediately below the tenant's existing space, which will require a new tenant fit up to the specifications of the tenant. The Project will demonstrate the importance of managing and completing the project within the Organization's goal of completing the job on time. This is the constrained priority of the project. In Managing the Project, the Tenant Build-out will include many events or "significant occurrences in the life" (Portny, 2007, p86) of the project and within the parameters of the objective, which is completion within the time deadline as set forth in the Lease Agreement. The objective will be demonstrated within the project's Priority Matrix in conjunction with the Risk Assessment of items that might occur and possible Risk Mitigation. These Deliverables, milestones, technical requirements, limits and exclusions and customer reviews will set the platform for The Work Breakdown Structure and the associated Bottom up Costs. Financial Evaluation of the Project, utilizing the Payback, Net Present Value, and Future Value Methods will be used to demonstrate the rationale for the Budget and completion of the Project. The actual work of the project will be outlined in the Project Management Section. Finally, the Project will conclude with the Recommendations or the lessons learned that would have made the project go smoother or more efficiently.

(1/Project Specifications

A. Scope Statement

To complete the Build out for The Accounting Firm at Harrington Office Park, within a Budget of $220,000. The Project, to begin on June 1, 2006, consists of remodeling of its existing Second Floor, 8,000 square feet space and fit up of a 3,000 square feet space directly below on the first floor. A newly constructed spiral staircase will connect the spaces

B. Deliverables

- Obtain Building Permit from the Town of Braintree
- Demolish Expansion Space
- Cut Hole through concrete floor
- Install internal spiral staircase between
- Stock job
- Frame
- Sheet Rock
- Insulate Walls and Ceilings
- Tape and Sand Walls
- Install Doors
- Frame Oak Side lights
- Install Glass for Side lights
- Install Kitchen

  Plumbing for Kitchen

- Update Electrical Panels from 60 Amp to 100 Amp
- Install Voice, Data and Plugs
- Complete all finish electrical
- Install Ceiling
- Install HVAC
- Paint
- Install Carpet
- Final Cleaning

C. Milestones

- Building Permit Obtained and Start Expansion Space Job, June 1, 2006
- Architect's Progress Inspection, Expansion Space, July 5, 2006
- Inspection and Approval of Plumbing Inspector, Expansion Space, July 6, 2006
- Inspection and Approval of Electrical Inspector, Expansion Space, July 6, 2006
- Sign off from Architect of all work, October 9, 2006
- Inspection, Approval and issuance of Certificate of Occupancy by Building Inspector, for Expansion Space, October 13, 2006
- Move Designated Staff from Existing to Expansion Space. October 14, 2006
- Begin Remodeling of Existing Space, October 16, 2006
- Architect's Progress Inspection, Existing Space, October 31, 2006
- Completion of Final Clean, December 13, 2006
- Sign Off from Architect of all work, December 15, 2006
- Completion of Job, December 15, 2006

D. Technical Requirements

- Meet all Building Code Requirements necessary to get sign offs from Building Department
- Meet conditions of the job to obtain an Occupancy Permit
- Complete punch list at end of job with tenant to obtain sign off for lease conditions

E. Limits and Exclusions

- Cost of Project is limited to $22.00 per Square Foot or a total job of $220,000
- Project must be completed by December 31, 2006, as Tenant's business activities prohibit work after that date.

F. Review

- Tenant's Contact Person
- Tenant
- Architect sign off prior to obtain approval from the Town of Braintree

G. Risks

- Unanticipated problems with subcontractors
- Tenant's Change Orders during job construction
- Inability of getting The Building Department's sign offs due to not meeting job specifications and/or code requirements

/ 2. Business Case

A. Rationale

The rationale of the project is to renew the lease and therefore retain The Accounting Firm by meeting its expansion demands; that is tenant retention and leasing vacant space. Since contiguous space was not available on the second floor, the vacant space on the first floor was connected by a prefabricated spiral staircase kit. The Build out will occur in June 2006 and fcl* completed by December 2006, at a cost, not to exceed $225,000.

B. Key Stakeholders

The Key Stakeholders for the build out are all the people that project success depends on

• Architect

- Town's Building Inspector
- Town's Electrical Inspector
- Town's Plumbing Inspector
- Town Fire Marshall
- Carpentry Contractor
- Painting Contractor
- Plumbing Contractor
- Electrical Contractor
- Ceiling Contractor
- HVAC Contractor
- Carpet Contractor

Voice/Data Contractor

- Tenant's Contact Person
- Tenant

C. Keys to Success

- Comprehensive Planning
- Quality Ongoing Inspections
- Quality Control
- Effective Communication
- Project Control
- Assessing Performance
- Cooperative and Competent Contractors
- Good working relationships with Tenant and Tenant's Contact Person
- Good relationship with Architect to get sign offs on a timely basis
- Good relationship with Town's Building Department to get sign offs and Certificate of Occupancy on a timely basis

3. Maero (Top Down) Cost Estimates

The Ratio Method is used as the construction allowance to complete the job is contractually fixed at $20.00 per square foot. The Micro Approach or Bottom up Method will be used to price the job. If cost construction exceeds the tenant allowance due to extras requested by the Tenant, the cost is the Tenant's responsibility. If cost of construction exceeds the tenant allowance due to line item overrides, the cost is the Landlord's responsibility.

Total square feet is 11,000 square feet x $20.00/sq ft - $220,000

NPV Analysis

In analyzing the financial feasibility and budget of the project the additional rent that will be generated by building/fitting out the space will be considered based on the following:

- The 8,000 sq. ft original space is being renewed at $2.00 more per sq. ft. for an additional 5 year period or $16,000/yr x 5 years = $80,000.
- The Additional 5 year rent rent received as a result of the new space is $330,000.
- The Investment is the $220,000 total Construction Cost

Investment is calculated on $220,000 one time payment and the sum of the present value for the additional rent received for the original space and the rent received for the expansion space for 5 years. See Appendix

The NPV Financial Calculation indicates that there “is a high level of confidence associated with the estimate of future cash flow” (Gray & Larson 2006 p 32), that is a rent increase of an additional $2.00 per sq. ft. per year and renting an additional 3,000 sq. ft. @ $22 per sq. ft. for 5 years, as a direct result of investing $220,000 in a buildout.

Since the result of the total of all net cash inflows are positive “(project meets the minimum desired rate of return) it is eligible for further consideration” (Gray & Larson 2006 p 33). Further consideration includes NPV of $50^725 and a payback of 2.7 years. See Appendix

In conclusion the investment of $220,000 in a buildout that will yield $410,000 more income over a 5 year period. A positive NPV of $101,241 and a payback of 2.7 years makes for a wise financial investment. In addition, there is a strong possibility the tenant will renew their lease again which will contribute to a higher return and by leasing the 3,000 sq. ft. vacant space now, rather than leave it vacant longer also contributes to a net gain in rental income.

4 Jwork Breakdown Structure (WBS)

The Work Breakdown Structure is attached.and “serves as a database that links all levels in the organization, major deliverables, and all work-right down to the tasks in a work package” (p 14) See Appendix 2: WBS. The Project must be completed by December 31, 2006, due to contractural constraints . High level breakdown is in 3 Sections of the Project.

- Break through between floors
- Fit up of Expansion first floor space, construction permit required
- Remodel of existing second floor, no construction permit required

5ySchedule and Key Milestones

A. Rolled up (micro) cost estimates (bottom up estimates from WBS)

The Work Breakdown Structure (WBS) has been used to obtain detailed bids to create the final construction budget. All work packages have been bid out and subcontractors selected based on the contractor’s experience, pricing and references. Past experience working with the contractor has also been taken into consideration in awarding the contract. Total contractor costs amount to $213,000 and a $7,000 Project Contingency Fund has also been set, as a means of offsetting uncertainty.

B. Resources

Human Resources are emphasized as the Subcontractors will provide all their own non personal resources. The major non personal resources that will be used are the construction plans and specifications. The personal resources are illustrated in the Responsibility Matrix; see Appendix 3

6. Project Management

A. Project Priority

Time must be constrained as the Tenant has specified that due to their type of business, Tax Accounting, the build out can not extend past December 31, 2006. A clause has been put into the lease agreement making this part of the contract due to the beginning of their work, tax preparation, the build out must be completed by December 31, 2006. There can be no compromise on this.

Enhance is performance as the quality and timely completion of the build out will serve as good tenant relations and advertising for prospective tenants

Accept is cost since a contingency fund has been set up and also if cost exceeds the budget due to Tenant requested extras, the tenant is contractually liable for the extra costs. See Appendix 1: Project Priority Matrix

B. Risk Management Plan

"A risk-management plan lays out strategies to minimize the negative effects that uncertain occurrences can have" (Portny, 2007 pl65) on the project. Typically, Tenant Buildouts can experience risks that affects the project's time, performance and cost. It is important therefore, to "generate a list of all the possible risks that could affect the project" (Gray & Larson 2006 p. 209)

Risk Identification

- Tenant Extras after job start
- Delay in Inspections

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- Scheduling subcontractors in sequence

- Undetected job conditions

See Appendix : Risk Assessment

8. Recommendations

TO BE DONE