



***By Cherie Kirschbaum, President
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Funding Nonprofit Real Estate Projects: *A Fresh Perspective*©

The art of funding nonprofit real estate projects has evolved, requiring organizations to seriously rethink their strategic approach or risk failure. For decades, nonprofits could implement a capital campaign as their sole source of financing. Today, with a struggling economy that's severely limiting charitable donations, a multi-faceted approach that combines loan and grant procurement with a robust donor program is becoming not only commonplace, but necessary.

It's unfortunate, but good intentions don't always equal success and many nonprofit real estate projects fall victim to inadequate planning. An organization must be willing to take a long, hard look at its capacity to complete any given project, fully understand that project's requirements and commit to developing a sound financial plan. Doing so is instrumental to ensuring the well-being of the organization, its property and those it serves.

Active in the nonprofit sector since the age of 12 and a real estate professional for more than 25 years, I have been fortunate to work with numerous nonprofits to catalyze and synergize their capital projects. Each experience is unique, and collectively, the knowledge I've acquired has given me a deep understanding of the funding process, one that I've fine-tuned into a proven roadmap for financial success. Before embarking on your next real estate project, consider the following:

1. Organizational Readiness

A facilities project can inspire and re-energize staff, Board, donors, stakeholders and those served by the organization. If unprepared, its failure can also crush morale. Determining a nonprofit's organizational readiness requires a brutally honest look at infrastructure including: a review of the strategic plan; staff capacity, board commitment and make-up; program assessments; and identification of supporters and detractors.

2. Review of Current Budget and Financials for the Last Three Years

Such a review provides an in-depth look at an organization's financial strengths and weaknesses. It allows the organization to realistically address any concerns and explore the option of using existing equity to advance the project.

3. Fundraising Audit

An organization's fundraising history provides the foundation for a future capital campaign. An audit allows for an honest assessment of the fundraising infrastructure and determines the organization's ability to implement a successful capital campaign.

4. Develop a Total Project Budget

A real estate development budget includes a soft cost and hard cost. Soft costs include fees such as legal, environmental testing and remediation, engineering, architecture, permits, financing and consultants. Hard costs include the actual cost for construction.

Identifying the sources to pay for these expenses is critical to the success of the project. Sources may include donations, grants and loans from banks, municipalities or community development investment funds. The ultimate goal is for the sources and uses to reconcile. Typically, this is a process that requires vigilant oversight to identify the sources, fill the gaps and work with the development team to revise the hard costs without compromising the overall quality of the project. The Total Project Budget will be required by funders and lenders and should be approved by the Board.

5. Develop a Three Year Operating Budget

The day-to-day operation of a facility can be costly. From maintenance and utilities to repairs and a possible loan payment, it's extremely important to understand the operating impact on an organization's annual budget. A three year forecast provides a realistic horizon from which to plan. More and more donors, funders and lenders are requiring this analysis so that nonprofits clearly comprehend the long-term financial responsibilities associated with owning their property.

6. Understand Available Debt Options

Nonprofit facilities financing is big business, and it's imperative that an organization know and understand all available options when considering taking on debt. A variety of sources exist including small and large banks, community development investment funds, bonding authorities and local municipalities. Each potential source's viability should be explored in-depth. If necessary, it's not uncommon to borrow funds from more than one lender to meet the requirements of a project.

7. Develop a Timeline and Schedule

Balancing the work-load associated with acquiring property, renovating an existing building or developing a new facility in addition to the everyday activities of a nonprofit can be overwhelming. Establishing a timeline and schedule that includes necessary milestone such as due diligence; selection of the architect, general contractor, loan applications and approvals; design, permits and grant and loan applications, allows an organization to stay prepared and focused on the tasks at hand.

8. Facilities Committee

Assembling a committee including the Executive Director, other staff, Board members, and individuals with design, construction or finance experience to work with the professional team of project director, owner's representative, architect and contractor will ensure that the organization's project goals will be met. While it is enticing to expect committee professionals to provide pro bono services, these services must be evaluated in light of potential bid requirements for some loans, the amount and length of time required to complete a project and matching the volunteer's expertise to the specific development project. Knowing how best to utilize a volunteer's skill-set and generosity will ultimately strengthen the project's outcome and avoid potential conflicts-of-interest.

9. Other stakeholders

Embarking on a real estate project provides a unique opportunity for an organization to boost its community profile. Communicating a focused and concise message discussing the goal of the project, its benefit to the organization, the financial plan and the capital campaign can engage new stakeholders, inspire existing supporters and open the door to new opportunities for funding, partnerships and strategic alliances.

10. Start of Construction

Plans are complete, permits have been pulled, and financing is in place - your project is underway. A myriad of activities follow the start of construction - managing unexpected challenges, overseeing the construction, pressing on with the capital campaign and collaborating with the staff and Board to ensure a smooth transition to your new facility. Even the savviest Executive Director will feel the stress. Surround yourself with an experienced team who can help leverage your leadership for the benefit of the project and the organization. Remember to enjoy the journey-one step at a time.

As the Founder and President of City Projects, Inc., Cherie Kirschbaum provides effective real estate strategies for nonprofits of all sizes. Her knowledge and experience have been instrumental in the success of numerous non-profit real estate projects for clients that include The Center, Charg Resource Center, Flobots, Mile High Youth Corps, Mental Health Centers of Colorado and the Denver Housing Authority. For more information visit www.city-projects.com or email Cherie@city-projects.com.

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