



EXECUTIVE SUMMARY

Facility Expansion & Renovation:
Planning for Capital Projects & Campaigns

An Initiative of the



From Dream to Reality...

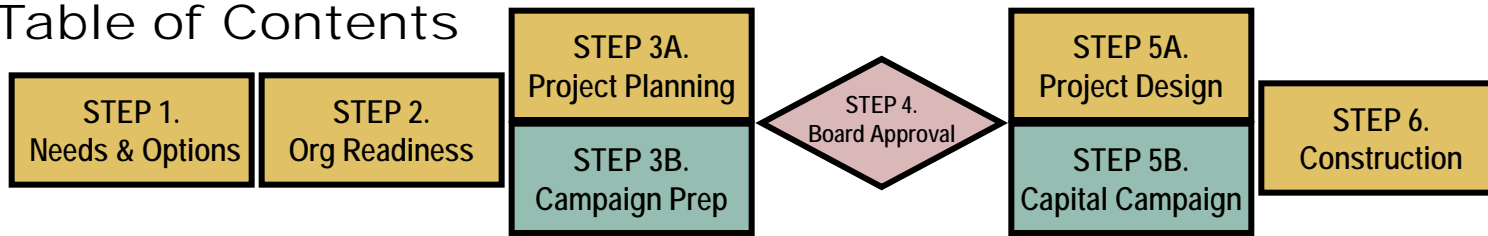


Nonprofits that are considering facility expansion may ask, “How do we get from dream to reality?” This guide seeks to help them do just that, beginning with an assessment of the organization’s readiness, the development of a capital campaign, and ending with actual construction. The first and second pages, the “Table of Contents,” and “Overview,” provide a roadmap through the process. The Gates Family Foundation, which focuses on grants for capital projects in Colorado, developed the guide to encourage small and large nonprofits to plan earlier and thus avoid, as much as possible, all too common mistakes. Of course, every capital project brings unique challenges. One does not have to follow the sequence recommended or each of the guide’s steps; however, by understanding the outlined process, your team should have a better chance of completing its capital improvement with more success and less pain!

This PowerPoint can be downloaded from the web and is particularly useful to get familiar quickly with the entire process or to communicate it to your board and staff. If you print it, make sure to print it in black and white, not grayscale. A longer version in PDF format provides more detail with references and definitions; it makes an excellent desk reference for nonprofits engaged in facility expansion. Both are available on the foundation’s website (www.gatesfamilyfoundation.org). These two documents are a second edition of the original guide which has been used in workshops attended by over 400 Colorado nonprofits. The work of a talented review committee that represented many disciplines (page 60) was critical to the new edition. Suggestions for improvement are always welcomed at: info@gatesfamilyfoundation.org.

Tom Kaesemeyer
Executive Director
Gates Family Foundation
tkaesemeyer@gatesfamilyfoundation.org

Table of Contents



<u>Step 1. Needs & Options</u>	<u>Step 2. Organizational Readiness</u>	<u>Step 3A. Project Planning</u>	<u>Step 3B. Campaign Preparation</u>	<u>Step 4. Board Approval</u>	<u>Step 5A. Project Design</u>	<u>Step 5B. Capital Campaign</u>	<u>Step 6. Construction</u>
<u>1.1 Understanding Capital Projects</u> 6	<u>2.1 Review Strategic Plan</u> 10	<u>3A.1 Develop a Facility Plan</u> 17	<u>3B.1 Consider a Feasibility Study</u> 29	<u>4.1 Answer Key Questions</u> 35	<u>5A.1 Start Design Development</u> 37	<u>5B.1 Est. Campaign Management</u> 42	<u>6.1 Celebrate Ground Breaking</u> 48
<u>1.2 Consider Key Issues</u> 7	<u>2.2 Assess Org. Capacity</u> 11	<u>3A.2 Create Conceptual Design</u> 18	<u>3B.2 Set a Campaign Goal & Budget</u> 30		<u>5A.2 Complete Construction</u> 38	<u>5B.2 Complete Silent Phase</u> 43	<u>6.2 Implement Project Management</u> 49
<u>1.3 Consider a High Performance Bldg</u> 8	<u>2.3 Form AD HOC Committees</u> 12	<u>3A.3 Select Building Process & Team</u> 19	<u>3B.3 Identify Campaign Leadership</u> 31		<u>5A.3 Solicit Bids & Contract for Construction</u> 39	<u>5B.3 Finalize Financing Plan</u> 44	<u>6.3 Plan for Donor Recognition & Facility Dedication</u> 50
	<u>2.4 Budget for Planning</u> 15	<u>3A.4 Create a Schematic Design</u> 21	<u>3B.4 Prepare a Case for Support</u> 32		<u>5A.4 Review Budget & Scope</u> 40	<u>5B.4 Set Campaign Goal</u> 45	<u>6.4 Develop a Maintenance & Facility Plan</u> 51
		<u>3A.5 Determine Financing Plan</u> 22	<u>3B.5 Develop a Campaign Plan</u> 33			<u>5B.5 Launch Public Phase of Campaign</u> 46	
		<u>3A.6 Develop an Est. Project Budget</u> 24	<u>3B.6 Begin Major Gift Solicitation</u> 34				
		<u>3A.7 Estimate Impact on Operating Budget</u> 25					
		<u>3A.8 Create Financial Model</u> 26		<u>Resources</u> 52	<u>Type of Contracts</u> 54	<u>Sample Loan Terms</u> 56	<u>Gift Models</u> 58
		<u>3A.9 Establish a Project Mgt System</u> 27		<u>Estimated Project Budget Costs</u> 53	<u>Financial Model Outline</u> 55	<u>Case Statement Outline</u> 57	<u>Campaign Schedule</u> 59

OVERVIEW

STEP 1. DETERMINE NEEDS & OPTIONS

- Understanding Capital Projects
- Consider Key Issues
- Consider a High Performance Building



STEP 2. ORGANIZATIONAL READINESS

- Review Strategic Plan
- Assess Organizational Capacity
- Form AD HOC Committees
- Budget for Planning

(3A & 3B Happen Concurrently)

STEP 3A. PROJECT PLANNING

- Develop a Facility Plan
- Create a Conceptual Design
- Select a Building Process & a Project Team
- Create a Schematic Design
- Determine Financing Plan
- Develop an Estimated Project Budget
- Estimate Impact on Operating Budget
- Create a Financial Model
- Establish a Project Management System

STEP 3B. CAMPAIGN PLANNING

- Consider a Feasibility Study
- Set Campaign Goal & Budget
- Identify Campaign Leadership
- Prepare a Case for Support
- Develop a Campaign Plan
- Begin Major Gift Solicitation



STEP 4. BOARD APPROVAL OF CAMPAIGN & PROJECT

- Answer Key Questions

(5A & 5B Happen Concurrently)

STEP 5A. PROJECT DESIGN

- Start Design Development (DD) Phase
- Complete Construction Documents (CD)
- Solicit Bids & Contract for Construction
- Review Budget & Project Scope

STEP 5B. CAPITAL CAMPAIGN

- Establish Campaign Management
- Continue Silent or Major Gift Phase
- Finalize Financing Plan
- Set Final Campaign Goal
- Launch Public Phase of Campaign



STEP 6. CONSTRUCTION

- Celebrate Ground Breaking
- Implement Project Management
- Plan for Donor Recognition & Facility Dedication
- Develop a Long-range Maintenance & Facility Plan

Step 1. Determine Needs & Options

1.1. Understanding Capital Projects

1.2. Key Issues to Consider Before Getting Started

1.3. Consider a High Performance Building

[Overview](#)

Step 1. Determine Needs & Options

1.1. Understanding Capital Projects

They improve an organization's facility or infrastructure

- Consist of new construction, expansion, lease, renovation, or replacement of an existing facility
- Usually have:
 - A significant cost &
 - A useful life of at least 10 years
- Should enhance the program and the mission of an organization

[Overview](#)

Step 1. Determine Needs & Options

1.2. Consider Key Issues before Getting Started

- **Quantify your space needs.** Identify real needs versus “wants” or non-essentials.” Consider staff, volunteer, constituent, and visitor needs and usage
- **Utilize a third party to review your space requirements**
- **Look realistically at all options.** Explore renting, renovating, purchasing, expanding, or building
- **Consider the impact of the proposed improvement on your operating budget.** Will your program costs increase?
- **Scan your environment.** What other projects in your community might compete with your efforts?

[Overview](#)

Step 1. Determine Needs & Options

1.3. Consider a High Performance Building

Sustainable, green, and energy efficient are synonyms for high performance buildings

- High performance buildings have lower annual operating costs
- When designing, analyze interconnected issues:
 - site and building design
 - energy and water efficiency
 - resource-efficient construction
 - lighting and mechanical design
 - building ecology
 - the costs/benefits of a green building approach
 - combine all these aspects into an integrated design

[Overview](#)

Step 2. Organizational Readiness

2.1. Review Strategic Plan

2.2. Assess Organizational Capacity

- Board Capacity
- Fundraising Capacity

2.3. Form AD HOC Committees

- Capital Campaign Committee
- Building Committee

2.4. Budget for Planning

[Overview](#)

Step 2. Organizational Readiness

2.1. Review Your Strategic Plan

- *A strategic plan defines your organization's long-term goals and the short-term implementation steps for getting there*
- The proposed capital project should be driven by community and program needs and be consistent with the overall strategic plan

Step 2. Organizational Readiness

2.2. Assess Organizational Capacity

- Capital projects are different from annual operations. Some of the skills/experience your board, staff and volunteers will need:
 - Fundraising capacity
 - Expertise in business planning and financing options
 - Design and/or construction experience
- Do you have the necessary skills among your staff, board, and volunteers?

Step 2. Organizational Readiness

2.3. Form AD HOC Committees staffed with board or non-board members

- Capital Campaign Committee
- Building Committee
- Both of these new committees will work closely with your existing Finance Committee or your Treasurer & Board Chair
- Final decisions always reside with the board

Step 2. Organizational Readiness

2.3. Capital Campaign Committee

- Recruits campaign leadership
- Develops a case for support
- Develops the campaign plan and schedule
- Establishes the campaign management system
- Identifies & cultivates prospective donors
- Asks prospective donors for gifts
- Ensures the successful completion of the campaign according to the plan and schedule

[Overview](#)

Step 2. Organizational Readiness

2.3. Building Committee

- Reviews options and determines the project's scope
- Manages facility planning process
- Develops the budget and schedules
- Selects architect for the conceptual design
- Works with Finance Committee on the financial model
- Establishes a project management system
- Selects the building process and project team
- Develops the long-range maintenance plan

[Overview](#)

Step 2. Organizational Readiness

2.4. Budget for Planning

- Capital projects often require expertise not readily available from your staff and volunteers
 - Examples include space needs study, evaluating fundraising readiness, preliminary schematics, feasibility study
- Be cautious of professionals offering pro bono work provided they are guaranteed contract
 - Send out a Request for Proposal (RFP) specifying the service requested, cost estimates, and an outline of the interview process

[Overview](#)

Step 3A. Project Planning

- 3A.1. Develop a Facility Plan
- 3A.2. Create a Conceptual Design
- 3A.3. Select a Building Process & Project Team
- 3A.4. Create a Schematic Design
- 3A.5. Determine the Financing Plan
- 3A.6. Develop an Estimated Project Budget
- 3A.7. Estimate Impact on Operating Budget
- 3A.8. Create a Financial Model
- 3A.9. Establish a Project Management System

[Overview](#)

Step 3A. Project Planning

3A.1. Develop a Facility Plan

- *A document of your space needs, may be prepared by an architect or consultant. It includes:*
 - Rough drawings, timelines, narrative
 - Space requirements
 - Utility requirements
 - Assessment of building regulations, zoning requirements, etc.
 - Environmental or community concerns
 - Architectural style, accessibility, location considerations, sustainable features, etc.
 - Rough cost estimate for construction and ongoing maintenance

[Overview](#)

Step 3A. Project Planning

3A.2. Create a Conceptual Design

- After understanding the space requirements and site recommendations from the owner, an architect or consultant produces a conceptual design of the project for people to review
- Though rough, the conceptual design is important since it is the first visual representation of the desired capital improvement

[Overview](#)



©Gerard Lee Architects

Step 3A. Project Planning

3A.3. Select a Building Process

- The type of construction contract and project delivery method you select is a critical step for the project
 - **Design-Bid-Build:** Owner hires an architect who completes the design, owner then hires a construction company after design is complete following a competitive bid process to build design
 - **Design-Build:** Owner hires a contractor. The contractor hires an architect/designer to design the project he will build. Contractor is the point person
 - **Construction Management at Risk:** Owner hires a designer and then a construction professional who assumes risk for project at the conceptual design or schematic phase. The Construction Manager provides pre-construction services such as estimating and scheduling and eventually hires the construction team to complete the project

[Overview](#)

Step 3A. Project Planning

3A.3. Select a Project Team

- Seek competitive proposals from interested architects, construction managers, or general contractors
- Take into consideration:
 - Similar work experience and references
 - Whether their approach matches your goals and budget
 - Their current work load
 - Their quality control procedures
 - If a green design, look for LEED[®] or other accredited professionals

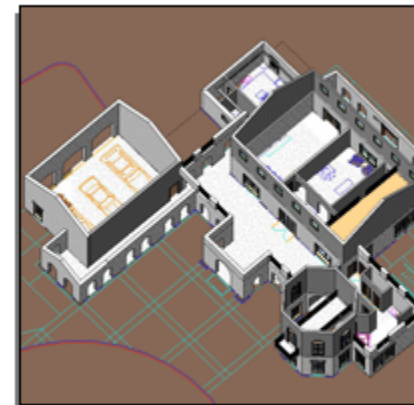
[Overview](#)

Step 3A. Project Planning

3A.4. Create a Schematic Design

■ Schematic Design:

- Approved conceptual designs are turned into architecture with floor plans, elevations and perspectives
- Engineers and specialists get involved
- Schematic designs can be submitted to planning commissions and review boards
- If a high performance building, key design features are outlined



©Gerard Lee Architects

[Overview](#)

Step 3A. Project Planning

3A.5. Determine the Financing Plan

- There are many different sources of funds: cash reserves, capital campaign contributions, in-kind support, government or foundation grants
- Most capital projects also require some level of financing, which will need to be repaid:
 - Early stage: short-term loans for land purchase, feasibility studies, planning and design, etc.
 - Construction or bridge/gap financing: short-term loans to cover construction expenses and/or multi-year pledge payments
 - Permanent financing: longer-term loans such as mortgages or tax-exempt bonds

[Overview](#)

Step 3A. Project Planning

3A.5. Determine the Financing Plan

- Reasons for considering financing or why you should consider borrowing money:
 - Moves your project forward sooner
 - Preserves liquidity
 - Spreads the cost of your project over its useful life
- CAUTION: You need to be able to afford the cost of financing within your operating budget

[Overview](#)

Step 3A. Project Planning

3A.6. Develop an Estimated Project Budget

- Be sure to include:
 - Hard costs (ex. demolition, earthwork, on-site power generation, utility installation, building construction, parking, landscaping, and contingency, etc.)
 - Soft costs (ex. architecture and engineering fees, surveys, studies, legal fees, permits, construction management, contingency, and Fixtures, Furnishings and Equipment (F,F&E), etc.)
 - Plan for timing and inflation

[Overview](#) [Budget](#)

Step 3A. Project Planning

3A.7. Estimate the Impact on Operating Budget

Consider the impact of the project on the operating budget and make changes as needed. Examples:

- Before construction
 - Possible reduction in annual giving, more staff during campaign
- During construction
 - Rentals, utility costs, temporary relocation
- After construction
 - Increased operating, program costs

[Overview](#)

Step 3A. Project Planning

3A.8. Create a Financial Model

- Forecast the organization's financial performance, starting one year before project and ending at least one year after project is over to see impact on day-to-day operations
- Model should include:
 - Operating budget
 - Project budget including all hard and soft costs
 - Capital campaign plan
 - Sources and Uses budget (capital funds and project expenses)
 - Pro forma cash flow
 - Financing plan
 - Assumptions
- Expect the unexpected!

[Overview](#) [Model](#)

Step 3A. Project Planning

3A.9. Establish a Project Management System

- A good system early in the process can prevent significant problems later on. A good system includes:
 - Proper oversight of project, while you continue to focus on day-to-day operations
 - The onsite owner's representative should be the same person from start to finish. This person works for you, not the contractor
 - Regularly scheduled meeting with minutes that are logged and distributed
 - A mechanism for resolving problems and conflicts

[Overview](#)

Step 3B. Campaign Preparation

3B.1. Consider a Feasibility Study

3B.2. Set Campaign Goal & Budget

3B.3. Identify Campaign Leadership

3B.4. Prepare a Case for Support

3B.5. Develop Campaign Plan

3B.6. Begin Silent Phase to Secure Leadership Gifts

[Overview](#)

Step 3B. Campaign Preparation

3B.1. Consider a Capital Campaign Feasibility Study

This is a report compiled by a third party consultant to measure your chances of a successful capital campaign

- Consists of interviews with key donors, board, volunteers and staff
- Consultant recommends attainable dollar goal, suggestions on improvements, and offers additional funding prospects
- Especially useful if you are unsure of your ability to conduct a successful campaign
- Builds confidence among your team and especially, the interviewed potential donors

[Overview](#) [Gift Models](#)

Step 3B. Campaign Preparation

3B.2. Set Campaign Goal & Budget

- The goal should be consistent with the financial model. The budget should be comprehensive and include:
 - Construction
 - Sustainable design and engineering
 - Project management
 - Cost of fundraising
 - Financing and interest expense
 - Bad debt from unrealized pledges
 - Inflation or other cost increases
 - Any drop in operational fundraising
 - Fixtures, furniture and equipment
 - Program ramp-up expenses
 - Consulting or professional service fees
 - Contingencies (% of overall construction cost)
 - Ground breaking and opening day celebrations

[Overview](#)

Step 3B. Campaign Preparation

3B.3. Identify Campaign Leadership

- Leadership is the single most important element in a capital campaign
- The Leadership team should include board members, community leaders & senior staff. Team members should be able:
 - To make or solicit significant gifts
 - Individually or collectively, to have personal networks of others who can give
 - Inspire 100% board participation and support
- The team should include at least 3-5 great solicitors who are good ambassadors for the organization

[Overview](#)

Step 3B. Campaign Preparation

3B.4. Prepare a Case for Support

Answers the question, “Why should I contribute to your campaign?”

- Good case statements:
 - Tie the need for the project to the mission/vision of organization
 - Are written from donor’s perspective
 - Focus on benefits, not features
 - Are succinct & straightforward in style
 - Include attractive schematic/visual material

[Overview Case](#)

Step 3B. Campaign Preparation

3B.5. Develop a Written Campaign Plan

Organizes and coordinates the capital campaign. It describes the strategy and the specific steps to be taken.

A good plan includes a:

- Succinct version of case statement
- Brief description of conceptual design
- List of campaign leadership, their roles and responsibilities
- Gift model: a projection of number of gifts by size
- Phased campaign schedule

[Overview](#) [Gift Model](#) [Schedule](#)

Step 3B. Campaign Preparation

3B.6. Begin Major Gift Solicitation

- The major gift or silent phase usually lasts 3-6 months, involving personal solicitation of the board, and major gift prospects
- Early solicitation of major gift prospects begins with those closest to the organization
 - Board members
 - Campaign leadership
 - Prospects who are familiar with the project and ready to be approached

[Overview](#)

Step 4. Board Approval

This is the point of NO return!
(From here on costs go up significantly.)

Proceed only if you can answer **YES**
to these statements:

- We have the leadership on board and staff to see the project through
- We have a clear idea of the project's cost
- We know the impact on our annual operating costs
- We have the necessary project and campaign management systems in place
- The board is 100% behind the project

[Overview](#)

Step 5A. Project Design

5A.1. Start Design Development (DD) Phase

5A.2. Complete Construction Documents (CD)

5A.3. Solicit Bids & Contract for Construction

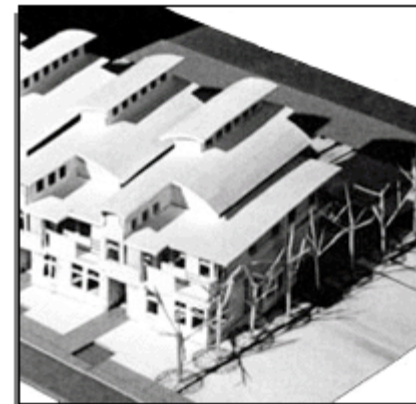
5A.4. Review Budget & Project Scope

[Overview](#)

Step 5A. Project Design

5A.1. Start Design Development (DDs)

- The Project Team:
 - Finalizes the design and project schedules
 - Holds a design meeting with all key stakeholders to reiterate project goals and ensure that all new team members are on the same page
 - Refines drawings and designs to include needed details
 - Further develops and integrates sustainable design strategies
 - Reviews cost estimates again; they should be consistent!

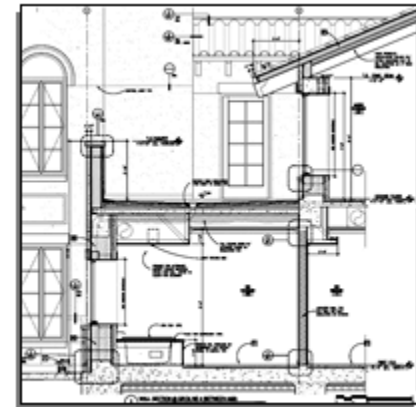


[Overview](#)

Step 5A. Project Design

5A.2. Complete Construction Documents (CDs)

- The development of the construction documents signals the end of the design phase
- The previous designs become rigorous technical drawings with specifications needed to obtain the project permits and actual cost estimates
- Present alternatives on certain features if costs rise



©Gerard Lee Architects

[Overview](#)

Step 5A. Project Design

5A.3. Solicit Bids & Contract for Construction

- Depending upon your preferred delivery method you will work with different people (general contractor, construction manager, designer, architect, LEED consultant, etc.)
- *CHECK* references for lead contractor and subcontractors
- There are several types of contracts:
 - Lump Sum Fixed Price
 - Guaranteed Maximum Price (GMP)
 - Cost Plus
 - Time and Materials
 - Performance-based Fees

[Overview](#) [Contracts](#)

Step 5A. Project Design

5A.4. Review Budget & Project Scope

- With bids in hand, review estimated budget
 - If bids come in high, note specific areas that are over-budgeted
 - Propose “alternates” to reduce budget, if necessary
 - Forward to Building Committee/Board

Step 5B. Capital Campaign

5B.1. Establish Campaign Management

5B.2. Continue Silent or Major Gift Phase of Campaign

5B.3. Finalize Financing Plan

5B.4. Set Campaign Goal

5B.5. Launch Public Phase of Campaign

[Overview](#)

Step 5B. Capital Campaign

5B.1. Establish Campaign Management

- Good campaign management includes:
 - Sufficient staffing to handle extra burden of office support, special events, and donor relations
 - A donor database that your staff understands and uses well
 - A donor management system that tracks and prioritizes prospects as they are identified, researched, cultivated, asked, and recognized
 - Clearly defined communication that identifies how information flows to and from your organization and who are the decision-makers
 - Proactive volunteer support. Volunteers need to be informed so they can effectively help

[Overview](#)

Step 5B. Capital Campaign

5B.2. Complete Silent Phase or Major Gifts Phase

- Work to complete the solicitation of major gift prospects
- Normally once the dollar goal for this phase is (nearly) met, the public phase will soon follow
- Major gift solicitor volunteers should be given an orientation from an experienced fundraiser
- Solicitation is personal and occurs only after the prospective donor is well informed about the project and the solicitor is well informed about the prospective donor
- The presented case for support is concise, attractive, and completely outlines the project's scope, cost, and impact

[Overview](#)

Step 5B. Capital Campaign

5B.3. Finalize Financing Plan

- Your financial model will contain the options for financing the project. You may use:
 - A line of credit
 - A bank loan
 - Tax-exempt bonds
 - Construction loan that will convert into a mortgage
 - Personal loan from donor or supporter
 - Government loan guarantee program
 - Self-financing from cash reserves
- Often financing is not paid off until long after project is complete. Make sure you have a plan to pay it off!

[Overview](#)

Step 5B. Capital Campaign

5B.4. Set Campaign Goal

- With the results of the construction/design bids and the major gift phase of the campaign complete, the board will affirm or adjust the final campaign goal
- The goal may be unchanged or amended because of disappointing fundraising or increased construction costs. The project may need to be phased
- Before the public launch, update marketing materials to reflect any adjustment in goals and project scope

Step 5B. Capital Campaign

5B.5. Launch Public Phase of Campaign

- With substantial fundraising progress, the support of the board and a core of major donors, you can kick-off the public campaign
- Normally a special event is planned that highlights the key leadership of the campaign and informs the audience that wider solicitation of support will begin
- Donors, potential donors, volunteers, staff, community leaders, and selected beneficiaries are invited
- Includes an informative program, emphasizing the importance of the proposed project to the community or constituency

[Overview](#)

Step 6. Construction

- 6.1. Celebrate Ground Breaking
- 6.2. Implement Project Management
- 6.3. Plan for Donor Recognition & Facility Dedication
- 6.4. Develop a Long-Range Maintenance & Facility Plan

[Overview](#)

Step 6. Construction

6.1. Celebrate Ground Breaking

- Hopefully, most or all of the funds will be raised before ground breaking. If not, it can be a great opportunity to highlight the project to donors and prospective donors
 - Hard-hat tours can give donors a feeling of exclusive access and special treatment
 - Regular construction updates make excellent content for newsletters and email blasts to donors
 - You can often get media coverage during construction, especially if you are highlighting green or sustainable design

Step 6. Construction

6.2. Implement Project Management

- Once you begin construction, mistakes often carry a big price tag. Having a project management system in place avoids miscommunication and mistakes
 - Have a point person who is engaged from start (design) to finish (construction)
 - Ensure that you have a complete, accurate and thoroughly understood design
 - Schedule weekly meetings and distribute minutes that document decisions and any problems that arise

[Overview](#)

Step 6. Construction

6.3. Plan for Donor Recognition & Facility Dedication

- Do not underestimate the importance of a dedication ceremony. It:
 - Brings attention to the impact the new facility or renovations will have on your service community
 - Recognizes and thanks the campaign's contributors
 - Brings media attention and community visibility to your organization
 - Serves as a potential fundraising event for the new facility

[Overview](#)

Step 6. Construction

6.4. Develop a Long-Range Maintenance & Facility Plan

- The work doesn't stop when the project is finished! A reserve fund (or building endowment) should be established that grows over time and will:
 - Cover routine repairs and maintenance
 - Help pay for future capital expenses

[Overview](#)

Resources

- Supporting materials are available from the following websites:
 - www.crcamerica.org (Community Resource Center)
 - www.coloradononprofits.org (Colorado Nonprofit Association)
 - www.gatesfamilyfoundation.org (Gates Family Foundation)
- Workshops:
 - Community Resource Center
 - Rural Philanthropy Days
- Other Organizations:
 - Rocky Mountain Institute
 - Mile High Housing Fund
 - Colorado Educational & Cultural Facilities Authority (CECFA)

[Overview](#)

Estimated Project Budget Costs

While it is necessary to itemize both the hard and soft costs, a life-cycle cost analysis should also be conducted to derive the true costs to the organization. Major items to consider include:

Possible Hard Costs

- Land Acquisition
- Demolition
- Earthwork
- On-site power generation
- HazMat Remediation (contaminated soil, asbestos)
- Utility installation or upgrade
- Building Construction (specifically, the impact of envelope, HVAC, and lighting alternatives on long-term performance)
- Visitor parking (consider minimizing employee parking and subsidizing/encouraging alternative transportation choices)
- Native landscaping and efficient irrigation (if irrigation is necessary)
- Contingency for hard costs

Possible Soft Costs

- Architectural & Engineering Fees
- Surveys, Soil Testing, & Environmental Studies
- Legal Fees, including Permitting & Entitlements
- Construction Management
- LEED® (Green Building) certification and documentation fees
- Project Administration
- Cost of Fundraising
- Moving Expenses
- Fixtures, Furnishing and Equipment (FF&E)
- Occupancy environmental and building operation educational program
- Ground Breaking and Opening Day Ceremonies/Celebrations
- Contingency for soft costs

Overview

Type of Contracts

There are several different ways to contract with a builder – choosing the right method for your particular project is important.

They include:

- **Lump Sum Fixed Price** – A single price for a specific scope of work. Consider this type of contract if you have a very well defined, straightforward project with very few unknowns. As long as the scope of work doesn't change, the risk of cost overruns is with the contractor – look out for change orders!
- **Guaranteed Maximum Price** – Places the risk of cost overruns above a certain price on the contractor, for a specific scope of work. Again, the project should be clearly defined, but if you have some unknowns, this type of contract will tell you what the worst case will be, and offers the contractor an opportunity to save money (normally, cost savings are shared with the contractor to add incentive to beat the budget).
- **Cost Plus** – Contractor will pass the actual costs of the project on to you, plus a fixed fee. When a project has a lot of unknowns, contractors are forced to add more contingencies to their budget, which increases the price. In such a case, using a Lump Sum or Guaranteed Maximum contract may be either unreasonable to expect, or very expensive. With Cost Plus you only pay for the actual costs of the project, plus a pre-negotiated fee for project overhead and profit. The risk of cost overruns, however is the owner's to pay!
- **Time & Materials** – Similar to a Cost Plus contract, but each hour of labor and each cost for materials, subcontractors or equipment is marked up and passed on to the owner. This type of contract is often used for smaller projects or those that have a high degree of unknowns (like historic renovation projects).
- **Design Build** – A completely different animal! Design Build is a contract type that includes both the architect and engineering team as well as a contractor.

Overview

Financial Model Outline

A Financial Model involving a major capital project normally consists of a model that forecasts the organization's financial performance over a 10-year period. As a minimum, the following key components should be included in a spreadsheet

Project Budget

- Include all hard and soft costs
- Escalate costs over time as anticipated (project inflation)

Capital Campaign

- Project pledges according to your campaign plan
- Project future cash payments of pledges
- Include allowance for bad debt (usually 2-5%)

Operating Budget - Revenues and Expenses

- Forecast the project's impact on your monthly budget
- Look at periods before, during and after construction
- Consider the capital campaign's impact on fundraising
- Consider the added expense of running a new facility

Financing Plan- Both short-term & long-term

- Identify any short-term "gap" financing needs
- Include debt service of any long-term bonds or loans

Cashflow

- Overlay all components above into a cashflow *pro forma*
- Make sure you are always projecting positive cashflow

Assumptions

- Keep track of all financial assumptions you make above
- Throughout the project, always challenge your assumptions
- **Expect the unexpected!**

Overview

Sample of Loan Types & Terms

THIS CHART IS AN EXAMPLE FROM March 2007. It is intended for illustrative purposes only. Details are subject to change and you must check with the lender for current information. Mile High Housing Fund provides short-term loans to nonprofits and for profits for the development or preservation of affordable housing and to nonprofits that serve low-income populations for the purchase and/or construction of facility space. Projects must be in the seven county Denver Metro area, El Paso, Pueblo, Larimer, Weld, Clear Creek, Summit or Eagle counties.

Type of Financing	Loan Amount	Term of Loan	Repayment Terms	Collateral	Timing: Application to Approval	Timing: Approval to Close
Pre-development unsecured loans	Up to \$150,000	12 months maximum	Flexible	N/A	5 business days	2 business days
Pre-development secured loans	Up to \$250,000	12 months maximum	Flexible	Up to 90% Total Loans-to-Value	10 business days	5 business days
Acquisition loans	Up to \$1,000,000	24 months maximum	Monthly interest only	Up to 90% Total Loans-to-Value	10 business days	5 business days
Construction loans	Up to \$1,000,000	24 months maximum	Monthly interest only	Up to 90% Total Loans-to-Value	10 business days	5 business days
Bridge loans (to cover shortfalls)	Up to \$1,000,000	24 months maximum	Flexible	Up to 100% Total Loans-to-Value with commitment for funds being bridged	10 business days	5 business days
Mini Perm loans	Up to \$500,000	60 months maximum	Principal & interest payments amortized up to 20 years	Up to 90% Total Loans-to-Value	10 business days	5 business days

Overview

Case Statement Outline

There are many ways to organize a Case Statement, here is one sample outline.

Executive Summary: Include the organization's mission, the reason for this project, a brief description of the project, the size and schedule of the capital campaign and a call to action (*contribute!*)

The Community Need for this Project: Why is this project a NEED and not a WANT? How will this project help meet needs and solve problems of your service community?

The Organization: Brief history, mission, vision and a description of your program now and in the future (be sure to indicate how this project will get you where you need to be). Include a summary of how this project will affect your operational budget.

The Team: Volunteer leadership, Board members, key staff, and any consultants, architects, engineers or contractors you are working with.

The Project: Describe the project, its features and the direct benefits each feature will provide to your service community. Include any graphics you may have, a summary project budget, including hard and soft costs, and a project schedule.

The Capital Campaign: Provide a brief summary of your Campaign Plan, including the Leadership, a phased campaign schedule, and any major gifts that have been pledged to date. Also include, perhaps as an attachment, a list of naming opportunities for donor recognition.

Call to Action: Remind the reader again of the significant impact a contribution to your campaign will have on the community. Include contact information for those who are interested.

Overview

Gift Models

Traditional Campaign - "Giving Pyramid"

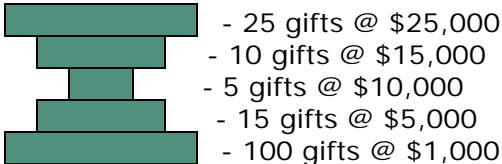


Three Ways to Raise \$1 million

Concentrated Giving Campaign

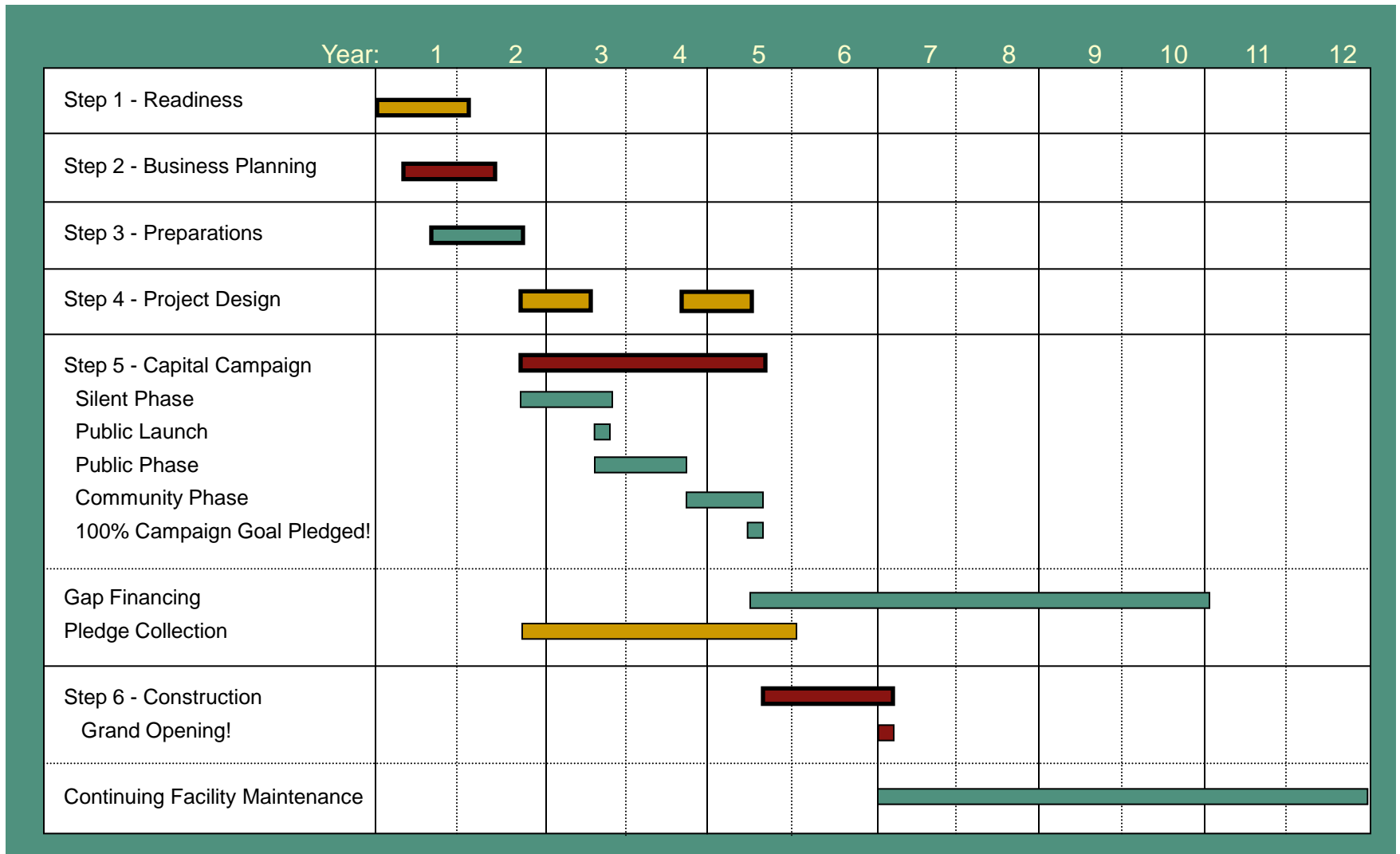


Hour Glass Campaign



Overview

Sample Campaign Schedule



Acknowledgements

This guide was developed in 2004 by Tom Kaesemeyer, Executive Director of the Gates Family Foundation and Rick Tallman, founder of the Tallman Group. The project was funded by the Gates Family Foundation.

Gates Family Foundation:

Founded in 1946, the Gates Family Foundation focuses on capital projects within the state of Colorado. Its major interests include 1) education; 2) arts and culture; 3) parks, conservation and recreation; 4) well-being of children, youth and families; and 5) community development and revitalization. The Foundation also engages in initiatives, partnering with other organizations, public and private, to add value to promising projects or ideas. Gates' awards normally come in the form of challenge grants after 30% of the project cost has been committed. Grants are made after the campaign goal has been reached. The Foundation's market value was \$455,000,000 at years end (12/31/06). Tom Kaesemeyer has served as Executive Director of the Gates Family Foundation since 1997. Prior to his appointment, he was the head of two independent schools, Kent Denver School in Englewood, Colorado and Westtown School in Westtown, Pennsylvania.

Appreciation for the 2007 Review Committee:

In 2007, both versions of the guide, the PowerPoint and the PDF word document, were revised with the help of a talented review committee made up of experts in fundraising, construction, finance and lending, nonprofit management, and high performance buildings. The committee included: Liz Edgar (Dini Partners); Lisa Flores (Gates Family Foundation); Caroline Fluhrer and Greg Franta (Rocky Mountain Institute); Mike Langley (Durrant Group); Rick Tallman (The Tallman Group); Jeff Seifried (Mile High Housing Fund); JoAnn Soker (Colorado Educational and Cultural Facilities Authority); Charlie Shimanski (Colorado Nonprofit Association); TC Werner (Community Resource Center). Special thanks goes to TC Werner who served as both technical coordinator and editor.

To obtain additional copies of Facility Expansion & Renovation: Planning for Capital Projects and Campaigns, access the website of Community Resource Center at <http://www.crcamerica.org/resources/publications/gates.asp> or the website of the Gates Family Foundation at www.gatesfamilyfoundation.org.

11/12/07

[Overview](#)
