Outsourcing Facilities Management: A Luxury—or Smart Solution?

Here's how to get a handle on managing your organization's property.

By Christine Muszynski & Joseph Swojenski

In many nonprofit organizations, outsourcing certain functions to a professional services provider is perceived as a luxury. Facility management services often fall into the "we can't afford it" category. A nonprofit organization facing today's funding pressures and a highly competitive fundraising environment must carefully consider all expenditures. Yet for many nonprofits, facilities management can be a hidden drain on resources and an area in which outsourcing can help reduce costs.

Why Outsource?

Many nonprofits assume that outsourcing facilities management must cost more money than it saves. Most organizations operate with as little administrative personnel as possible, and employees are accustomed to "wearing many hats," including the real-estate "hat." In this context, it can be difficult to measure the true cost of managing facilities via multitasking in-house staff. While it's estimated that 30% of the value of most organizations is allocated to real estate, these circumstances can make it difficult to identify inefficiencies in how facilities are managed.

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It's not unusual for an executive director, chief financial officer, or community director to also be in charge of facility leases, construction and renovation projects, janitorial services, utilities, technology infrastructure, and other occupancy-related activities that aren't part of their area of expertise or of the organization's core services. These ancillary administrative functions can be a major distraction, draining valuable time and detracting from an organization's primary mission.

Increasingly, nonprofit organizations are finding that the benefits of working with a professional facilities management firm far outweigh the costs. For instance, a third-party facilities manager can do the following:

- **Analyze** exactly how much the organization is spending to occupy and maintain its facilities.
- **Benchmark** those costs against industry standards.
- **Pinpoint** areas in which the organization can operate more cost-effectively.
- **Contract with vendors and suppliers** who can provide facility-related products and services at the most competitive price.

Another function of a third-party facilities manager is to help the nonprofit make informed real-estate decisions. Real estate is often an organization's largest financial asset. Decisions on how to best maintain the value of that real estate through capital investments, whether to rent or own a new facility, or whether to sell a property altogether can be deciding factors in an organization's long-term financial health. A third-party management firm can advise the nonprofit on the many issues to consider in these decisions.

How Can You Choose a Facilities Manager?

The real-estate industry offers many third-party facilities management firms that are happy to work with nonprofit entities. Be aware, however, that they don't all have the skills required to deal with non-

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Experience is, naturally, one credential to look for. Has the firm worked with other nonprofits? Is its staff familiar with the special accounting, accreditation, and licensing standards required for your organization? Can you obtain references? Does the firm have a passion for serving your organization's mission while managing your facilities in the most cost-effective manner?

Such experience makes a major difference in results. Nonprofit facilities managers must be able to accommodate the reporting, accounting, and regulatory requirements mandated by governmental and private agencies that fund nonprofits. Special attention must be given to licensing requirements and financial accountability.

For instance, rehabilitation centers must meet the standards of the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). Therefore, the third-party manager needs to be fully versed in JCAHO's "Environment of Care" requirements.

Another challenge for the nonprofit property manager is securing qualified, reliable, and cost-effective vendors to perform the necessary services at the various properties. Vendors must be able to work with the special needs of community service programs and, often, in difficult environments. For example, youth facilities may require vendors to work with special building materials that will help limit repair and maintenance costs while providing a safe, secure, and healthy environment.

The True Objective: Focusing on the Mission

Working with a third-party facilities manager comes down to two key advantages: It frees in-house staff to concentrate on the organization's mission, and it provides expertise in managing real-estate assets. A qualified facilities manager can help develop the standards and processes that will empower employees to focus on serving constituents. ■

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Gateway to Efficiency

Gateway Foundation is a good example of how third-party management services can help a multi-site nonprofit organization identify efficiencies and enhance the value of its facilities. Founded in 1968, Gateway Foundation is a 501(c)(3) corporation that offers substance-abuse and mental-health services to more than 27,000 clients each year. The organization includes 1,000 employees serving clients through 16 facilities totaling 400,000 square feet of space. In addition, Gateway manages approximately 25 corrections-based programs.

Gateway approached HSA Commercial Real Estate, a property management firm, to help improve efficiency and enhance the quality of the environment at its facilities. An immediate priority was to improve the appearance and cleanliness of Gateway's facilities, and Gateway sought assistance in reviewing a bid for janitorial services. Finding the proposal too open-ended and expensive, HSA created a request-for-proposal document, reviewed bids, and secured a more affordable service for a defined scope of work.

Like many organizations, Gateway hadn't focused on its occupancy expenses to insure that its facility-related budget was being used effectively. HSA reviewed Gateway's facilities costs and compared this information to Building Owners and Managers Association (BOMA) and International Facility Management Association (IFMA) data. Every cost category was considered, from utilities to maintenance staffing and waste removal. In addition, HSA compared the cost of occupancy for each site, uncovering some major cost differences among these facilities. As a result of this benchmarking, Gateway was able to prioritize projects that would be most cost-effective.

Perhaps most important, HSA worked with Gateway to develop a strategic facilities plan in which real-estate decisions are aligned with the organizational mission. The plan includes such considerations as maximizing service revenue through facility design, identifying market and geographic opportunities for growth, and analyzing the consequences of owning versus renting space. Each component of the strategy includes goals and measurements to assure that the organization is weighing risks and rewards when making real-estate decisions.

To Learn More

For more advice on how to manage your organization's property and how to outsource real-estate management and other functions, see these resources at www.snpo.org/members:

- **Rent Or Buy? How to Choose a Place of Your Own** (Vol. 16, No. 2)
- **Do You Have a Policy for Real-Estate Gifts?** (Vol. 25, No.3)
- **Beyond Outsourcing: Five Shared-Service Ideas** (Vol. 27, No. 6)
- **Nonprofit Doesn't Have to Mean Noncomfortable** (Vol. 18, No. 2)
- **Making Real Estate Work for Nonprofits** (Vol. 26, No. 2)
- **Outsourcing in the Nonprofit Sector** (Vol. 15, No. 5)
- **How to Use Real Estate as a Strategic Tool** (Vol. 22, No. 6)
- **Looking a Gift Horse in the Mouth: Receiving Real-Estate Gifts** (Vol. 16, No. 1)