

HUBBARD COMMUNICATIONS OFFICE
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FINANCIAL PLANNING REGARDING
PROPERTY RENOVATIONS & CONSTRUCTION

When doing financial planning for renovations and construction the key thing to keep in mind is that it must be done against assets or production. You renovate and build with the idea of increase of asset, not expense. You are making an investment and that investment must get beans back.

Recently an org submitted a proposal to spend \$750,000 for renovations and construction of a property which would have resulted in little if any increase of asset. They wanted to build 2 new buildings at vast expense for very specialized functions which would have been worthless to any future buyer as they did not fit the scheme of the other buildings in the area. They were also going to spend a lot of money on fixing up some old shacks which would have just been bulldozed later. If you're going to build something it has to be convertible to some use which would have value to any future buyer. A studio would have to be convertible to a hotel, an indoor tennis court, or whatever would be valuable if sold some time in the future. On buildings that would just be bulldozed you would spend the least possible amount just to make them usable, if they are going to be used at all. You need to select out what is a permanent asset and what would just get temporarily fixed up.

An example of the right way to do this is Cedars in PAC. An old rundown hospital was converted into upstat offices and the value of those buildings has skyrocketed.

You can also make the mistake of spending too little with the result of no increase of asset and just waste what you do spend. You can also neglect to spend money for ordinary routine maintenance such as machinery, walls, floors and reduce a building into a slum. Doing a bunch of temporary patch-ups can cost you as much or more than doing it right the first time in the long run and will not increase the value of the property.

The rules are:

1. DOING IT RIGHT THE FIRST TIME.
2. RENOVATE AND BUILD WITH THE IDEA OF INCREASE OF ASSET.

T/Action Chief CMO

as ordered and
approved by

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