



# Risk of Inaction

The New Facilities ROI

# Speaker Profile

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Healthcare*

# Today's Discussions

- We Are Agents of Change
  - Re-defining ROI
  - Defining NAV
- Facilities Observations: A Facility Executive's Perspective
- Explore Survey Findings Across Key Areas of Emphasis:
  - Mission alignment
  - What needs to be done
  - Significant challenges
  - Quality investment confidence
  - Areas of concern
- Risk of Inaction
- Action Planning
- Explore Practical Strategies and Opportunities for Change
- Discuss Solutions and Next Steps for Engagement

**Our Insights,  
Technology and  
Expertise** Are the  
Countermeasures  
to Your Facilities  
Constraints



Robust  
Commitment  
to **Assessing,**  
**Articulating**  
and  
**Advancing**  
Your Priorities

1982

**Harry H. Mellon creates Job Order Contracting** to simplify and expedite a time-consuming construction procurement process

1990

**Harry H. Mellon founds Gordian** to help other organizations expedite project completion

2014

**RSMeans Data** joins Gordian, providing the most reliable and comprehensive construction cost database available

2015

**Sightlines** joins Gordian, providing facilities intelligence solutions that improve facilities planning and management

2017

**4Clicks** joins Gordian, providing comprehensive cost estimating and project management solutions

2018

Gordian joins **Fortive**, furthering our ability to provide connected workflows, real-time data and powerful analytics for our customers

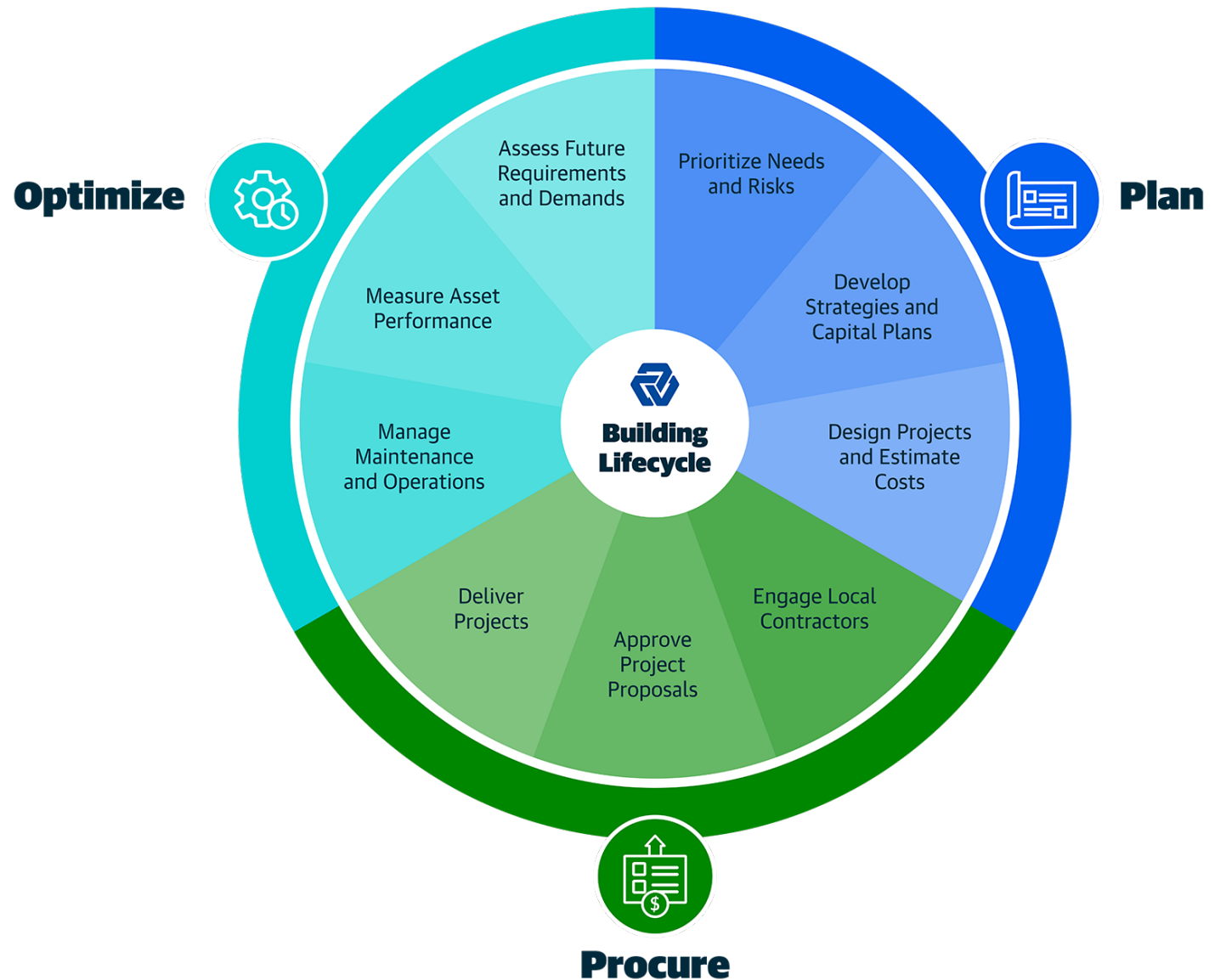
2021

**VFA** and **Kykloud solutions** join Gordian's best-in-class portfolio of assessment and capital planning solutions

2023

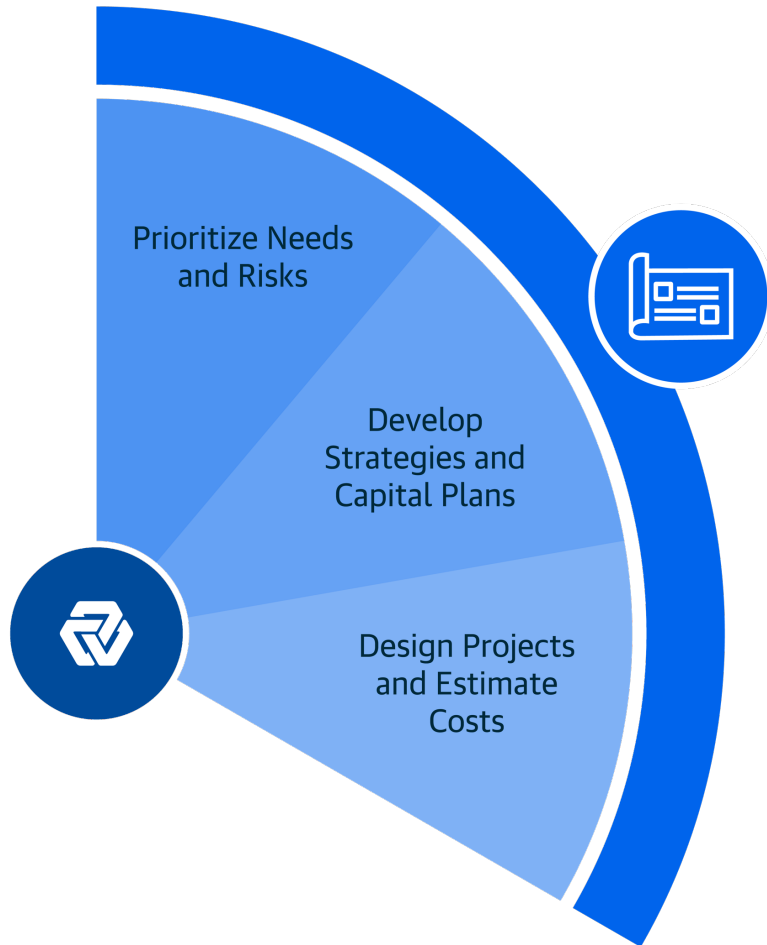
**NSR Management** joins Gordian to provide UK customers with more comprehensive cost data and procurement options

# Ensuring a Continuum of Care for the Physical Environment



# Plan

Intelligent capital deployments begin with standardized processes



Gordian's Planning Solutions help healthcare organizations:

### **Prioritize Needs and Risks**

- Effectively assess project costs with a single source of truth
- Empower improved communications

### **Develop Strategies and Capital Plans**

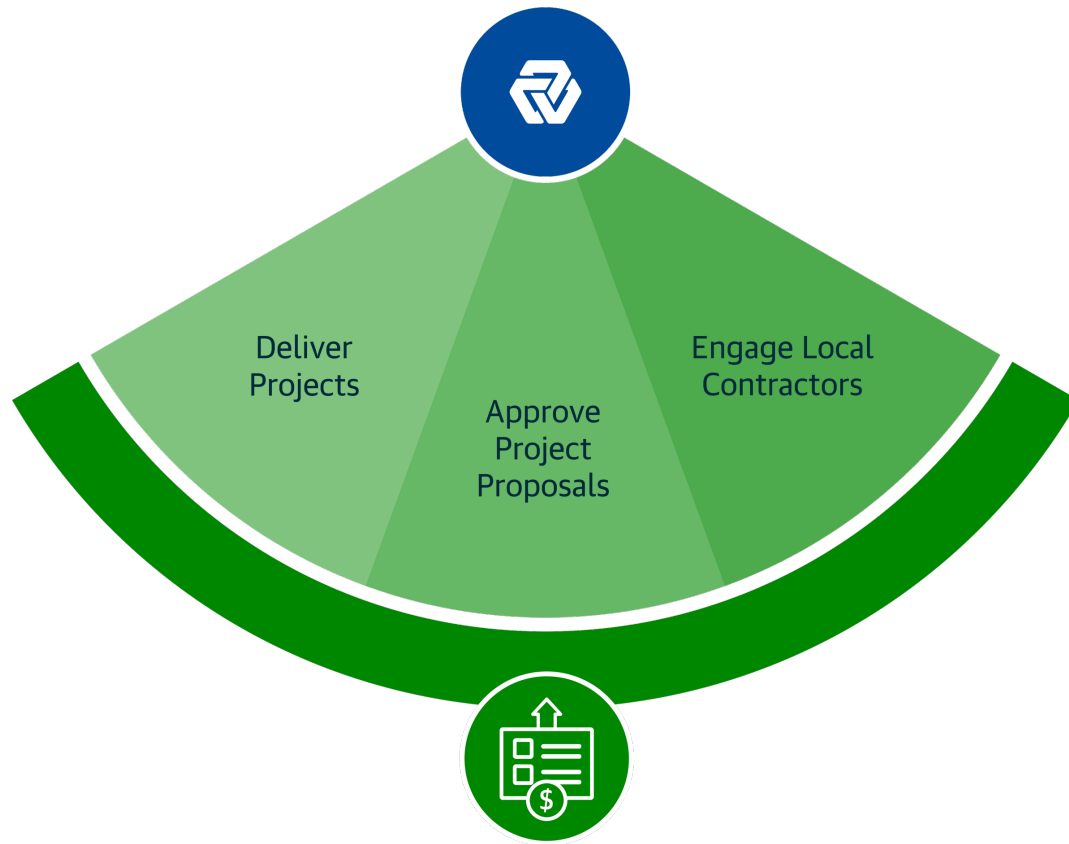
- Streamline repairs and upgrades in a transparent process
- Maximize limited capital

### **Design Projects and Estimate Costs**

- Estimate projects against staffing trends, portfolio needs and siloed departments
- Generate accurate and actionable plans

# Procure

It takes powerful tools and thorough strategy to manage portfolio improvements



Gordian's Procurement Solutions help healthcare organizations:

### **Engage Local Contractors**

- Gain access to qualified local contractors
- Generate procurement and constructions savings

### **Approve Project Proposals**

- Improve project outcomes
- Eliminate need for extensive training

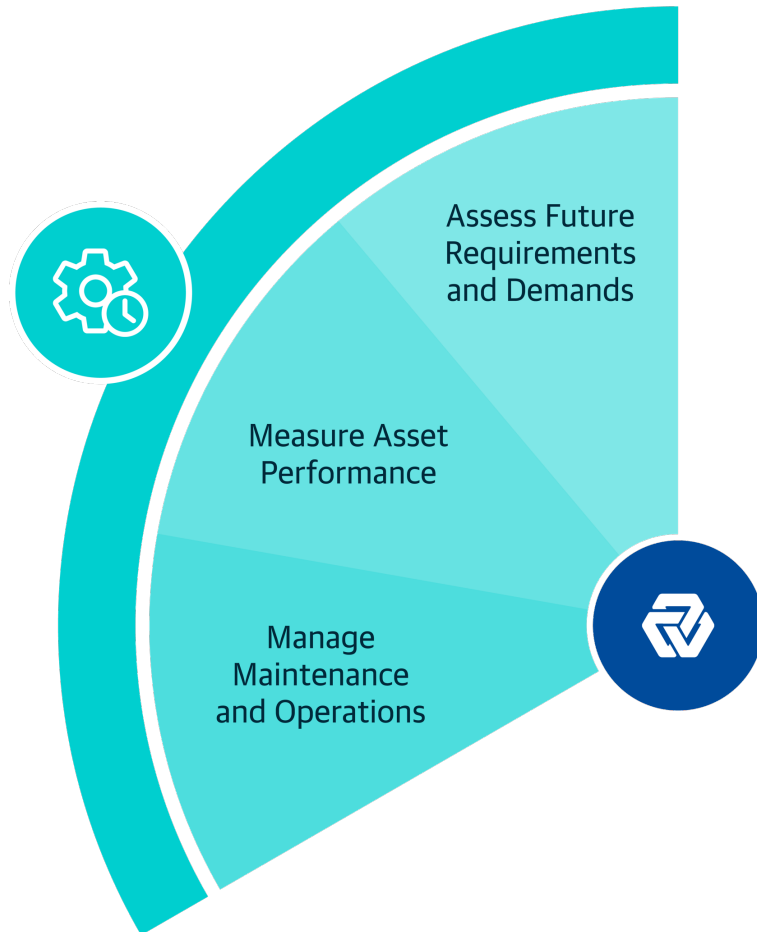
### **Deliver Projects**

- Manage day-to-day procurement duties
- Deliver essential projects on time and on budget



# Optimize

Communities count on safe, reliable and functional health systems



Gordian's Optimization Solutions help healthcare organizations:

## **Manage Maintenance and Operations**

- Identify and complete critical operational projects
- Execute on deferred projects

## **Measure Asset Performance**

- Develop standardized processes
- Create action plans for continuous improvement

## **Assess Future Requirements and Demands**

- Better forecast facilities requirements
- Develop recommendations to address changing system dynamics

# Agents of Change



# Re-Defining Facilities ROI

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- **Return on Investment:** The Traditional Financial Value-Added discussion – "Juice for the Squeeze"
- But Gordian is prepared to assert that ROI can and should also exemplify **Risk of Inaction** - The Risk to Business Continuity from underinvestment
- Of course, traditional ROI will continue to be a pivotal metric when evaluating the efficiency and value of investments
- This is particularly salient to facilities stewardship as constraints intensify and new vulnerabilities emerge
- When investment doesn't keep pace with portfolio aging, the result is declining **Net Asset Value (NAV)** and increased risk to critical mission delivery



# Net Asset Value (NAV)

Measuring the “percent good” of a building

## Investment Strategy

Portfolio	NAV Range
Capital Upkeep	90% - 100%
Repair & Maintain	70% - 89%
Systemic Renovation	50% - 69%
Transitional	Below 50%

- Capital Upkeep Stage:** Primarily new or recently renovated buildings with sporadic building repair & life cycle needs
- Repair & Maintain Stage:** Buildings are beginning to show their age and may require more significant investment and renovation on a case-by-case basis
- Systemic Renovation Stage:** Buildings require more significant repairs; major building components are in jeopardy of complete failure; large-scale capital infusions or renovations are inevitable
- Transitional Stage:** Major building components are in jeopardy of failure. Reliability issues are widespread throughout the building

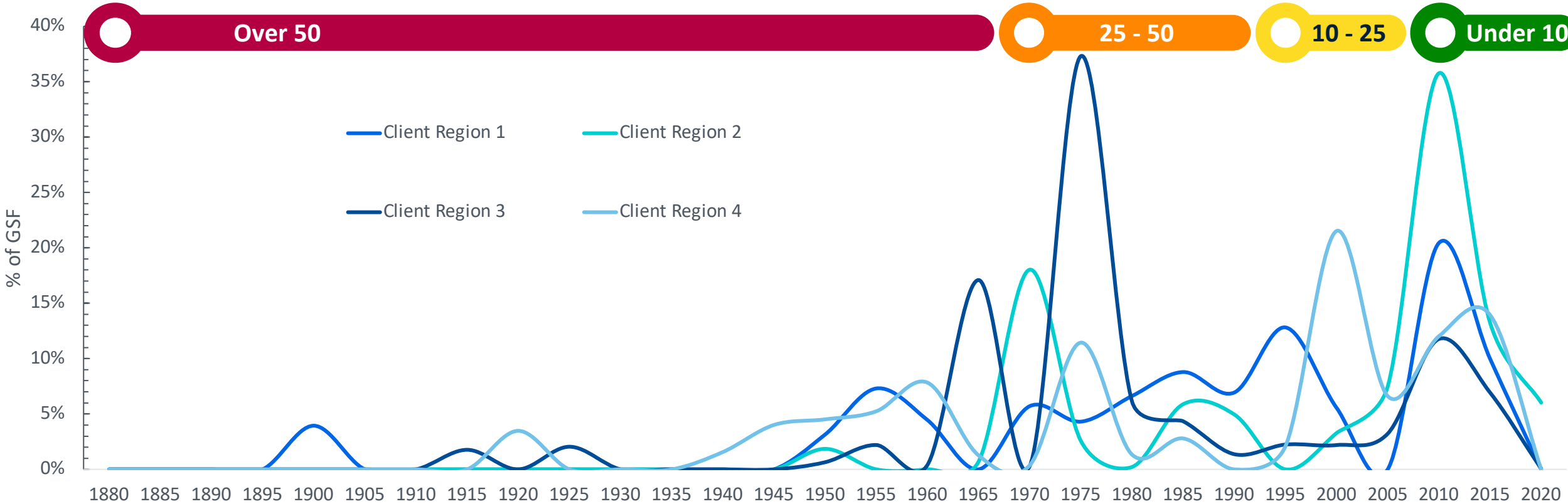
$$\text{Net Asset Value} = (\text{Replacement Value} - 10\text{-year Repair Need}) / \text{Replacement Value}$$

# Facilities Observations

The background is a solid blue color. On the right side, there are several overlapping, semi-transparent white geometric shapes. These shapes are composed of thick lines forming a series of nested, slightly offset rectangular and triangular patterns, creating a sense of depth and movement. The shapes are positioned on the right side of the frame, with the text 'Facilities Observations' centered horizontally and partially overlapping the left edge of these shapes.

# Construction Trends Compounding Investment Need

% of GSF by Construction Year



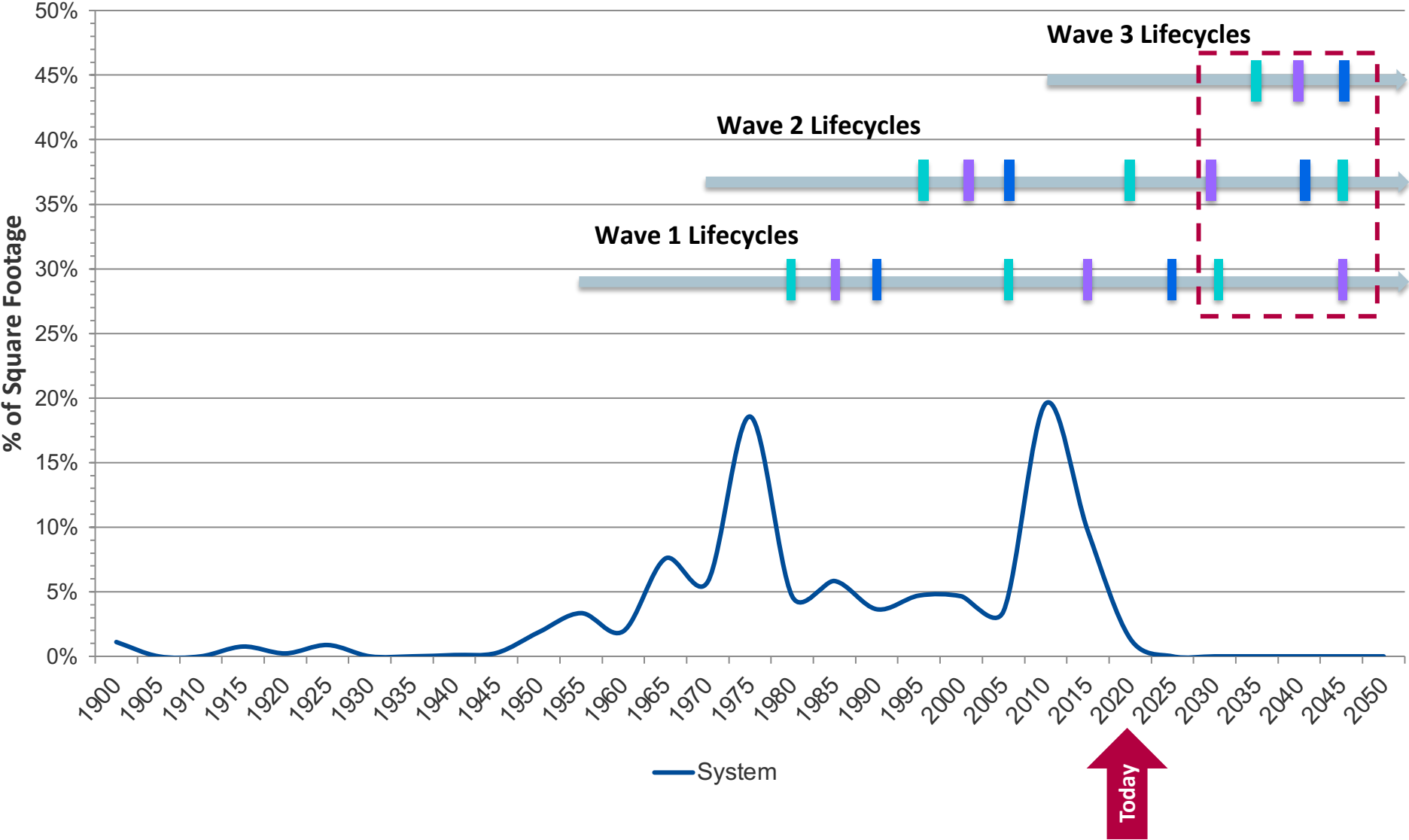
**Buildings Over 50**  
 Life cycles of major building components are past due. Failures are possible. Core modernization cycles are missed.  
 Highest risk

**Buildings 25 to 50**  
 Major envelope and mechanical life cycles come due. Functional obsolescence prevalent.  
 Higher Risk

**Buildings 10 to 25**  
 Short life-cycle needs; primarily space renewal.  
 Medium Risk

**Buildings Under 10**  
 Little work. "Honeymoon" period.  
 Low Risk

# Construction Trends Compounding Investment Need

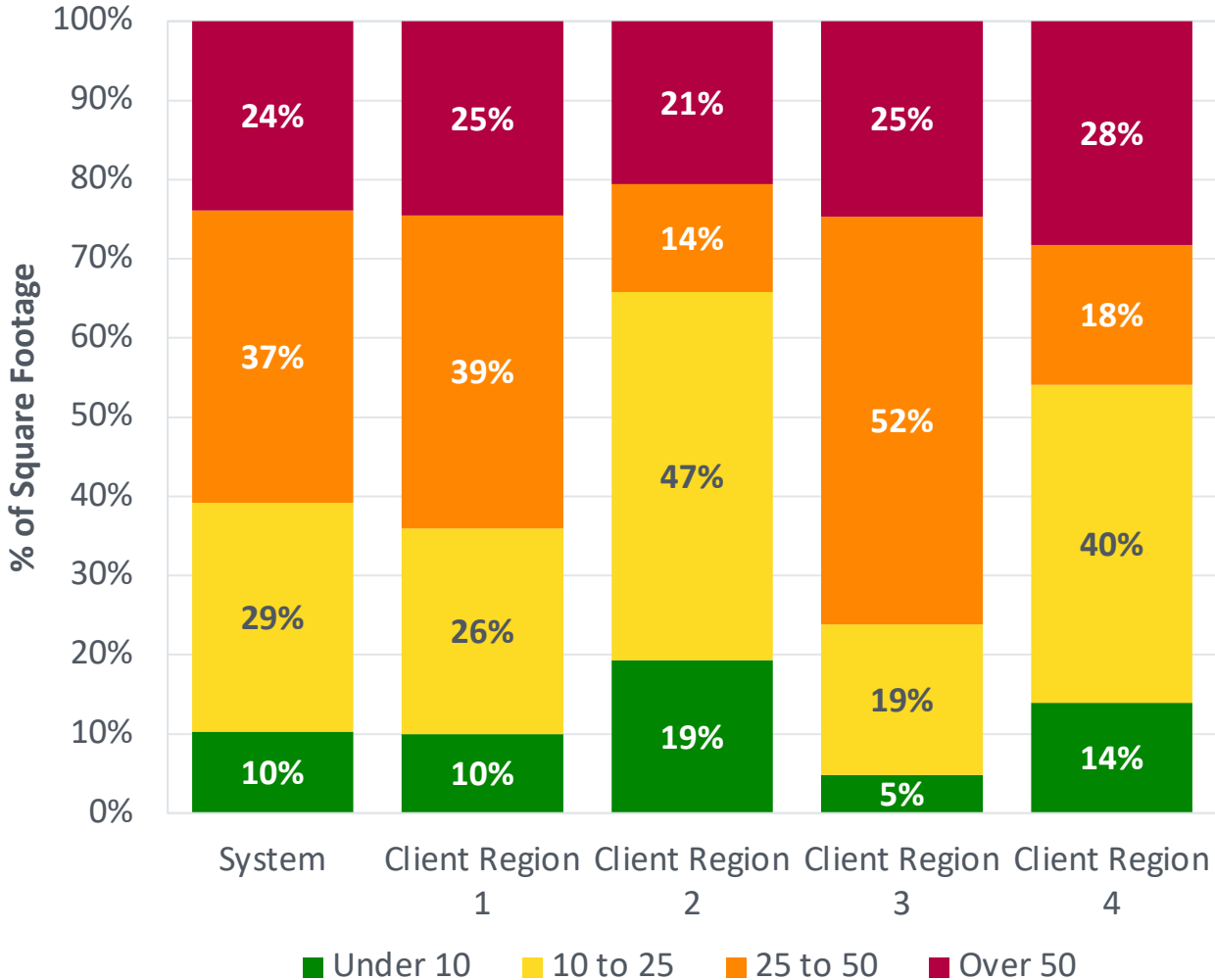


System	Life Cycle
Roofing	25 years
Electrical	25 years
Exteriors	30 years
HVAC	30 years
Plumbing	35 years

Future overlapping life cycles compound need

# Age Profiles Intensifying Exposures

Construction Age by Category



**Buildings Over 50 Years Old**  
 Life cycles of major building components are past due. Failures are possible. Core modernization cycles are missed.  
 Highest risk

**Buildings 25 to 50 Years Old**  
 Major envelope and mechanical life cycles come due. Functional obsolescence prevalent.  
 Higher Risk

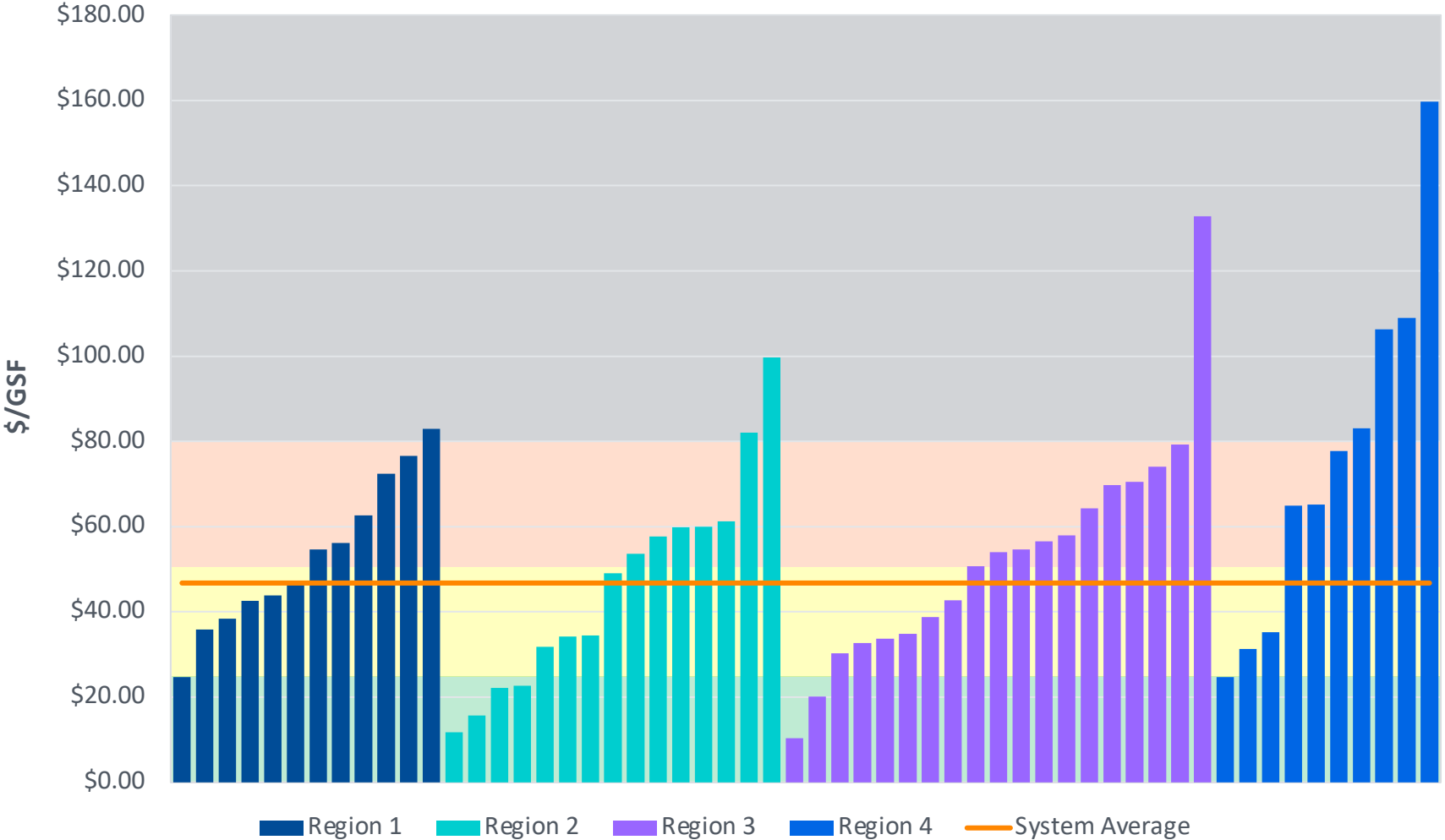
**Buildings 10 to 25 Years Old**  
 Short life-cycle needs; primarily space renewal.  
 Medium Risk

**Buildings Under 10 Years Old**  
 Little work. "Honeymoon" period.  
 Low Risk



# Risk of Inaction: Needs Across Buildings Within Portfolio

System \$/GSF Need, by Hospital



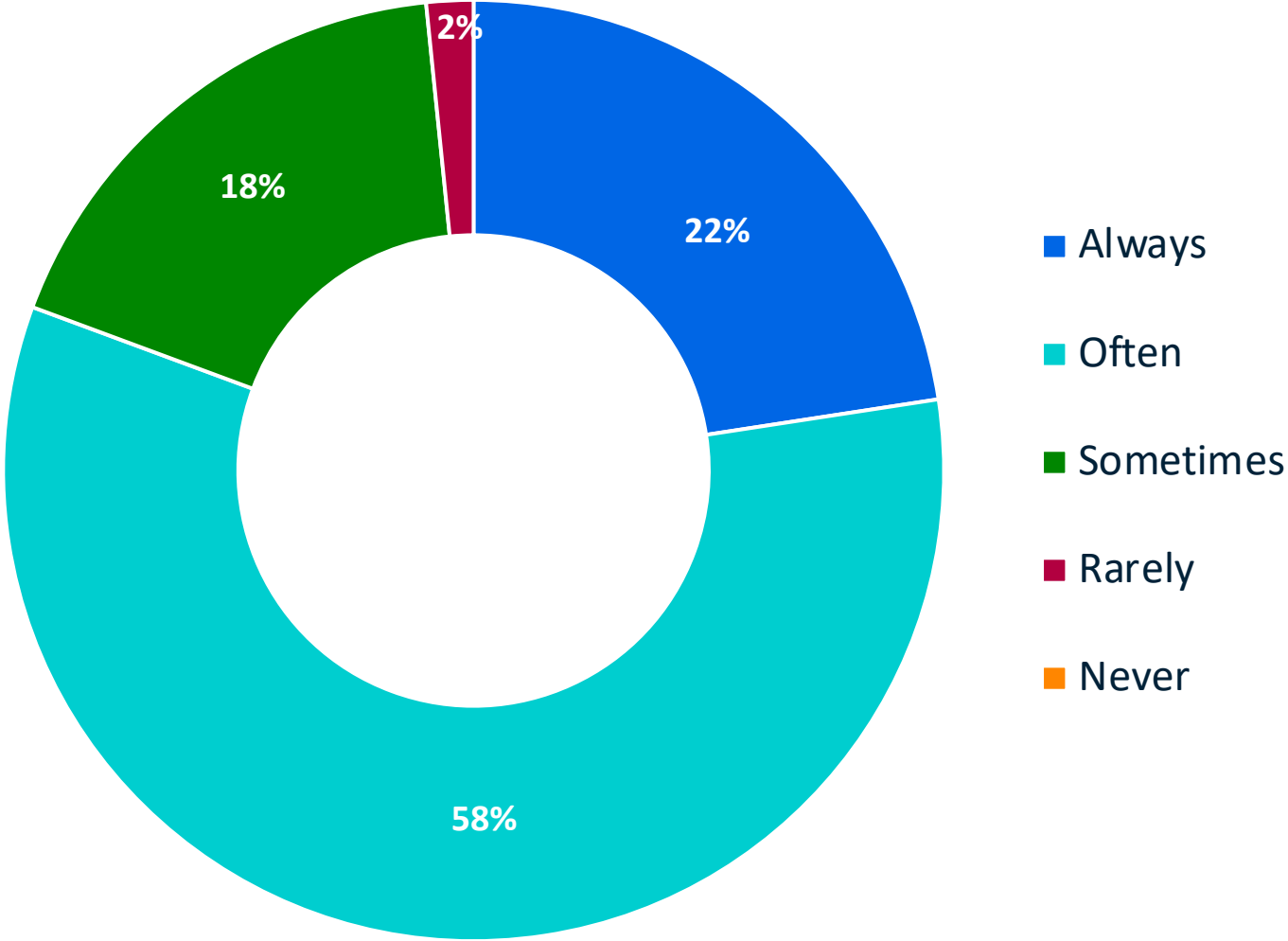
**Transitional**  
 Many or all major building components/systems are in jeopardy of failure. Reliability issues are widespread throughout the building.

**Systemic Repair**  
 Some major building components/systems are in jeopardy of failure. Reliability issues are common. Investment is needed at the system level.

**Repair/Maintain**  
 Few major building components/systems are in jeopardy of failure. Reliability issues exist. Investment is needed at the component level.

**Capital Upkeep**  
 Primarily new or recently renovated buildings with sporadic building repair & life cycle needs.

How often are you able to connect your day-to-day work with organizational mission and long-term priorities?



# What do you think needs to be done to improve the alignment between your day-to-day work and mission priorities?

Still mired in post pandemic cultural issues - Need to refocus from operational response to long term priorities.

**A serious disconnect between deferred maintenance requirements and funding and the risks this creates.**

**A crisis.**

**Better communication with leadership on an ongoing, not emergency, basis.**

Multi-year asset repair and replacement plan of legacy facilities and infrastructure

**We are aligned**

**Be at the table**

Resources to translate from being reactive to proactive.

**Critical reinvestment in infrastructure**

**Think in the future, not the now.**

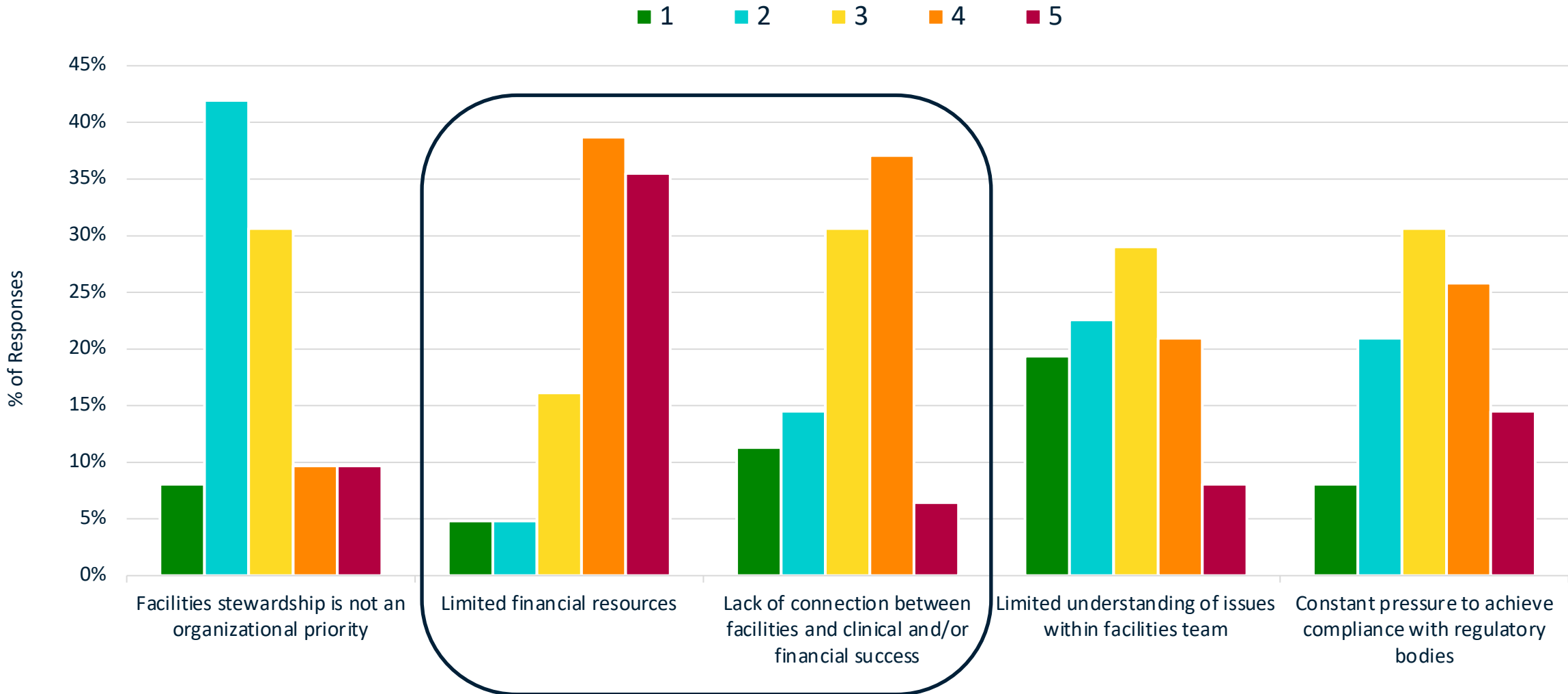
**Involving the end user more in the design phases.**

Better communication of the mission to all stakeholders and using the mission priorities as a tool to prioritize capital spending.

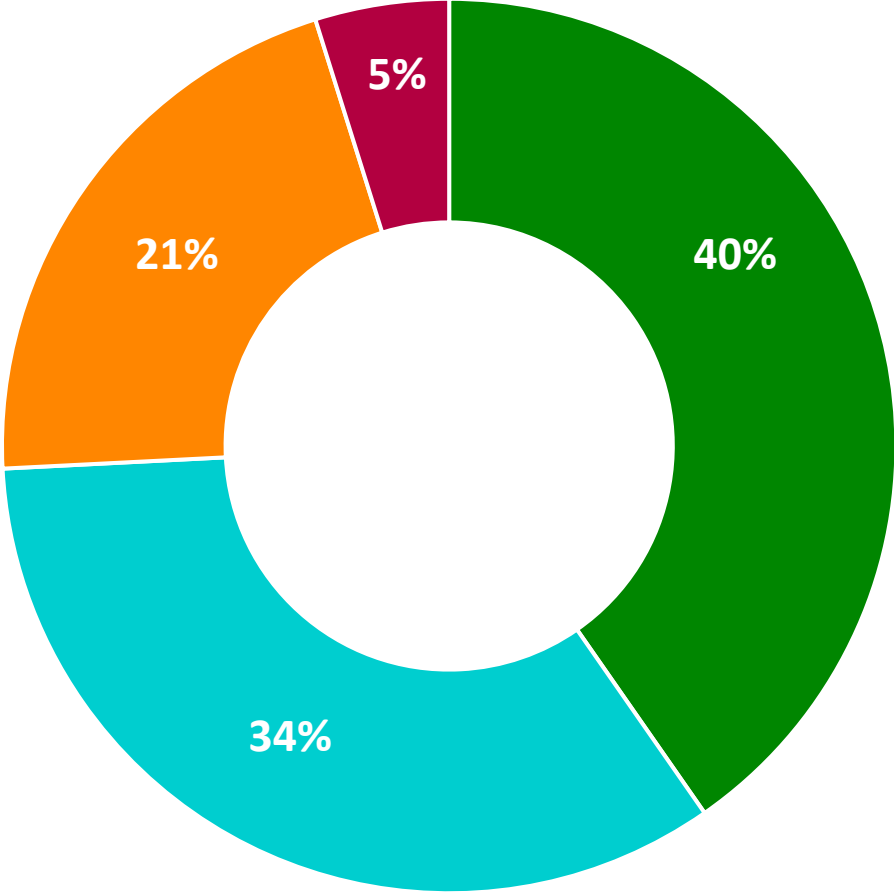
we need leaders that think out of the box

Unsure

# On a scale of 1-5 (1 – Not at all challenging, 5 – Extremely challenging), how significant are the following challenges to achieving your critical facilities priorities?

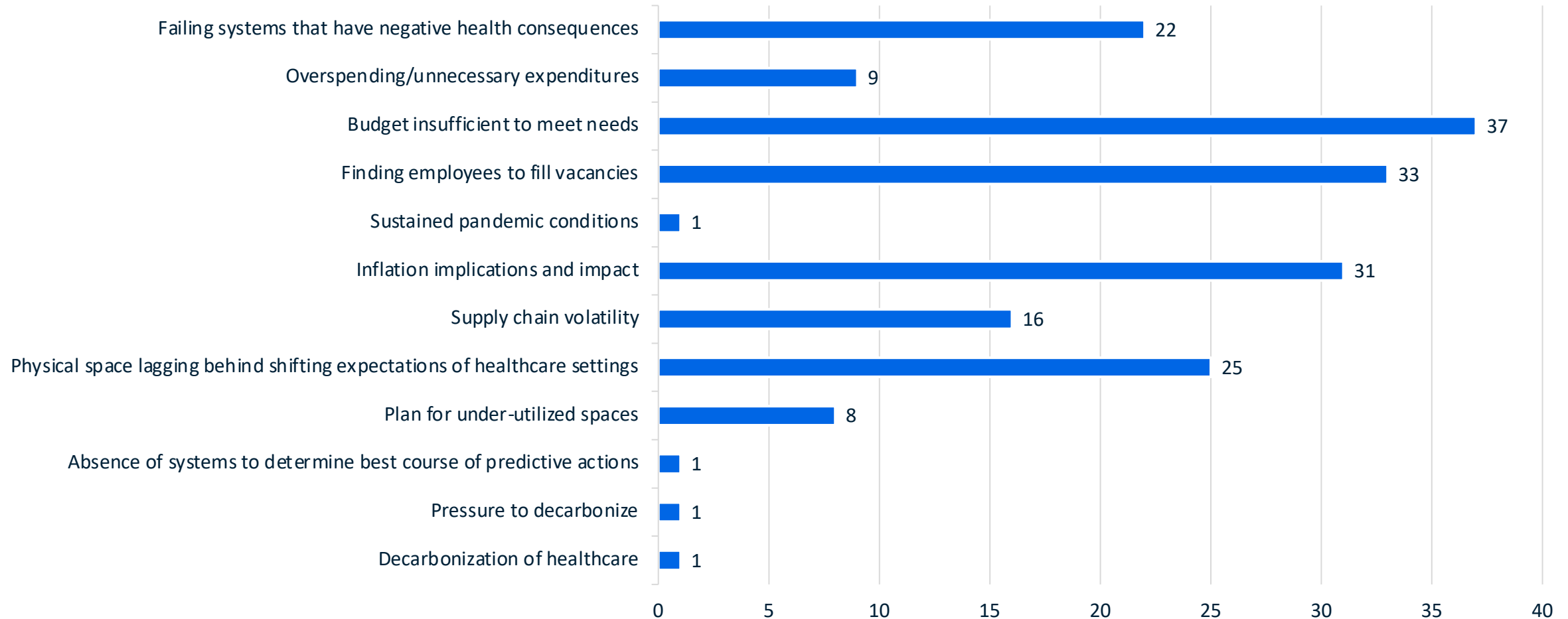


How confident are you in the quality of the investments you're making to steward your facilities in the short and long-term?



- Very confident
- Moderately confident
- Somewhat confident
- Not at all confident

# From the list below, please identify your top three areas of concern for the future?



# Risk of Inaction



# Risk of Inaction

Absence of space enrichment to improve patient throughput

Declining Net Asset Value

Operational inefficiencies

The other VE – Value Eradication to the care continuum

Business Continuity Disruption

Reduced stakeholder satisfaction

Reduced revenue



# Action Planning

The background features a solid blue color with several overlapping, semi-transparent geometric shapes in various shades of blue. A large, white, stylized arrow shape points from the left side of the image towards the right, partially overlapping the text and the background shapes.

# What plan of action have you put in place to assure your success?

Long-range  
capital renewal  
plans

FCA  
implementation

Integration of  
facilities into  
master plan

Regular  
communication and  
optimization reviews  
with leadership

Strategic space  
committees

Decarbonization

Financial  
resiliency plans

Touchpoints  
with HR to  
address staffing

**Facilities Strategies in Action**

# Getting Started

## Lean Up your Computerized Maintenance Management System (CMMS)

- Evaluate Inventory in the System
- Assure Managed Assets Prioritize the Mission
- Validate Data Sufficiency for Regulatory Compliance
- Eliminate Ineffective Procedures
- Utilize Engineering Best Practices
- Inform your CMMS with a Professional Facility Condition Assessment
- Implement Collaborative Job Order Contracting (JOC) Solutions for Improved Stewardship Project Delivery
- Operationalize the Process as SOP

# Alternate Funding Sources for Capital Renewal & Energy Projects

## **Bond Market Funding**

(large cap projects that include deferred maintenance)

(bundle multiple capital renewal & deferred maintenance projects)

## **Primary Bank Funding**

(smaller loans for capital renewal)

## **C-Pace – Energy.gov**

(Commercial Property Assessed Clean Energy)

## **Energy as a Service (EaaS)**

(Concessions)

(Traditional ESCOs)

## **Utility Provided/Guaranteed Funding**

Rates & Tariffs

Public Private Partnerships (P<sup>3</sup>)

## **Inflation Reduction Act (IRAs)**

# Adaptive, Portfolio-Based Investment Planning



## Not all buildings are created equal

WHY?

Developing a portfolio approach will allow for a focused investment approach based on the system's strategic direction.

## Core considerations to the portfolio approach

HOW?

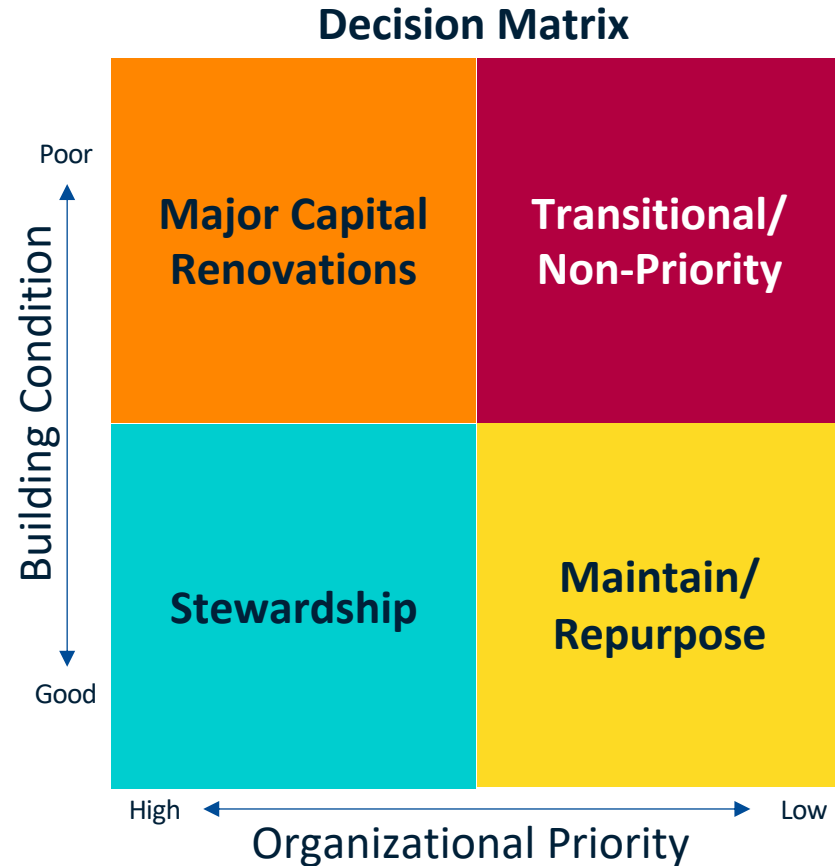
- Building age
- Building condition
- Building location
- Strategic focus
- Care delivery requirements
- Patient needs
- Historical significance
- Life safety/Code requirements
- Transitional space
- Adaptive reuse

## Organizational leaders for buy in and communication

WHO?

- Organizational priorities
- Building needs
- Future organizational direction

# Aligning Condition and Priority

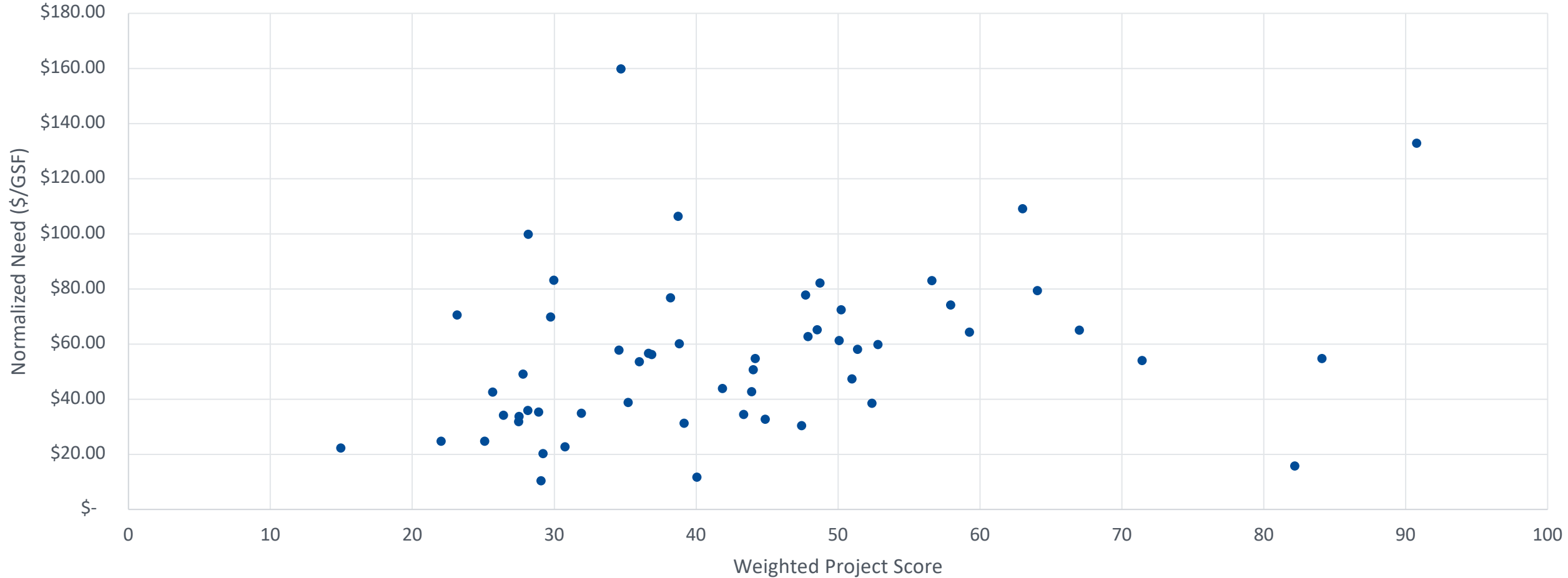


## Examples of Organizational Priority:

- Function
- Program
- Region
- Specialty/Sub-specialty
- Funding Source
- Master Plan
- Project Score
- Risk Mitigation
- Operational Demand
- Space Utilization
- Service Line

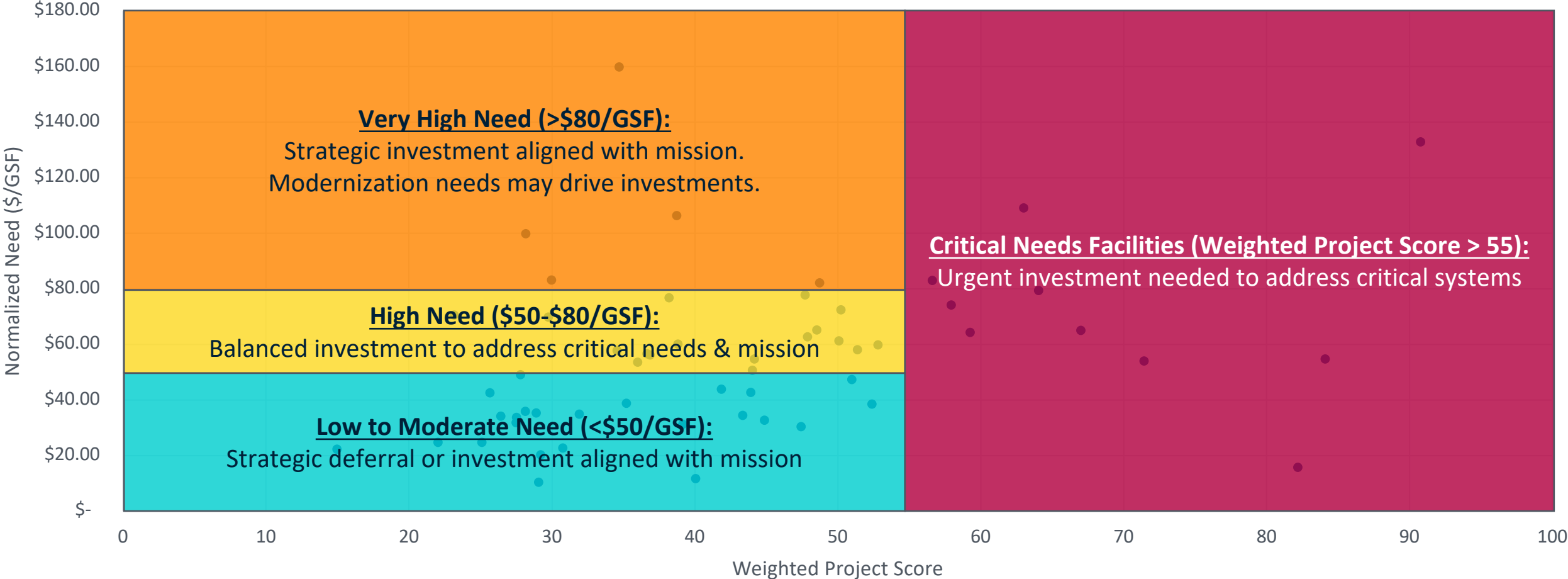
# Aligning Condition with Project Score Priority

Total Normalized Need and Project Priority



# Defining Portfolios to Align Investments with Mission

Total Normalized Need and Project Priority





# Parting Thoughts

## Change Agents:

- Design/Plan Programs to Prioritize the Mission rather than Support It
- Have Situational Awareness of Their Portfolio's "In-Situ" Condition
- Engage a Diverse Team in Process Improvement
- Develop Programs based on an Envisioned Future
- Determine the Gap, and Develop Solutions to Close It
- Have Smart Data that Informs Decision Making rather than Reacts to It
- Use Data to Develop Information and Trust
- Implement New Delivery Solutions for Success
- **"Fail Fast and Recover"**



**Phone a trusted source for additional expertise Gordian is here to help**



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Building knowledge