

# Building Componentization and Lifting Studies for Higher Education and Research Institutions

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Institutions of higher learning, including research universities and academic medical centers, face constant budget pressures along with stringent financial reporting requirements. Transparency in accounting and efficient use of resources are critical – and a comprehensive building componentization program can assist institutions with both, as well as leading to increased indirect cost recovery.

Building componentization is defined as the allocation of reported costs for original construction, additions, and capital renovations on a building-by-building basis to appropriate categories/components for the purpose of more accurately calculating financial depreciation. Many institutions assign a single life – typically 40 or 50 years – to assets classified as buildings. However, building components such as building service systems and fixed equipment can have significantly shorter lives, and thus depreciate at a faster rate. This more accurate allocation of reported costs leads to more efficient use of resources, allowing institutions receiving federal funding to negotiate for increased reimbursement rates.

Duff & Phelps has extensive experience performing building componentization and lifting studies to help our clients:

- Establish the basis for reimbursement of depreciation for financial reporting and facilities and administration (F&A) rate proposal submission
- Monitor facilities' condition for internal planning purposes
- Project capital improvement needs (often used in a facility's five- to 10-year plan)
- Increase depreciation percentages – sometimes significantly – depending on current capitalization, maintenance and lifting policies and procedures

In addition, building componentization and asset lifting studies can create synergies with work efforts when preparing insurable values.

Duff & Phelps professionals have performed building, fixed and movable equipment asset classifications for building types including:

- Hospitals
- Medical office buildings
- Clinics
- Academic research and education centers
- Vivariums
- Administrative and related buildings

Our site visits involve a room-by-room inventory of built-in and fixed equipment, followed by a comprehensive review of architectural documentation. We analyze construction costs and segregate them into the following categories as specified within Uniform Guidance:

- Building structure: Framing, exterior walls, roof, interior construction, and foundation, as well as allocated design and architect fees
- Building services: Electrical, HVAC, plumbing, fire protection, and elevators
- Fixed equipment: Laboratory benches, casework, fume hoods, environmental chambers, and emergency showers/eye wash stations

We offer both barcode and RFID tagging services, and work with institutions to ensure that compliant selection criteria are used to identify all buildings that meet criteria.

Duff & Phelps has served more than 60% of the nation's top research institutions as well as universities, academic medical centers, and other higher education facilities across the United States. Our professionals provide independent analyses and depreciation reports in compliance with Uniform Guidance and our clients' federal cognizant agencies, and we work with institutions and their auditors to meet financial reporting requirements and maintain accurate componentization records.



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