

BOMA International

WHEN DISASTER STRIKES, WHAT REALLY MATTERS?

Is Your Company Prepared Should a Disaster Strike? Will You Be Action or Reaction Oriented?

Disasters have an uncanny habit of occurring at the most inconvenient times, damaging equipment and materials that you can least afford to lose. Knowing what needs to be done before, during and after a disaster strikes can prevent panic, mitigate existing damage to reduce business interruption, and, should the need arise, provide cost effective recovery solutions. You owe it to your organization, employees, shareholders and yourself to plan ahead to reduce business interruption in the event of a loss.

Looking specifically at the office building sector, consider these statistics. According to the Building Owners and Managers Association (BOMA) International Experience Exchange Report (EER), a typical office building is on average 188,967 square feet. Roughly 89 percent of this space is currently occupied. The EER also reports that for every three square feet of rented property, roughly \$23 of income is generated. Let's look at it this way...if your building is 188,000 square feet and 89 percent is occupied, the average income per rented office building is almost \$1.3 million per year. Divide that number by 365 days in a year, and the amount of income per day is

more than \$3,500. What does all this number crunching tell us? It tells us that for every additional day that you are not in business after a loss, you are losing money: \$3,500 per day, \$24,500 per week, and \$98,000 per month. These numbers are conservative for many of you. A loss that you are ill-prepared for will not only impact your employees, stakeholders and customers, it will directly affect your pocket book. Preparation may take some time now, but it could be priceless in the future.

**Numbers have been rounded for simplicity.*



Los Angeles County Health Department

The following information is offered to assist you in preparing a disaster plan that meets the needs of your organization. Disaster plans will vary widely from one organization to another. Only you know what your organization's priorities are and what the goals of your disaster recovery effort should be.

Consider where you and your organization fit in:

1. Banks, hospitals, utilities, hotels and public buildings need to remain in operation or return to operation as soon as possible.
2. Museums, library special collections and other historical archives need to recover the contents to preserve history.
3. Grocery and retail stores are the heart of the local economy.
4. Gas stations and fuel centers allow all of the above to stay in business.

It is a group effort in both the community and in your building. Different departments may have different goals, but all must work together to return your facility to pre-catastrophe condition. For example, the accounts receivable department may be much more important to your business than the dead file archives.

PREPARATION

One of the first steps in developing a disaster recovery plan is to establish the priorities of your organization. Every company will have different priorities as will each department within that company. It is important to consider the three basic components of most businesses: facility, contents and communications, when beginning to develop a disaster recovery plan. You must determine and prioritize the goals for your organization. In order for the goals to be valid, you must have support from the highest administrative and operations personnel.

We recommend that management consider the overall impact a disaster can have on an organization through a Business Impact Analysis (BIA). The purpose of a BIA is to quantify the hard cost of the business or portion of the business being inoperable; cumulative dollars plotted versus time. It is a formal accounting exercise. The BIA may be a precursor or adjunct of the Disaster Recovery Plan. The BIA must look at the interdependencies of the departments



Texas Tornado Damage

within the organization and set priorities for restoration based on the impact to the business. In a multiple location organization, the same factors must be considered between locations. The BIA can get very convoluted by the numbers of combinations and permutations to be analyzed. There are a number of software tools available that can simplify the process, especially in a large organization. The BIA will define the window of time available to resume business operations and this analysis will then help define the restoration project time line and the possible need to use alternate facilities for different scenarios. Below are a few potential challenges to consider:



Tropical Storm Allison - Houston, Texas

- **Vital Documents:** *The vital documents within each business unit must be defined. Normally 5 percent to 7 percent of the total documents exist in the original copy only. Retention schedules, federal mandate or business needs (e.g. accounts receivable) will define this subset of data. The location of all vital documents must be written into the plan to ensure recovery. Some vital documents may be a work in progress and be lying on a desktop. These should also be identified. Depending on the criticality of the information, either duplication or safe storage should be considered. Be sure duplicates are appropriately stored off site.*
- **Business Partners:** *The business dependency upon critical business partners should also be assessed. Utilities, suppliers, large customers, disaster response company, printers and subcontractors are examples.*
- **HVAC:** *Your air system distributes not only air, but possibly smoke, soot, moisture, mold spores, etc. throughout your entire building. In the event of a loss, if safety permits, turn off your HVAC system.*
- **Electronics, Telecommunications and Equipment:** *Critical assets and equipment must be defined. Single points of failure that can shut down operations need to be identified. The contingency plan then either calls for duplication or arrangements to quickly replace these assets. The analogy is that if San Francisco has a disaster, it cannot be moved to San Diego for restoration. This is another important reason to pre-qualify and contract with a professional restoration company. They can determine the viability of restoration and many times have the machine or other asset back in operation quickly. Data centers may be restored and returned to operation before it is necessary to declare and move to the hot site.*
- **Moisture Control:** *Improper drying of moisture damaged buildings only causes more problems, for instance, mold growth and structural damage.*

You also need to be aware of governmental policies and procedures regarding disaster protocol. There are plans for city, county, state and regional disasters. On a city level, the mayor, police department, emergency medical services and hospitals work together with the Red Cross. Your primary point of contact is through the fire department. It is important to know the local officials and to have a copy of your community's plan so you can see how your facility fits into the overall plan. On the county level, you will have civil defense organizations and the sheriff's department added. On a state level, the department of public safety, the governor and the National Guard get involved. When you deal with widespread disasters, you may also have the Federal Emergency Management Agency (FEMA) in the loop. In any case of arson or bombing, the Alcohol Tobacco and Firearms (ATF) and Federal Bureau of Investigation (FBI) may be involved. In the case of disaster, your entry to your building can be predicated on your personal relationship with these agencies. Invite appropriate officials to your facility, take them to lunch, volunteer to be involved in the planning process, get to know them and attend their functions.



Oklahoma City Federal Building

Succinctly the disaster recovery plan identifies the natural disasters and other risks that can cause business interruption and provides for the health and safety of your personnel. In the construction of the plan you decide which risk factors you will handle proactively and which risks you will handle reactively. You also set the corporate priorities for business continuity and recovery and identify the materials, personnel and other resources required to implement continuity and recovery.

PICK A PROFESSIONAL PARTNER

In overwhelming situations, such as disasters, it is important to have professionals that are diverse in services, but can work together to provide uniform quality and timely project delivery. There are many advantages to choosing a restoration company that can handle all your recovery needs:

1. *Fewer vendors operating in an already confusing, high stressed environment means more sanity for the customer.*

2. *There is less opportunity for miscommunication of the customer's needs if there is only one company providing all the required restoration services.*
3. *There is one company responsible for proper execution of the project and quality control. With multiple companies operating in a close environment there is an opportunity for finger pointing when something goes wrong.*
4. *Billing is simplified if one company is used for the whole project rather than multiple companies for various portions of the project.*
5. *It is generally more cost effective.*

Using the resources of a qualified restoration company does not remove the management of the recovery effort from your staff. By joining forces with such a company, your experience and speed of recovery from a major disaster are greatly expanded. It is highly recommended that you pre-contract with a restoration company before a loss occurs. This gets administrative "red tape" out of the way, expedites response times and allows you to carefully pre-qualify the service for your exact needs.



World Trade Center 2001

MAINTENANCE

Establish regularly scheduled dates to review the plan. In most cases, a formal review once every six months will be sufficient. The information needed to make the plan work change; items on the list to recover change, people's telephone numbers and job duties change, even business priorities and goals may change.

PRACTICE

1. Set up a mock disaster and work through your disaster plan. Discover its weaknesses and make changes as necessary.
2. Practice your plan periodically to orient new employees.
3. Go through the telephone tree as a planned and an unplanned activity to make sure the participants understand the system.

DISASTER TEAM CHECKLIST

The Disaster Recovery Team will need to have answers to these questions for the restoration company when they arrive after a loss.

1. Is the building structurally and environmentally safe? What hazards exist?
2. How quickly will security be established? What identification requirements?
3. Will portable generators and lights be needed?
4. Can the environment of the building be improved? Dehumidification?
5. Is the standing water being removed from the building? Wet debris?
6. If there was a fire, what was the primary fuel?
7. Were microfilm, magnetic media or electronic data processing equipment involved? How much?
8. What is the condition of the vital documents, priority items or special collections?
9. Will restoration specialists be needed? If so, who?
10. Does a priority and inventory list exist?
11. What are the resources available?
12. Was the HVAC system on at the time of the loss, especially if the loss is a fire?
13. How large of an area was affected?
14. Who are the main contact people? Cellular? Pager? Dispatch center?
15. What other contractors are working on site?

NOTE: BMS CAT is a global restoration company with many years of loss restoration experience and offers this information as a guideline for disaster planning. For more detailed planning advice consult with a professional contingency planner.

The Building Owners and Managers Association (BOMA) International is an international federation of more than 90 local associations and affiliated organizations. BOMA's 16,500-plus members own or manage more than 9 billion square feet of commercial properties in North America and throughout the world. The mission of BOMA International is to enhance the human, intellectual and physical assets of the commercial real estate industry through advocacy, education, research, standards and information. Founded in 1907, BOMA International celebrates 100 years of commercial real estate in 2007.