

Facility Expansion & Renovation Planning for Capital Projects & Campaigns

An Initiative of the
Gates Family Foundation



Acknowledgements:

This guide was first developed by Tom Kaesemeyer, executive director of the Gates Family Foundation (tkaesemeyer@gatesfamilyfoundation.org) and Rick Tallman of the Tallman Group (rick@tallmangroup.com).

Gates Family Foundation:

Founded in 1946, the Gates Family Foundation focuses on supporting capital projects in the state of Colorado. Its funding priorities include 1) arts & culture; 2) education; 3) well-being of children, youth and families; 4) parks, recreation and conservation; 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. The Foundation's market value at year's end (12/31/06) was \$455 million.

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To obtain additional copies of the Facility Expansion & Renovation: Planning for Capital Projects and Campaigns Guide, please access the Gates Family Foundation's website at www.gatesfamilyfoundation.org or the Community Resource Center at www.crcamerica.org/publications/gates.htm.



3575 Cherry Creek Drive North
Denver, Colorado 80209
www.gatesfamilyfoundation.org

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Introduction

Introduction

Facility Expansion & Renovation: Planning for Capital Projects and Campaigns

An initiative of the Gates Family Foundation, Denver, Colorado

Non-profits who are considering facility expansion often 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 and ending with construction and long-term maintenance. This guide emphasizes design, construction, and operation throughout, to ensure the final product maximizes economic, social, and environmental resources. See the following page for a roadmap of the process that provides an overview of the guide’s direction and scope.

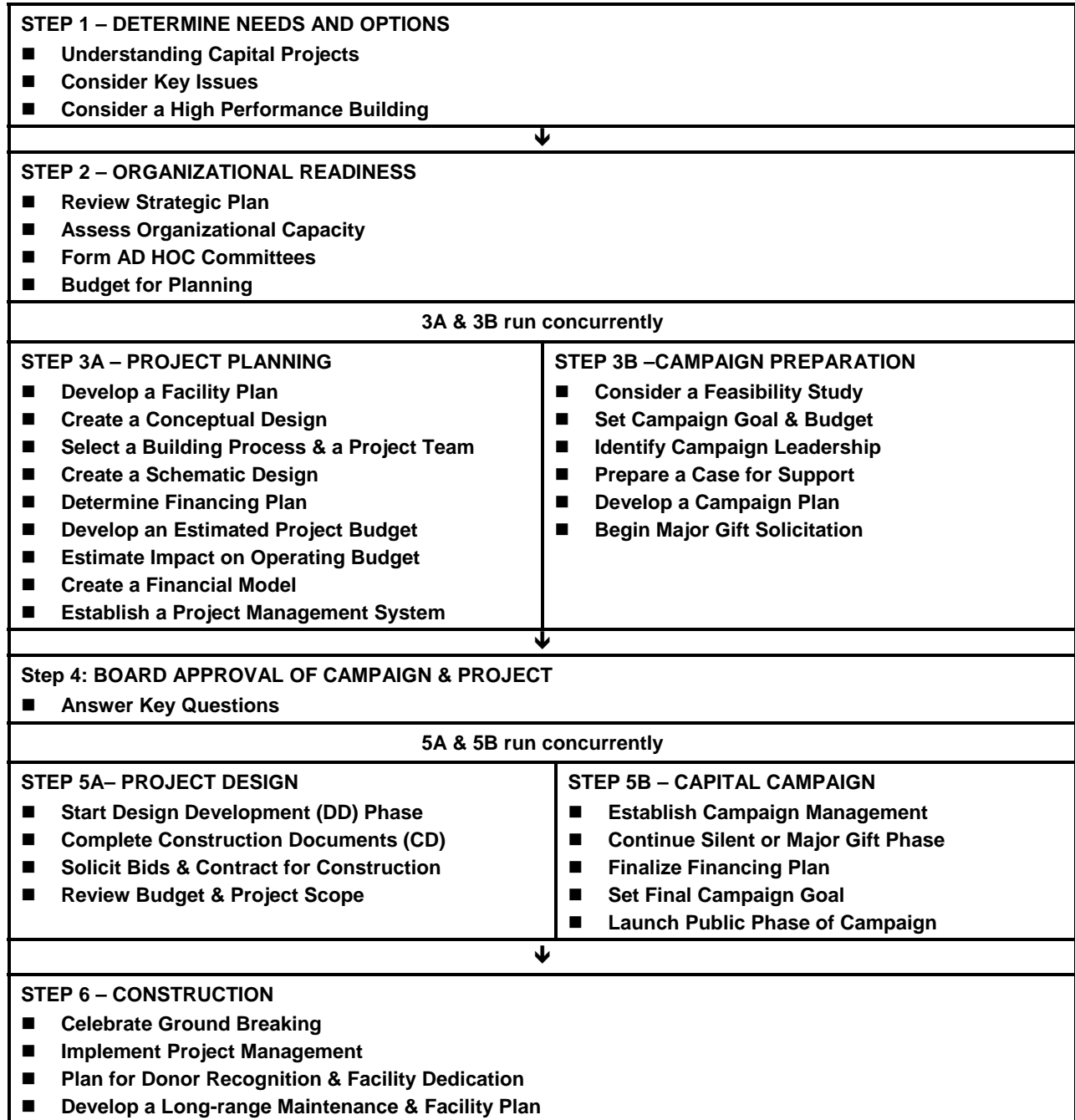
The Gates Family Foundation, which focuses on grants for capital projects in Colorado, developed the guide to encourage small and large non-profits to plan earlier and better and thus avoid costly and all too common mistakes. Important to the design and final product was the skillful collaboration and co-authorship of Rick Tallman of the Tallman Group (rick@tallmangroup.com), a Denver-based consulting firm that specializes in financial planning and capital campaigns.

The guide is available in two versions: as an Executive Summary in PowerPoint and as a full length handbook in a Word PDF format. We have found the Executive Summary to be the best way to get familiar with the guide or to communicate the approach with others. The Handbook makes an excellent desk reference. While the core guide is now complete, it is considered a living document. Over time, information will be updated, mostly in the form of examples for reference, such as business plans, advice on selecting architects, sustainable design resources, strategic plans, etc. Suggestions on improvement are always welcome!

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

OVERVIEW

Overview



Step 1. DETERMINE NEED & OPTIONS: Understanding Capital Projects

Step 1: Determine Needs & Options: UNDERSTANDING CAPITAL PROJECTS

A capital project has a significant cost and a useful life of at least ten years. The project may be the construction of a new building, but it may also be the creative retrofit or tenant build-out of an existing building. All possibilities should be evaluated before finalizing a project plan. The key to remember throughout this planning process is that the facility exists to help carry-out the work of the nonprofit organization. The building that helps your organization fulfill its mission may be one that you buy, build, rent, expand, renovate or one that allows you to merge, share, or consolidate in existing space.

The Nonprofit Finance Fund (NFF), a national leader in helping nonprofits strengthen their financial health and improve their capacity to serve their communities, has found that defining long-term program goals is essential before undertaking a major facilities project. Once the facilities choice has been made, programming is “cast in concrete” and changes are very hard to make. Their research has found that program goals, organizational growth and facilities are linked in the following ways:

- Facilities are a means to realizing a programmatic end.

Having clear program goals will help you determine what facility best supports those goals. If those goals are unclear or programming is in flux, then making long-term facilities choices could be premature. In such a situation, renting might make more sense than buying or undertaking a major leasehold improvement.

- New facilities accelerate an organization’s growth.

This is especially true for smaller nonprofit (with budgets of \$400,000 - \$800,000) for whom growth brings the encumbrances of a larger organization: more people, a management infrastructure and may more external stakeholders. Small organizations, used to being able to make rapid program shifts, often fail to realize they lose much of their program flexibility as they get larger.

A successful plan will entail moving forward while retaining a balance among programming, finances, management, and facility. This can be challenging because facilities change infrequently: they often appear to be once-in-a-lifetime “opportunities”; and they usually involve large dollar amounts and significant organizational changes. These major changes and large costs can throw an organization off balance. For example, programming and occupancy costs could increase much faster than revenues. Such imbalances can threaten an organization’s ability to survive.

The plans need to be at least as long-term as the facilities commitment and preferably longer, since facilities are a means to an end. Seizing a facility “opportunity” before making fundamental program choices forces managers to create new programming—and to build a new audience—to make the new space work.

Evaluate Your Choices

When you are first starting to investigate the possibility of a new facility it is important to remember that you always have choices. You might stay in your existing space and renovate or you might downsize, consolidate, reorganize, expand, share space, merge, buy, rent, or build. You have lots of options and you should consider them all.

The organization's program goals must guide how these options are assessed. The challenge is to identify the options that match the organization's needs, wants, and budget—now and in the future. The success of the project, and the ability to deliver quality programming over time, requires balancing program, management, finances, and facility. To achieve balance, the following issues must be addressed:

- Designing the space
- Finding a good site
- Making the project's cash flows fit
- Raising the money to complete the project
- Raising the money to operate once the new space is open
- Managing the re-configured staff

Finding a balance means deciding how large a step the organization can take toward achieving its long-term vision. In order to determine the scope of the project, you need to assess how much of a facility change the organization can sustain without making drastic changes in programming.

Step 1. DETERMINE NEED & OPTIONS: Consider Key Questions

Step 1. Determine Need & Options: CONSIDER KEY QUESTIONS

The Nonprofit Finance Fund and Partnership for Affordable Nonprofit Space (www.orgSpaces.org) has outlined some key things to consider before beginning a capital project.

Begin with an environmental scan; review your mission and strategic plan with your new project in mind, and ask yourself:

- How much has your organization changed during the last five years?
 - Does significant change during the past few years indicate continued change in the future?
- How much do you expect your program to change in the future?
 - The more you expect program to change, the more appropriate it is to stay flexible with your facility. If this is the case, renting may allow greater choice until your program is more fixed.
- Does your program require specialized space?
 - To the extent the answer is yes--absolutely unique space is required; then owning your own building will be the best, if not the only choice. To the extent the answer is no, or maybe, then renting becomes a possibility.
- How tied are you to a particular location?
 - Changing location can affect how your work is perceived by your donors and audience
 - Changing location can also have a large impact on your staff and constituents. Will the new location have access to mass transportation? Will it be handicap accessible? Will it be a doable commute for staff members?
- What stage is the real estate cycle in?
 - The pressure to make a facilities change often is most intense when choices are most limited—at the top of the real estate market. Can you wait?
- Are all of our programs community-driven and are they directly meeting the needs of those we serve?
- What other agencies are providing similar programs? Are opportunities for collaboration worth exploring?
- Is this capital project really necessary to best deliver our programs to the community?
- What other capital projects are happening in our community and might compete with our project for donor funds?
- Do we have enough funding and the right resources to properly plan the project?
- Can we measure the impact this project will have both on our organization and those we serve? And will this move us closer to or further from our mission?
- Do we fully understand what this project will do to our annual operating budget? Will we need to increase our staffing and/or change board make-up? Will maintenance, custodial or utility costs increase?
- Are we a financially sustainable, high performance organization that is ready to take the next step in our organizational development?

Quantify Space Requirements

The next step when planning a new space is to understand all of your organization's requirements. You should start by identifying your minimum requirements to be functional. Once this basic list is in place you can add the "would be nice to have needs."

- Start with a quick tour of the current facility to observe:
 - Population and occupancy
 - Hours and frequency of activities and space used
 - Noise level
 - Ambiance
 - Functional problems
- Determine the:
 - Number of people using each space
 - Function of each person using a space if applicable
 - Future growth factor for each space when applicable
 - Special features required for each space to fulfill its function
 - Size of each space in net square foot area
 - Satisfaction of occupants using the space
- Prepare a list of required spaces for each of the organization's programs and functional areas:
 - Determine the number and types of program activities
 - ◆ Consider possible project or program growth and expansion
 - ◆ Program support functions
 - ◆ Program staff
 - ◆ Program volunteers
 - Determine the needs for the organization's administration
 - ◆ Administrative support staff
 - ◆ Administrative support functions
 - Determine visitor requirements
 - ◆ Are many visitors expected? At what times of day?
 - ◆ Is there a need for security? How strict should it be?
 - ◆ Should visitors be carefully controlled within one area?
 - ◆ Is there more than one classification of visitor?
 - Program participant
 - Volunteer
 - Business visitor
 - ◆ Parking
 - ◆ Pedestrian circulation
 - ◆ Safety issues
 - Special equipment requirements
 - Lighting needs
 - Audio visual requirements
 - Acoustical requirements
 - Special environment needs or requirements
 - Mechanical and electrical system requirements

Step 1. DETERMINE NEED & OPTIONS: Consider a High Performance Building

Step 1. Determine Need & Options: CONSIDER A HIGH PERFORMANCE BUILDING

“Green”, high performance, sustainable, and regenerative design are all popular building terms today—especially with ever-increasing energy costs. While a “green” or high performance building may incorporate features that reduce the building’s environmental impact, a sustainable or regenerative building actually seeks to give back to the environment (e.g., by producing more energy than it uses). “Green” buildings also seek to increase efficiency by reducing the cost of ongoing operations and maintenance.

Any new facility, retrofit, or tenant fit-out project should seek to incorporate green or high performance building components as many features are capital cost-neutral and reduce long-term building operating costs. Cost-neutral examples include designing a building to maximize the use of natural light (as opposed to relying solely on electric light), using water-efficient fixtures (such as low-flow toilets or waterless urinals), and seeking to use locally produced products (to reduce pollution from the transportation of materials).

Ideally, the new building or retrofit project should be approached from a “whole-systems” perspective. Many factors influence the performance of a building and designing without considering the interaction of building elements often leads to excessive resource use or occupant discomfort. The whole-systems or integrated design approach maximizes site assets (e.g., proper orientation), free resources (e.g., natural ventilation or evaporative cooling), and takes into account the interactions between building systems (e.g., that by reducing the amount of time the lights are on, you also reduce the cooling load requirement for the building). The ideal result is a building that is efficient, healthy, and beautiful.



Green Tip:

A good example of integrated design is installing more insulation or better windows to reduce the HVAC system size. While a typical simple payback analysis might not justify the additional cost for the insulation or high performance windows, an integrated approach may demonstrate that with the increased insulation and better windows, the HVAC systems can also be downsized, thus saving more money than the original design. Integrated design is about looking for synergies between building components that not only reduce operating costs, but also reduce capital costs.

This interdisciplinary approach to building design front-loads the design process and encourages the project team to discuss all project criteria (schedules, budgets, environmental goals, etc.) at the outset when decisions have the greatest impact on the final building performance. The integrated design process also enables the design team to address multiple problems with single solutions.

A high performance building need not be covered in solar panels or bermed into a hillside. Every building project can incorporate high performance building elements that reduce costs, reduce environmental impact, and increase occupant well-being.



Green Tip:

Experience with high performance building as well as **attitude** are the two most important attributes to creating a high performance building.

How do I create a “High Performance” building?

Any typical design and construction process can accommodate the incorporation of high performance components. The most successful projects will set high performance building goals **early on** in the design process and place emphasis on **the integration** of design concepts from all engineering and design professionals.

Goals will vary by climate, user requirements, site or existing building constraints, and project team experience. Goals may relate to anything from energy consumption to occupant education.

Examples include:

- Achieve a 50 percent energy reduction relative to the average energy use of the same building type as established by the U.S. Energy Information Administration
- Achieve a 40 percent reduction in water use compared to code requirements
- Seek to incorporate materials with recycled content or materials that are sourced and manufactured locally
- Minimize on-site parking and provide free bus passes for employees
- Use low VOC paints and carpets
- Recycle 90 percent of all construction waste

In concert with the goal setting process, the design team should begin to identify the real areas of opportunity or challenge. For a project in an existing building with deep floor plates, providing daylight may prove challenging. Alternatively, for a new construction project located near a deep lake, there may be an opportunity to use cool water from the lake as a substitute for conventional air conditioning. Local codes and regulations as well as utility rebates or incentives may drive the identification of problem areas or opportunities.

As design concepts are developed, it may prove useful to conduct specific analyses to determine which concepts are superior with regards to reducing energy use or increasing occupant comfort. Common analyses include energy modeling, airflow modeling, and daylight analyses.

Green Tip:



While most high performance building strategies do not add capital cost to a project, some strategies might. To make the case for additional capital investments, it is useful to have quantitative analyses to prove the value of individual building elements (e.g. how better windows might pay for themselves in as little as one year).

How do I know if my building actually is “High Performance?”

There are many green or high performance building rating systems in use and being developed around the globe that can help design teams benchmark their buildings. The most popular rating

systems include BREEAM (the Building Research Establishment Environmental Assessment), CASBEE (Comprehensive Assessment System for Building Environmental Efficiency), GBTool (Green Building Tool), Green Globes™, Energy Star, and LEED® (Leadership in Energy and Environmental Design).

The most common system in the United States is “LEED®,” a rating system developed by the U.S. Green Building Council. LEED® stands for Leadership in Energy and Environmental Design and is an industry-recognized, voluntary standard that rates high performance buildings. Currently, there are 8 different LEED® rating systems with several more in development. For each rating system, points are earned in various categories. For New Construction (NC) buildings, these categories include Sustainable Sites, Water Efficiency, Energy & Atmosphere, Materials & Resources, Indoor Environmental Quality, and Innovation in Design. Each category includes credits with designated point values and requirements. A rating of certified, silver, gold, or platinum is awarded based on the number of points earned. The Council has asserted that a LEED® Silver-rated building should not cost more than a conventional building.

While LEED® does not provide all the answers or ensure that every building is designed as best as possible, it does provide valuable guidance in the design process and create a common language for the design team. Most importantly, because LEED® requires documentation to earn credits and a third party review of all documentation, it ensures that “goals” are actually achieved.

What are the Benefits of a High Performance Building?

Many players in the real estate market are realizing that green development is good business. Everyone from corporate real estate executives, to retailers, to developers, to homebuilders, to renters is discovering that high performance buildings not only enhance health and productivity, but also enhance the pocketbook. A 2007 study titled “Cost of Green Revisited” by Davis Langdon, an international construction cost estimation firm, states that “there is no significant difference in average cost for green buildings as compared to non-green buildings.” In addition to little or no capital cost to go green, high performance buildings keep saving money over time through reducing operating expenses. Common benefits include:

- Healthier indoor environments (and Americans typically spend more than 90% of their day inside)
- Increased visual, acoustical, and thermal comfort which can result in improved productivity and reduced absenteeism
- Providing an organization or corporation with another opportunity to prove commitment to economic, social, and environmental goals
- Free marketing as many green buildings are profiled through case studies or publicized on television
- Increased building valuation
- An overall reduction in impact on the environment – energy and water use along with construction waste are reduced
- An improved project process. Creating a high performance building encourages teamwork and promotes an open exchange of ideas; the process also helps team members to anticipate and avoid technical difficulties that could add expense later in the project

Step 2. ORGANIZATIONAL READINESS: Review Strategic Plan

Step 2. Organizational Readiness: REVIEW STRATEGIC PLAN

Your organization probably has a strategic plan for its programming, but does it have one that takes into account this pending capital project? There is no single “right way” to create an organizational strategic plan. With literally thousands of books, seminars and consultants available, the most important thing is to choose a method that is right for your organization.

The purpose of any strategic planning process is to clearly define your organization’s long-term vision and the short-term objectives for getting there. There is broad agreement among planners that a good Strategic Plan is always:

- Only as good as the process used to develop it.
- Community and program driven.
- A concise living document that gets reviewed once a year, and updated at least every three years. Inclusive of the thoughts of staff, board members, community members, donors, supporters and representatives from those served.
- Most effective if it has specific, measurable program goals that avoid general superlatives like “excellence” and “world-class.”



Tip!

Your strategic plan goals should be “SMART”:

- S** – Specific
- M** – Measurable
- A** – Achievable
- R** – Realistic
- T** – Time Specific

- Developed to take the organization, over a period of three to ten years, from its current situation to an improved state with a clearly defined end point or vision.

Step 2. ORGANIZATIONAL READINESS: Assess Organizational Capacity

Step 2. Organizational Readiness: ASSESS ORGANIZATIONAL CAPACITY

Before you go too far down the road of a capital project, it's important to assess your organization's ability to raise the money that will be needed, and to manage the additional requirements of a capital project.

Many of the tasks you will undertake during a capital project are very different from things you would normally do in operating your organization. Some of the qualities you need to consider when assessing the need for board and staff development are:

Business and Financial Planning Expertise and Experience

- Ability to develop a business plan
- Ability to evaluate complex project and operating budgets
- Working knowledge of financing options
- Personal network that includes people who can help with financing

Fundraising Capacity and Experience

- Capacity to contribute expertise or funding for planning
- Capacity to contribute larger gifts to the campaign
- Personal networks and willingness to solicit major contributors
- Knowledge and experience in leading a fundraising campaign, possibly a capital campaign

Although your project may not be well defined it's a good idea to know what your fundraising capacity is right up front. **Later, as your project becomes more clearly defined, you should constantly compare funding requirements to your fundraising capacity. An immediate question is whether or not you have the expertise or funds necessary for the planning process itself.**

If you lack a high level of fundraising expertise within your organization, or if you feel the need for an outside opinion, you may want to consider hiring a consultant to help you estimate what your fundraising capacity is and what specific steps you can take to begin improving it as needed. There are a number of foundations that provide money in the form of capacity building grants to help organizations assess and improve their ability to fund raise. There are several things that you can do to build fundraising capacity:

- Develop your Board by recruiting additional board members with the enthusiasm and capacity to raise funds
- Build your staff power, by adding additional fundraising staff or provide new training to current staff
- Explore collaborating with other agencies – your project may attract a broader base of funders while gaining efficiencies at the same time if you work with other agencies

- Research new funding sources to find out who is funding similar projects or agencies and see if they would be interested in yours
- Improve your fundraising systems by making sure you have systems in place that effectively identify, cultivate, retain, and track donors without letting opportunities slip through the cracks

And if you are going to build or remodel, you will need people who have:

Construction Expertise and Experience

- Experience designing or constructing similar facilities
- Knowledge of the construction industry building standards and project management techniques
- Personal networks that include prospective architects, general contractors, project managers and sustainable design consultants.

Step 2. ORGANIZATIONAL READINESS: Form AD HOC Committees

Step 2. Organizational Readiness: FORM AD HOC COMMITTEES

To plan and execute a successful capital project, a Board of Directors must perform tasks and manage a process that is different from day-to-day operations. To be effective, the board must plan for the new project and possibly recruit new members with new skill sets. Two ad hoc committees that are commonly formed to take on a capital project are a Capital Campaign Committee and a Building Committee. These committees often include board members, senior staff and outside volunteers in their ranks, and are given specific tasks and timelines to perform. Final decision authority normally remains with the greater board, with the committees making recommendations for their approval.

Specific duties of each committee typically include:

Capital Campaign Committee

- Recruit campaign leadership from senior staff, board and community members
- Develop a case for support
- Develop the campaign plan and schedule
- Establish campaign management systems
- Identify and cultivate prospective donors
- Ask prospective donors for campaign gifts
- Ensure the successful completion of the campaign according to the plan and schedule

Building Committee

- Determine the level at which your organization is going to use high performance building standards
- Inform board about building goals, design, and construction
- Manage facility planning
- Invite key stakeholders to design meeting to establish project goals and standards
- Develop project scope, budget and schedules
- Work with finance committee to develop business plan
- Select architect for conceptual design
- Establish project management systems
- Select building methodology and select appropriate team members (architect, engineer, and/or general contractor) for preliminary and final design
- Request updates on project design and environmental performance at end of each major design phase
- Develop long-range facility maintenance plan and funding

Step 2. ORGANIZATIONAL READINESS: Budget for Planning

Step 2. Organizational Readiness: BUDGET FOR PLANNING

Planning for a major capital project is an extensive process that could span months or even years. Many of the tasks you will encounter may require outside expertise from consultants, temporary staff or volunteers. Such resources can be critical to a successful project, but may add expenses above and beyond your normal operating budget.

Planning for these expenses upfront and making sure your organization has the necessary cash reserves on hand will help to eliminate false starts or delays during the project that can kill momentum and add even more costs. You may not have to hire professionals—you may have the expertise on your board or staff. However, if you are unable to identify pro bono or volunteer services you will want to plan ahead to pay for these additional expenses which will be in addition to your normal operating expenses. To formalize the process of selecting professional help, it is suggested that your organization send out a Request for Proposal (RFP) to reputable consulting professionals/firms outlining your organization’s background and history, service requested, deadline for proposal with cost estimates, and the interview and approval process.

The following chart outlines average costs associated with campaign planning services. Please note that costs related to campaign planning will depend upon your organization’s readiness, project scope, and professional representation and expertise.

Preplanning

Task	Possible Type of Assistance	Average Cost of Service
Strategic Planning	Strategic Planner, Retreat Facilitator	Min. \$10k – \$20k
Board & Organization Development	Board Skill Audit, Team Building Consultant, Capacity Building Training	\$5k – \$10k
Business Planning	Business & Financial Planner	\$10k – \$25k
Facility Plan	Facility Planner, Architect	\$5k – \$10k

Project/Campaign Planning

Conceptual Design	Architect/Engineers	Percentage of total project cost 7-10%
Fundraising	Capacity Building, Feasibility Study, Campaign Planning, Campaign Counsel	\$5k - \$10K/month

Project Implementation

Project Management	Cost Estimating, Owner’s Representative	\$5k – \$10k/month
Financing	Finance Broker, Investment Banker, Bond Counsel, Commercial Banker	1 – 2% of amount borrowed

Step 3A. PROJECT PLANNING: Develop a Facility Plan

Step 3A. Project Planning: DEVELOP A FACILITY PLAN

What kind of facility do you need?

You've already assessed your organization's programs and space needs. The next step is to do a facility plan or master plan. Every architect, consultant, and builder defines these terms differently. The goal of this process is to make sure the final size and configuration of your facilities meet all of the program needs identified during the needs assessment process. *A key question to ask at the outset is whether you can meet your future space needs by **leasing, renovating or building a new facility**.* There are costs and benefits to each strategy and before you commit yourself to one direction you may want to do some analysis to determine what option is best for your organization. Often times, organizations will hire a facility planner or architect to help them through this important process, as it becomes the basis of all future project planning. This is a specialized skill and you should not hesitate to hire someone to help you.



Watch Out!

If your organization has limited funds, an architect may offer to do this work *pro bono*, in consideration for the design contract for the overall project. It may be wiser to pay an architect for planning and conceptual work and make it clear that there will be a competitive process on the final design phase.

What's in a Facility Plan?

Starting with the future community-driven program needs of your organization, a facility plan will describe your goals and dreams for the space, including:

- The right type and size of each space that is needed:
 - For near term requirements – next 3-10 years
 - For future long term needs and expansions – next 10-20 years
- The best use of existing space, and what new space may be required
- An analysis of which space requirements would best be met by leasing, versus renovation or new construction
- An assessment of zoning requirements, building regulations, or covenants
- An analysis of environmental and community concerns
- Preliminary site/climate analysis
- Architectural style, accessibility and view considerations
- A cost estimate for any new construction, renovation work or leasehold improvements. Including:
 - An estimate of operations and utility costs (energy and water)
 - An estimate for ongoing maintenance costs
- The Facility Plan can be summarized as a colored site drawing or a timeline of projects. Sometimes the drawing itself is referred to as the Master Plan.

Once your Facility Plan is done, it's time to begin designing your project. The design of capital projects is normally broken into different design phases. Designing a building or major renovation takes time and a lot of careful planning. The typical phases include:

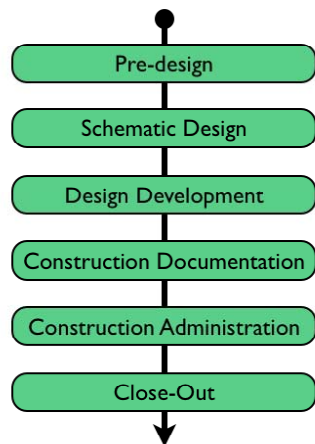
- Conceptual Design
- Schematic Design (SD)
- Design Development (DD)
- Construction Documents (CD)
- Bid
- Contract Administration

Depending on the size and complexity of the project, in some cases, typically smaller projects, these phases tend to be rolled together or because of time limitations are shortened into one design phase. It is a good idea to be aware of all of the separate phases but be flexible in implementation.

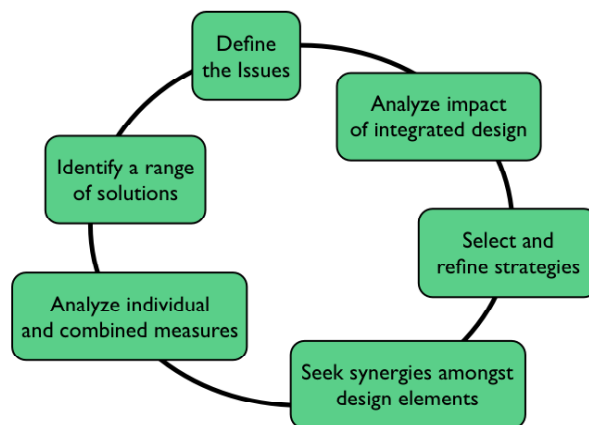


Green Tip:

While the typical design phases are integral to high performance building design, project team members should also be open to a more iterative process within each phase (images courtesy of RMI).



Typical Design Process



Integrated Design Process

■ **Conceptual Design:**

In the conceptual design phase the architect listens to the needs of the client, and working with them, develops one or more initial designs. These designs, usually in a sketch format, help the client understand how their programming needs translate into physical spaces. Conceptual designs are used to test ideas and concepts and garner feedback from a broad audience.

■ **Schematic Design (SD):**

Based on feedback received during the conceptual design phase, initial ideas are further developed during the schematic design phase. During the schematic design phase, loose sketches are developed into site plans, floor plans, elevations, and sections. Physical models or computer

generated models may be used to help the client better understand the challenges or opportunities of various design approaches. Depending on the location and scope of the project, some local jurisdictions may require a design review by a planning department or design review board. Zoning and how it impacts the building size and setback should also be considered. If the project affects structural, plumbing, or mechanical systems, it will also likely need a permit.

You can find out about building requirements or limitations by consulting with your local planning department officials. The architect or project engineers can research these requirements for clients who would prefer not to do it themselves. It's always a good idea to engage with building officials early on in the process to avoid frustration or expensive changes later on as their feedback may necessitate a major change in scope.

■ **Design Development (DD):**

After the schematic design document is approved by the client, the project moves into the design development phase. During design development, the project team works from finalized floor plans and elevations to create preliminary “details” to ensure all structural, electrical, mechanical, and architectural elements are coordinated. Design development is the “meat” of the design process, where the project team takes the time to fully flesh out a design, to consider different building materials and construction processes, and to understand how the building will perform. Preliminary, material, finish, door and window schedules are created in addition to a color/materials board to evaluate finishes.

A detailed cost estimate should also be performed during design development to determine if the project is affordable as designed. Any major changes must be reconciled prior to entering the construction document phase. Once design development ends, it becomes very difficult and expensive to incorporate changes.

■ **Construction Documents (CD):**

Completion of design development (DD) leads to the beginning of construction documents. Construction documents, which include both drawings and specifications, serve as the “instructions” for the contractor, detailing every minutia of how the building should look when completed. The building type and complexity will drive the amount of documentation needed. Some jurisdictions may require that a permit set of drawings be issued for review prior to construction. The building officials will review the set of construction documents to ensure they meet (or exceed) all building code requirements.

■ **Bids:**

Once construction documents are complete or close to completion, the client will begin the contractor selection process. The selection of a contractor may be a competitive process based on project pricing or may be based strictly on qualifications. The architect may or may not be included in this process. During the bid process, a project contracting structure must be selected.

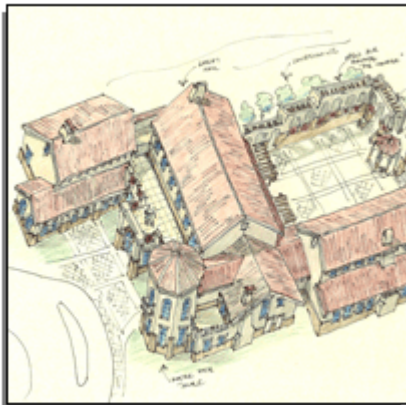
■ **Contract Administration:**

Contract Administration will depend upon the selected method of project delivery – Design-Build, Design-Bid-Build, or Construction Management.

Step 3A. PROJECT PLANNING: Create a Conceptual Design

Step 3A. Project Planning: CREATE CONCEPTUAL DESIGN

Conceptual Design



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In the conceptual design phase, information identified in the pre-design facility plan is used to initiate a project vision and strategy. The architect will take program requirements, user needs, and comments from the pre-design phase, and synthesize them into conceptual sketches. Sketches, rough physical models, and/or 3-dimensional computer models may be employed to communicate the architecture and feel of the project.

For public or community projects, the conceptual design process may involve extensive public and community input. Successful community projects engage key stakeholders in the design process early and often. Many organizations host "charettes" or workshops to get feedback from stakeholders.

Charettes are open, collaborative forums at which a project program, assumptions, goals and requirements are discussed and reviewed. Charettes enable all stakeholders to actively participate in the design process, thereby generating support for the project while also calming or accommodating any naysayers in the group.



Green Tip:

The most important decisions are made on the first day! Don't wait to get engineers and consultants engaged – the most successful projects consider efficiency and high performance building goals from day one.

Conceptual design is also the time to set high performance building goals for the facility (which may or may not include goals related to LEED or other green building rating systems). Goals should respond to the physical environment (site and climate) as well as to the programming and user needs. For example, if children or the elderly will be using the facility, indoor air quality may be targeted as a high priority. If critical visual tasks will be performed, energy efficient task lighting may be important. A successful conceptual design will accommodate project goals or allow for the development of more detailed solutions to address those goals in future design phases.



Watch Out! For These Common Problems

- The architect thinks he or she is building an architectural monument, not a gymnasium (which may be the actual objective of the campaign).
- The architect and/or the contractor has no experience with the type of building being designed

Step 3A. PROJECT PLANNING: Select a Building Process & A Project Team

Step 3A. Project Planning: SELECT A BUILDING PROCESS & A PROJECT TEAM

An important decision that will influence your budget is the construction contract and project delivery method you select. Project delivery refers to the relationship between the owner, the builder and the designer. Each methodology has its advantages and the owner must determine which method best suits the project. The three main methods include Design-Bid-Build, Design-Build, and Construction Management. All three methods can accommodate any level of high performance building.

■ Design-Bid-Build

This is a traditional building method where the project is designed by a team of architects and engineers and then bids are solicited from construction firms. The winning construction firm become the General Contractor and is responsible for the overall completion of the project using the firm's own employees, sub-contractors or a combination of both.

Advantages:

- The design and construction phases are clear and distinct.
- The design is complete before the builder gets involve. Complete documents should lessen the chance of misunderstandings.
- Method allows for plenty of time to consider alternatives with input from all future occupants and design team members.

Disadvantages:

- This method takes the longest time to complete.
- Designers and builders can sometimes become antagonists when the builder is unable to understand or even build what has been designed.
- This method is usually done using a lump sum bid contract. Sometimes a guaranteed maximum price bid is used. One potential problem is that builders sometimes intentionally bid low to win the project and then hope to make up for their loss in profits through change orders.

■ Design-Build

This is an old method that has become popular in recent years. In this process the owner selects one contractor to both design and build the project. The contractor is usually a builder who then in turn hires a design team as needed. This is a contractor-led project. There can be designer-led projects where the owner selects the designer who in turn hires the contractor.

Advantages:

- Design-Build is intended to save time. Since the designers and builders work together from the beginning the design effort can be significantly reduced. Permits can be pulled while the design is happening. Building usually starts as soon as that portion of the design is complete.
- Works very well when standard designs that have been built repeatedly are used. It is essential that the owner, designer and builder all have the same clear picture of the final project before construction begins.

- Method should minimize change orders and potential delays which can result in savings.

Disadvantages:

- This method requires a standard repetitive design. It would not work well if you have specialized building requirements.

■ **Construction Management**

This is a newer method of delivery where the owner hires a construction professional early in the design phase. The construction manager then works with the design team to help ensure that the design is something that can be built for a reasonable cost and that the builders will be able to understand the design drawings and specifications. There are two versions of the construction management model. One method is where the manager assumes risk for the project and the other where he just acts as an advisor or technical consultant.

In the construction manager at risk model, the manager becomes the General Contractor during the building phase and sub-contracts out the work. Construction Management projects are usually guaranteed maximum price contracts.

Advantages:

- The builder (the construction manager) is involved in the project almost from the start
- The owner can often be more involved in the selection of subcontractors if so desired.
- Construction managers use a different approach to managing subcontractors as opposed to General Contractors and will attempt to negotiate the best value for the owner when selecting subcontractors.

Disadvantages:

- The builder (the construction manager) must be paid for his role in the design process. This is usually a very small cost when compared to the total cost of the project.
- There may be some distortion in the lines of responsibility and the owner should expect to have more meetings.
- Some construction managers have their own employees and expect to do much of the work themselves. This arrangement could not be best for the owner. The best technique is to stipulate that all work, even work done by the construction managers employees must be bid out so that the best price is obtained.

All three methods work if used correctly. To make the best choice, nonprofits should consider their organization and project and select the best fit.

By this point, you may have used one architect for facility planning and perhaps a different architect for the conceptual design and schematic design work. If you are satisfied with any of the work to date and believe they are the best fit for your organization, they should be considered a leading candidate for the remaining design work. However, **you should not single source this work**, as competitive proposals will help keep your budget in check and make for a better overall finished product.

An architect's, general contractor's, or construction manager's proposal should include a team of architects, engineers, and design consultants chosen specifically for your project. These may include structural, mechanical, civil, electrical, and geophysical engineers, as well as sustainable design consultants and design specialists (e.g. lighting, acoustical, landscape architects) for the type of

building you are planning. Be sure to consider the qualifications and experience of each member of the design team – not just the lead. The proposal should also include their proposed schedule for the project. Staying committed to a project schedule will be an important component to keep the project on budget and to keep donations flowing in.

Key things to consider when choosing a building project team include:

- **Similar Work Experience and References** – Consider teams with a track record of working together, experience with similar projects, and strong recommendations from references. Experience with green design should be weighted heavily.
- **Project Team** – Consider those teams with individual project team members that can demonstrate strong personal recommendations, extensive experience specifically relevant to this project, and who have a history of working together as a team. (seems repetitive to point above?)
- **Project Approach** – Consider those teams that demonstrate a creative and detailed thought process, support an approach that is interactive with the owner and have in mind a *building that meets your goals and matches your budget!* Also: solid cost estimating and cost control systems are a must. Request a sample cost estimate to ensure the detail and accuracy meets your expectations.
- **Understanding of Building Type** – Consider those teams that are highly experienced in the design of similar types of facilities, and have worked extensively on projects of similar size and complexity. If pursuing LEED[®], you will want personnel who are Leadership in Energy and Environmental Design Accredited Professionals – LEED[®] AP.
- **Understanding of Design Constraints and Objectives** – Consider those teams with a design philosophy that most closely represent those of your organization.
- **Current Project Workload** – Consider those teams with available resources and depth of staff. Request that the point person at the architecture firm will be able to see the project through from start to finish.
- **Quality Control Procedures** – Consider those teams with standardized quality control specific to your type of project.

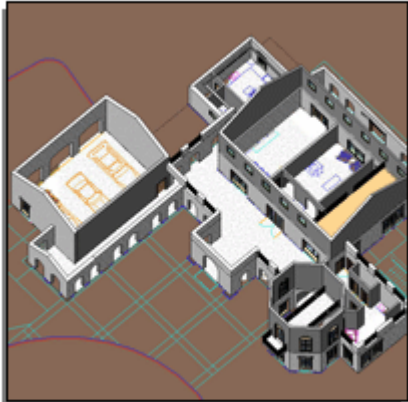


Tip!

The American Institute of Architects (www.AIA.org) developed standard forms for Architects, Engineers and Consultants to use in providing their qualifications. It may be very useful to ask each firm on a prospective design team for an AIA Form B431 (Qualifications Statement). However, do not hesitate to have each firm respond to additional qualifications and display attributes which are important to you. Additionally, AIA developed standard contract forms, which at a minimum, should be used as a reference or guide to developing the design contract(s) for your project.

Step 3A. PROJECT PLANNING: Create a Schematic Design

Step 3A. Project Planning: CREATE A SCHEMATIC DESIGN



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In schematic design, the project team takes the client-approved conceptual design and translates it into rough building plans. During this process, the architect establishes the scale of the building, its' relationships to the site, and its' architectural language. Feasibility studies may relate to items such as building orientation or to how the building form will affect natural ventilation or daylighting ability. At the conclusion of schematic design, building plans, elevations, sections and site plans should clearly communicate design intent. Both qualitative and quantitative analyses can help the project team to validate that design goals are being met.



Green Tip:

It is most informative to conduct analyses (e.g. create energy or daylighting models) during schematic design when it is still possible to significantly alter the building form or systems. Analyses should be used to INFORM design, not simply to document performance it after the fact.

During schematic design, the project team will expand to include structural, mechanical, electrical, and civil engineers along with landscape architects and sustainability consultants. The earlier the project team is formed and the greater the communication between team members, the more successful the project will be. It is also a good idea to involve building and planning officials as early as possible to identify potential roadblocks before you arrive at them.

Schematic design typically includes mandatory submissions to planning commissions and presentations before design review boards. This process allows a city to review the design to ensure it conforms to their building codes, zoning regulations, and master plan/design requirements. Public hearings may be held to allow citizens to weigh in on the project.

Performing a cost estimate is also very useful during schematic design to ensure you are on the right track. Having a contractor on board as early as schematic design may help keep project costs in check throughout the design process. Some contractors require a fee for cost estimating, but note that using a contractor for such services does not bind you to using them as your contractor.



Tip!

You should consider proposals from at least three architectural firms for schematic design. Note that it is common to retain the same architect from the conceptual design phase. If necessary, however, a different architect can be engaged to complete the project after the conceptual design is complete.

Step 3A. PROJECT PLANNING: Determine Financing Plan

Step 3A. Project Planning: DETERMINE FINANCING PLAN

There are many different sources of funding for your capital project:

- Cash Reserves
- Contributions raised through a capital campaign
- In-kind contributions of goods and services
- Government grants
- Foundation and other grants
- Loans, at taxable or tax-exempt interest rates

The typical project requires a combination of several of these sources of funding.

It is important in structuring your financing plan that you anticipate **when** money must be available to pay the costs of building or buying and **when** you will receive contributions. Often donors make pledges that are payable in the future, sometimes over a period of years. If you wait until all of those pledges “in the bank” you will expose yourself to increasing costs of construction or acquisition. There may be timing issues regarding the receipt of grants as well.

Although nonprofits tend to resist borrowing money for capital projects, funding all or part of the project with loans can often be a very smart, particularly as a way to address timing issues of receiving capital contributions and grants. It can also be a useful strategy to spread the cost of a long-term asset over the period of time the building is being used, rather than trying to pay for the entire asset at once. Often organizations are currently paying rent; a loan payment provides the same function of spreading the cost of occupancy over the life of the building. Retaining cash reserves, rather than spending all of them on a new facility, gives the organization flexibility to respond to unforeseen events.

One way to analyze the elements of your financing plan is to look at the stages of development of the project and determine how you plan to pay for each phase. A second option that allows the developer/borrower to finance the total cost of the project in one phase is a tax-exempt loan or bond. Various circumstances including the size and type of project and the financial capacity of the organization may dictate whether a phased financing or tax-exempt bond financing approach is best suited for a project.

Early Stage Financing

Needs may include the following items and require funds to be available prior to receipt of capital campaign contributions, construction financing or permanent financing.

- Land acquisition (purchase, options, appraisals)
- Pre-development expenses
 - Feasibility studies
 - Planning and design
 - Legal expenses
 - ◆ Permits and approvals
 - ◆ Insurance
 - ◆ Environmental assessments
 - ◆ Inspections
 - ◆ Tap and utility fees

The early stage financing needs may be met by the organization's cash reserves, foundation grants, local government assistance, or short term loan products.

Construction Financing

The next stage of financing needs is the construction financing – the costs associated with the construction phase of the project, usually 12-24 months. These costs are often broken down between 'hard' and 'soft' costs.

- Hard Costs – Physical items such as:
 - Site preparation – demolition, grading, utility
 - Actual building costs
 - Contingency reserve (usually 5-10%)
 - Site improvements (landscaping, parking lot)
- Soft Costs – In addition to predevelopment costs, soft costs include:
 - Lender inspection fees
 - Real Estate taxes
 - Insurance
 - Professional fees
 - Project Management
 - Contingency reserve

The most common type of financing used for construction is the 'construction loan' – a short-term (usually not more than 24 months) real estate loan secured by a lien hold interest in the real property. Funds are disbursed as needed or in accordance with a prearranged plan, and the money loaned is paid off when the construction is completed, usually with the proceeds of the mortgage loan. The interest rate for a construction load is normally higher than the prime rate and there is usually an origination fee.

Permanent Financing

Permanent financing can often be obtained from conventional lenders such as banks, but can also be obtained from quasi-public entities such as CHFA and CECFA. The terms can be up to 20-25 years, which reduces monthly debt service to manageable amounts.

The long-term financing is secured by a lien on the property that has been developed. Various lenders will loan up to different 'loan-to-value' ratios or LTV. Most conventional lenders will make long-term loans up to 75-90% LTV. Some lenders will loan up to 100% LTV, but usually at higher interest rates.

Tax-exempt financing

If you intend to finance part of the project cost with tax-exempt financing, you will not need to obtain separate construction and permanent financing – the tax-exempt loan or bonds will cover the entire cost of the project. The advantage of tax-exempt financing is that the borrower pays lower interest rates than are generally available from commercial lenders. See Appendix A for financing resources.

Step 3A. PROJECT PLANNING: Develop an Estimated Project Budget

Step 3A. Project Planning: DEVELOP AN ESTIMATED PROJECT BUDGET

Before you can raise money for a capital project you have to have some idea of what the project is going to cost. You don't have all the details for your project yet, but it is time to get started identifying some of the possible costs.

Many of the items in a construction project budget are very different from a normal operating budget. It is also important to consider the impact of up-front costs on future operating costs. A slightly larger upfront investment could result in large savings over time, especially as electricity and gas prices are not expected to decline. Taking a life-cycle approach to cost estimating is critical.



Green Tip:

For example, consider the payback period of incorporating efficiency features (e.g., deep daylighting, high performance windows, low-flow water fixtures) – while some features may have higher upfront costs, they may “payback” relatively quickly (while also reducing emissions and overall environmental impact).

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, etc.)
- 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)

Possible Soft Costs

- Architectural & Engineering Fees
- Surveys, Soil Testing, & Environmental Studies
- Legal Fees, including Permitting & Entitlements
- Construction Management
- LEED® certification and documentation fees
- Project Administration

- Cost of Fundraising
- Moving Expenses
- Fixtures, Furnishings and Equipment (FF&E)
- Occupancy environmental and building operation educational program
- Ground Breaking and Opening Day Ceremonies/Celebrations
- Project Contingency
- Insurance
- Interest during construction



Watch Out!

One important consideration when budgeting for a construction project is **timing**. The cost of a project depends greatly on when the project starts and how long it takes to complete. Project costs increase over time due to:

- Inflation of construction costs,
- Interest expense on Gap Financing, and
- Project Management expenses incurred for a longer period of time.

Therefore, a key part of building an accurate project budget is having an accurate project schedule.

Sources and Uses Budget

When you are developing your projected budget you should think about where the money is going to come from to pay for each of the items. This information will enable you to create a Sources and Uses Budget. Lenders nearly always require a Sources and Uses budget to demonstrate that the project developer has identified all of the ‘costs’ associate with a project – the ‘uses’ of funds. These ‘uses’ include everything from the predevelopment expenses through furnishings for the completion and operation of the facility.

The ‘sources’ are the places from which the monies come from to the cover the costs of development. It may be as few as one source (e.g., bond financed facility development) or more than a dozen if various government grants, foundation grants, individual contributions, loans, internal sources, fee income, rents and other sources are part of the overall financing plan.

The Sources and Uses Budget is a dynamic planning tool and just as the budget changes so does this. It is important that a ‘source’ be identified to cover increased costs each time they are identified. Will increased costs be absorbed by larger capital campaign receipts, increased fees or rents, or a larger loan?

Step 3A. PROJECT PLANNING: Estimate Impact on Operating Budget

Step 3A. Project Planning: ESTIMATE IMPACT ON OPERATING BUDGET

In addition to developing a Project Budget, it is imperative that you consider the impact that your project will have on your operational budget – before, during, and after construction. Before you break ground, you may need additional staff to help run the day-to-day operations while you are focused on planning and fundraising. During construction, you may need temporary facilities. Once the project is complete, you will realize the very reason for the project in the first place – to increase your organization’s program capacity – this usually means your annual budget will go up.

Some budget items to consider include:

- Before Construction
 - Decreased annual fundraising revenues during capital campaign
 - Additional development staff during capital campaign
 - More marketing materials and office supplies
 - More travel, entertainment and telephone expenses
 - Expenses of Capital Campaign consultants
- During Construction
 - Decreased revenues or work stoppages due to construction conflicts
 - Temporary facility construction or rental
 - Additional utility usage
- After Construction
 - Increased program revenues
 - Improved annual fundraising
 - Larger program budgets
 - Higher facility operation and maintenance costs, or perhaps a lower facility operation and maintenance costs per square foot if you are selecting or constructing a more energy/resource efficient building than previously occupied
- Additional administrative costs
- New marketing materials
- Removal of temporary project staff



Watch Out! For This Common Problem

If the project cost overwhelms the operating budget; it is possible that to the organization will have to have initiate new programs in order to balance the budget after the project is done. Are you prepared or able to do that?

Step 3A. PROJECT PLANNING: Create a Financial Model

Step 3A. Project Planning: CREATE A FINANCIAL MODEL

A Financial Model projects cash flow in and out of your organization before, during and after the project, and should forecast any need for Gap Financing.

A Capital Project Financial Model should begin at least one year before any work on the project or capital campaign starts (even before the beginning conceptual or schematic design), and it should end at least one year after the project is over. This way, you can clearly delineate the impact of your project on day-to-day operations – this is one of the most valuable reasons to have a Financial Model.

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!

Step 3A. PROJECT PLANNING: Establish a Project Management System

Step 3A. Project Planning: ESTABLISH A PROJECT MANAGEMENT SYSTEM

Before you begin the design phase of your project, it is important to establish clear and effective project management systems. Having good project management early in the process can prevent significant problems later in the project. These systems will help to ensure proper oversight of the project while continuing to focus on the daily operations of your organization. Key components of an effective project management system include having:

- An Owner's Representative – This is someone to work onsite with the architect and general contractor on a daily basis to ensure compliance with the project's budget goals, schedule, and the owner-approved scope and requirements.
- A Schedule for Reports and Presentations – Determine in advance what information should be provided back from the project to senior staff and board members on a daily, weekly and monthly basis.
- Resolution Mechanisms – Determine in advance how problems or conflicts are to be resolved when they arise on the project – and by whom.

It is important to have the necessary construction management expertise to handle these tasks. Organizations should not underestimate the time and attention required to properly manage a complex project, and should consider a temporary hire or independent contractor in this role.



Watch Out! For These Common Problems

- Inexperience of both staff and board. Example: Board has no experience with fundraising; Executive Director ends up doing everything, and running the day-to-day operations. Both suffer.
- Staff and/or board leadership turnover in the middle of a campaign.

Step 3B. CAMPAIGN PREPARATION: Consider a Feasibility Study

Step 3B. Campaign Preparation: CONSIDER A FEASIBILITY STUDY

A Capital Campaign Feasibility Study is a report compiled by a third party fundraising consultant to measure your chances of a successful capital campaign. It usually begins with a series of confidential interviews with prospective donors, volunteers and key staff. The findings taken from these interviews are then compared to other similar projects and organizations, and a series of conclusions are drawn about the likelihood of your success. Finally, the consultant should recommend an attainable campaign goal, opportunities for improvement, and additional prospective funding sources for your project. Depending on the size of the project, the whole process can take up to 3 or 4 months.

Commissioning a Feasibility Study can be an extremely useful exercise and can build confidence and momentum with your campaign team? Consider a Feasibility Study if:

- You are unsure of your ability to conduct a successful capital campaign
- Prospective individual donors are requiring it
- You anticipate a foundation asking about it

The advantages of a feasibility study include:

- It is an effective way to introduce your project to your strongest donors and community leaders
- It will build confidence and momentum with your board and volunteers
- It should result in successful solicitations with some of the organization's key donors

There are many fundraising consulting firms with the ability to perform a Feasibility Study – from one-man shops to large firms. Make sure you choose one that fits your project, budget and organizational culture.

Step 3B. CAMPAIGN PREPARATION: Set a Campaign Goal & Budget

Step 3B. Campaign Preparation: SET A CAMPAIGN GOAL & BUDGET

Setting a capital campaign goal requires a great deal of careful consideration. The goal that you set for your organization will determine if you can build a \$500 thousand or a \$500 million dollar project. Any mistakes made at this point can be magnified with time into major problems later in the project.

The goal that you set should be derived directly from your Business Plan and Financial Model, which in turn is tied back to your Facility and Strategic Plans and, ultimately, the needs of your service community. At a minimum, this goal should be large enough to cover the following project costs:

- Construction
- Design and Engineering
- Project Management
- Cost of fundraising
- Financing and interest expenses
- “Bad Debt” of unrealized pledges
- Inflation and other cost escalators over time
- Any drop in annual fundraising during the campaign
- Maintenance reserve funds for the new facilities
- Fixtures, Furnishings and Equipment
- Program ramp-up expenses
- Consulting or professional service fees
- Contingencies (should be a percentage of overall construction cost)
- A ground breaking day and opening day ceremony and celebration



Tip!

The project budget will continue to be a moving target for the duration of the campaign and the project. As progress is made on the design, more details and information will become available. Ideally, the capital campaign goal is developed with enough forethought to remain constant.

If the goal must be adjusted during the course of the project, it must be done consciously and deliberately, and the new goal must be communicated clearly, both internally and externally.

Step 3B. CAMPAIGN PREPARATION: Identify Campaign Leadership

Step 3B. Campaign Preparation: IDENTIFY CAMPAIGN LEADERSHIP

Leadership is the single most important element in a Capital Campaign. Strong leadership can make up for many shortcomings, but nothing can make up for weak leadership!

Typically, a campaign is led by a committee made up of senior staff, board members and community leaders. These campaign leaders must be willing to contribute a personally significant gift themselves, and ask others to do the same.

It is important that they collectively have the personal network necessary to access the level of prospective donors your campaign requires. Some will be able to contribute more time than money, some more money than time. However, the board and senior staff must be willing to demonstrate 100% participation in the campaign. The important part is to collectively be able to identify, cultivate and ask enough prospective donors to meet your campaign goal. It is unwise to launch a Capital Campaign until you have recruited strong and dedicated leadership.

While it is important to have many volunteers who are willing to ask their friends for contributions, the key to success is having at least 2-5 individuals who are committed to the project and who like the challenge of asking for larger gifts. This core group often makes the difference.



Green Tip:

You might be able to find funders that will support projects that pursue aggressive goals related to energy efficiency, sustainable design, and/or onsite renewable energy generation.

Step 3B. CAMPAIGN PREPARATION: Prepare a Case for Support

Step 3B. Campaign Preparation: PREPARE A CASE FOR SUPPORT

A Case for Support is simply a summary of the reasons why any given donor should contribute to your campaign. It also serves as an important control document that governs all communications and messaging from everyone involved during the campaign.

A short, concise, but comprehensive case is far more likely to be read than a lengthy document that covers every aspect of the institution.

To be successful, a capital project must directly support an organization's mission, vision and strategic plan. Only then can you be sure the project is genuinely necessary, and your donors will be able to draw a direct connection between their contributions and benefits to the community you serve. As you develop a case for support, ask yourself:

- Are all of our programs community-driven, and are they directly meeting the needs of those we serve?
- What other agencies are providing similar programs? Are opportunities for collaboration worth exploring?
- Is this capital project absolutely necessary to best deliver our programs to the community?
- Can we measure the impact this project will have both on our organization and those we serve?
- Do we fully understand what this project will do to our annual operating budget?
- Does the project design support our needs, mission, vision, and strategic plan?

By creating a case for support that answers these tough questions, you will not only be going through an important process of self-evaluation, but you will also be preempting several questions or objections that prospective donors will raise. If you're tough on yourself, your donors won't have to be!

A *Case for Support* is simply an answer to the question, "Why should I contribute to your campaign?" A *Case Statement* is a relatively formal, written response to that question. The best case statements have a few key things in common:

- They directly tie the need for the project to the organization's strategic plan, vision and mission.
- They are written from the donor's perspective and focus on the impact that the donor can have through a contribution.
- They focus on the benefits, and NOT the features, of a project - *what will this project mean to the community we serve?*
- They are succinct and straightforward in style, and brief in length (often no more than 10 pages), so that they will actually be read!



Green Tip:

Some donors may be interested in the actual high performance building features and their predicted impact (e.g., improved indoor air quality, lower energy bills, improved productivity, use of local materials, etc.) - the capital campaign staff should be able to express these benefits to potential donors as well as to the board.

A 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 and key staff,
- **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.

Step 3B. CAMPAIGN PREPARATION: Develop a Campaign Plan

Step 3B. Campaign Preparation: DEVELOP A CAMPAIGN PLAN

A campaign plan organizes and coordinates the capital campaign. It describes the strategy behind the campaign, and the specific steps to be taken to reach the campaign goal. Key components of any good campaign plan include:

- A succinct version of the project’s Case for Support.
- A short narrative describing the conceptual design and environmental attributes and goals of the project.
- A list of Campaign Leadership with their respective roles and responsibilities.
- A gift model, which projects how many of what size gifts will be made (the traditional “Giving Pyramid” is a simple type of gift model, but the model for your project may be shaped very differently).
- A phased campaign schedule with interim fundraising goals and milestones, which may or may not be tied to design and/or construction milestones. The campaign schedule should include at a minimum an initial “quiet” phase for lead or major gifts, a campaign launch, and a public phase with broad solicitation of support.

Organizations that don’t have significant capital campaign experience among their ranks should consider hiring a consulting firm to assist in developing a campaign plan. More often than not, the consultant or firm that oversees a feasibility study will also develop a campaign plan. In any case, the campaign plan is critical to success.

See the Appendices for more on capital campaigns including sample outlines, gift models and a typical schedule.

Step 4. BOARD APPROVAL OF CAMPAIGN & PROJECT: Answer Key Questions

Step 4. Campaign & Project Approvals: ANSWER KEY QUESTIONS

The point of no return!

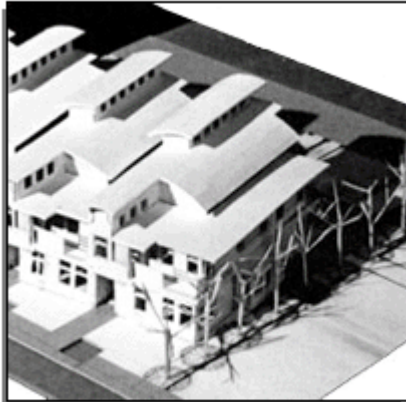
At this point, your Board must make a conscious decision that your organization is ready before moving on to full project design and the launch of a capital campaign. From here on, project costs go up considerably, and the cost of not succeeding goes up even more. Proceed only when you can answer, “Yes!” to the following questions:

- Do you have the leadership, both on staff and on the Board, to see the project through to the end?
- Is the project well defined with reliable cost estimates?
- Do you fully understand the impact it will have on your annual budget – before, during and after construction?
- Do you have the necessary project and campaign management systems in place?
- Is your Board 100% behind the project and fundraising effort in front of you? (The size of each board member’s gift is not important – having a contribution from each board member is!)

Take your time to fully consider these questions. The success of your project depends on it.

Step 5A. PROJECT DESIGN: Start Design Development Phase

Step 5A. Project Design: FINISH DESIGN DEVELOPMENT PHASE



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With your final choice of a Project Team in place, the next design step is Design Development, and finally the creation of the Construction Documents. At this point, the design of the building has been finalized and it is now a process of refinement of the approved schematic design.

Before commencing with Design Development, the organization should request a project schedule from the architect detailing a schedule for weekly calls and/or in-person meetings. This is also an important moment to host a second design meeting with all key stakeholders to reiterate project goals and ensure all new team members are on the same page.

The drawings that have been generated to date are now further refined. Wall sections, interior elevations, preliminary schedules for finishes, materials, doors & windows, reflected ceiling plans, preliminary details and specifications are created. Depending on the project, a materials board will be generated that presents the types of finishes, materials and colors that will be utilized. The specifications identify the quality of the components used in the construction of the building.

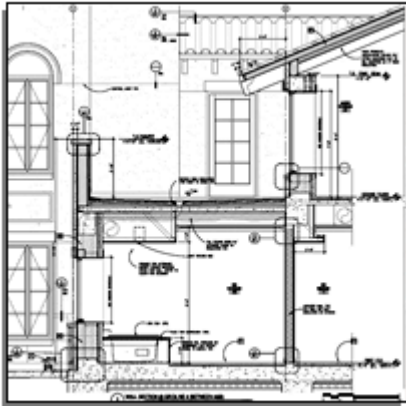
The drawings and designs are further refined and coordinated with the architect's team of consultants. At this point specialty consultants for unique disciplines are integrate their input with the design team. Sustainable design strategies will be further integrated and developed. On public projects, another round of cost estimation is recommended to keep the project on budget and on target. Whereas on private developments, bringing in a contractor at this juncture would be a good way to fine tune the overall project budget, schedule and allows for development of a collaborative working relationship between the contractor and the design team.

For education projects, it is prudent to check in with DSA officials to verify that the code analysis and other design criteria are acceptable. This is the time to lock in the design and upon approval proceed into Construction Documents.

Step 5A. PROJECT DESIGN: Complete Construction Documents

Step 5A. Project Design: CONSTRUCTION DOCUMENTS

The start of the Construction Documents (CD) phase indicates the end of the design process. At this point, the building design should be finalized and project team members should proceed with finalizing building details and specifications.



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Drawings generated during prior phases are now updated to incorporate final dimensions, material selections, and engineering components. Building details are finalized.

All project team members from structural to landscape to civil to mechanical, electrical, and plumbing must work together to coordinate their drawings with the architectural set. Computer-aided design (CAD) and Building Information Management (BIM) are utilized to ensure that coordination is carried out at all levels.

Construction drawing submittals will likely be required from the design team at 50 percent and close to 80-90 percent for in-house coordination meetings. At

approximately 80-90 percent completion, a permit set will be generated for review by building officials. The permit set will include multiple copies of the drawings, structural calculations, title 24 requirements, specifications and permit review fees.

Note that these drawings are not for construction and only for permitting. The level of detail will depend upon the size and scope of the project. Fees vary, yet are normally based on a percentage of the estimated construction cost. The review period may take anywhere from 4 weeks to several months or more and is entirely dependent upon the work load of the local building department. Once the drawings have been reviewed, either they will be approved or request for revisions will be made. At this point, the architects will push to incorporate the building officials' comments and finalize the "CDs" (construction documents as they are referred to within the field) before resubmitting them. This process maybe repeated again but most likely, the drawing set will be approved and the building permit will be made available to the owner or contractor.

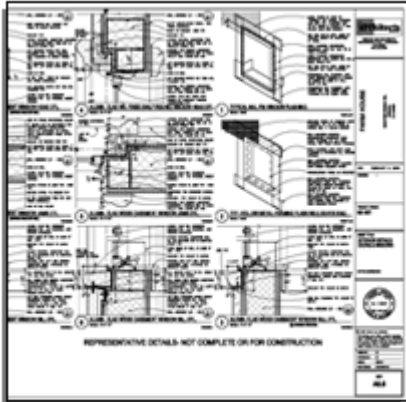


Green Tip:

In some jurisdictions, buildings pursuing LEED® or other green building ratings may move faster through the permitting process. This is an inexpensive way for cities to reward green development.

Step 5A. PROJECT DESIGN: Solicit Bids & Contract for Construction

Step 5A. Project Design: SOLICIT BIDS & CONTRACT FOR CONSTRUCTION



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The Bid process is likely the shortest phase but it is critical to ensure that the right contractor is selected with the right bid. Having an architectural firm that has a history of generating construction documents that are of a high quality and complete is important in ensuring that contractors are able to bid accurately.

On public projects which require competitive low bids, a set of tightly integrated bid documents and bidding instructions will ensure that the bid process is smooth. It is important to ensure the bid process be open, fair and impartial.

Depending upon the delivery method you selected for your project you may be hiring a General Contractor or a Construction Manager to complete your project or the Designer or Architect might be doing it for you. After selecting the project design team, there is nothing more important than selecting the right contractor to build your project. Often times, construction contracts are awarded based only on price – beware – you often get what you pay for!

It is always best to develop a selection process that weighs a contractor's qualifications as well as their proposed price. As when you choose the design team, you should consider the qualification of not just the General Contractor, but also of the subcontractors they have selected for their project team. It is critical that you have a Board member or other trusted person to advise and oversee this selection process. It could save you much money and heartache down the road!

There are several different ways to contract with a builder or construction manager— 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. However, if you make any changes to the project, the contractor will require additional payments for the work—"change orders" can become very expensive very fast!
- **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 who are asked to give a Lump Sum or

Guaranteed Maximum Bid 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, 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. However, the owner cannot know how much the project is going to cost because the risk of cost overruns, 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).
- **Performance-Based Fees** – To ensure that building performance meets expectations, performance-based fees or incentives can be attached to one of the standard contract types described above. Linking a small portion of contractor (or even architectural or mechanical design) fees to year one or year two energy data could inspire greater attention to detail during construction.



Tip!

The American Institute of Architects (www.AIA.org) developed standard forms for Contractors and Sub-contractors to use in providing their qualifications. It may be very useful to ask each firm on a prospective construction team for an AIA Form B305 (Qualifications Statement). Additionally, AIA developed standard contract forms, which at a minimum, should be used as a reference or guide to developing the construction contract for your project.

Step 5B. CAPITAL CAMPAIGN: Establish Campaign Management

Step 5B. Capital Campaign: ESTABLISH CAMPAIGN MANAGEMENT

In smaller institutions, sometimes the executive director has to both run the organization and coordinate the capital campaign. In that case, the board must develop a strategy that assures that proper time is given to both program and the capital campaign. Sometimes board members are brought in or extra support staff are hired on a temporary, even a voluntary basis. Key components to good campaign management include:

- Temporary Campaign Staffing – to handle the additional burden of office support, special events and donor relations.
- Donor Data Base – If you don't already have one. There are many good software options out there, but make sure the one you choose is flexible and easy to use.
- MOVES Management System – A progressive system that manages, tracks, and prioritizes prospects as they are identified, researched, cultivated, asked, and recognized. It should result in a higher probability that the person will give when asked. “Cold Calls” rarely work for capital contributions.
- Clearly Defined Communications Channels – Everyone involved in a campaign, from staff to volunteers to donors to the press, need to know how information flows to and from your organization, and where each level of authority resides.
- Proactive Volunteer Support – Information and reporting needs to be given to your volunteers without requiring effort on their part, providing them what they need to know without bombarding them with too much information.

Step 5B. CAPITAL CAMPAIGN: Begin Silent or Major Gifts Phase

Step 5B. Capital Campaign: BEGIN SILENT OR MAJOR GIFT PHASE

The “silent” or major gift phase of a campaign consists of the solicitation of an institution’s prospects with the strongest giving potential, as well as those closest to the organization (board, etc.). The purpose of the Silent Phase is not to be “silent” but to raise the major leadership gifts that are necessary to give your volunteers and staff confidence that the public phase of the campaign is going to be successful. You should talk about, celebrate and thank the donors of these early gifts. Some organizations will raise up to 70% of their funding during the silent phase of the campaign.

This phase typically lasts from 3 months to a year, depending on the size of the goal.

- Normally a dollar goal is established for the phase that, if met, will trigger the public campaign phase for the desired campaign goal.
- Major gift volunteers should be given orientation/training by an experienced fundraiser.
- Solicitation is personal and occurs only after the prospective donor is well aware of the campaign, and the solicitor is knowledgeable about the donor.
- The presented “case for support” is concise in language, visually attractive and complete in outlining the project’s scope, cost and impact.

Step 5B. CAPITAL CAMPAIGN: Finalize Financing Plan

Step 5B. Capital Campaign: FINALIZE FINACING PLAN

Virtually every capital project requires some amount of “gap” financing. When you developed your Business Plan you researched some of the options available to you and incorporated your Financing Plan into your Financial Model.

You will recall that gap financing is money that is borrowed to fill the cashflow gap in a project between the time when campaign pledges are made and when they are actually paid. Often times, capital campaign pledges are made for a period of three, five or even ten years. Normally, however, the project can't wait that long, and in fact will get more expensive with time. Therefore, the best alternative is usually to borrow money to fill the “gap,” and get the project under way as soon as possible.

There are many different sources of financing available to non-profit agencies, including:

- A line of credit
- An installment bank loan
- Tax-exempt bonds
- A construction loan that can be converted into a mortgage
- A personal loan from a donor or supporter
- Government loan guarantee programs
- Self-financing from cash reserves

Normally, a lender will ask for some form of collateral to secure the financing. They may accept the pledges themselves as security, depending on the credit worthiness of the donors. If they wish for additional security, consider offering the new facility, or less desirably, existing facilities or assets. Be careful not to tie up cash deposits as collateral that might be needed during the project.

Often, gap financing is not paid off completely until long after construction is over. Make sure that there is a system in place to track and collect pledge payments on schedule after the dust has settled – don't forget about them!

Step 5B. CAPITAL CAMPAIGN: Set Final Campaign Goal

Step 5B. Capital Campaign: SET FINAL CAMPAIGN GOAL

With the results of construction/design bids and of the major gift phase of the campaign, the board will finally confirm or set the campaign goal. During the entire design and contractor selection process, your project budget will be a moving target. As the design comes into focus, so will its projected costs. As the price tag rises and falls, the scope of the project will change accordingly. This is a time consuming but necessary process!

The more you go back and forth between changing the design and updating the budget (then changing the design again, and then updating the budget again!), the better your grip on what you are building and what it will ultimately cost. Do not short cut this process – often times, this is where the best projects come to life. Working hand-in-hand with the design team, the contractor, your program staff and even your lead donors will not only produce the right project result, but it will also result in a project that everyone will support and get excited about!



Green Tip:

An important part of refining the scope and budget is recognizing how the different components of the building affect each other. While selecting better windows or deciding to include lighting sensors may appear to increase costs, it may actually decrease costs when after making these changes, the design team realizes that now the HVAC system can be downsized. Thinking about how changing one building component affects others is critical to designing and constructing the most energy-efficient, cost-effective building. Creating a better building does not necessarily mean creating a more expensive one.

Throughout this process you must also make sure the capital campaign goal will be enough to cover all of the project costs. If not, the design will have to be scaled back, or the campaign goal will need to be increased before you can continue. And if the campaign goal rises, you will have to reassess your ability to raise those additional dollars.



Watch Out! For These Common Problems

- Time is money -- delays add costs that often go undetected until the end of the project.
- Repeated change orders cause an increase in the budget, and a change in the campaign goal, possibly even requiring long term debt because the institution can't raise the revised goal.
- Poor due diligence on the property or project. Example: no one checked public entities (Fire Department, County regulations) for potential surprises in permit process e.g., new regulations, roads required for fire department, upgrades like sprinklers, existence of HazMat on the property/in the facility, etc.

Step 5B. CAPITAL CAMPAIGN: Launch Public Phase of Campaign

Step 5B. Capital Campaign: LAUNCH PUBLIC PHASE OF CAMPAIGN

With substantial fundraising progress and the support of the board and a core of major donors, the organization plans a formal kick-off for the campaign.

- Normally involves a big event/dinner that is well planned and features key leadership for the campaign.
- Donors, potential donors, volunteers, staff and selected beneficiaries of the organization are invited.
- It briefly outlines the importance of the proposed project through materials and presentations.
- It is a fun event, and it informs attendees that wider solicitation will begin.

Step 6. CONSTRUCTION: Celebrate Ground Breaking Ground

Step 6. Construction: CELEBRATE GROUND BREAKING

Once you begin a construction project, your ability to fundraise for that project goes down considerably because the perceived urgency to contribute, or give, may lessen. Ideally, you should strive to raise most or all the funds before breaking ground.

Don't forget that a construction project still provides many excellent fundraising opportunities, for example:

- Hard-hat tours can give donors or prospective donors a feeling of exclusive access and special treatment.
- Regular construction project updates can make excellent content for newsletters or email blasts to your donor base.
- You can often gain substantial press coverage easily during construction, especially if the building's green features are adequately marketed.

A major construction project is a very tangible reminder to everyone of your vision for the future. It is an opportunity to introduce Capital Campaign donors to your annual fundraising program, thereby building your operational donor base for the future.

In addition, your development staff will be in constant contact with your major donors during construction, not only looking for opportunities to recognize and thank them, but also to schedule and verify pledge payments. It is common for donors to accelerate their pledge payments if asked to do so during construction.

Notice that you will most likely NOT have all of your capital campaign pledges paid in full before you begin construction. This means that you will probably need some short-term gap financing to fill the gap between when pledges were made and when they will actually be paid. Typically, all pledge payments will not be made until well after the project is complete.

Step 6. CONSTRUCTION: Implement Project Management

Step 6. Construction: IMPLEMENT PROJECT MANAGEMENT

You previously established a project management system, now is the time to put it to use! Prior to this point in the process, if mistakes were made during project planning or design, you could correct the problems before they caused you too much pain or expense. Once you begin construction, however, mistakes can carry big price tags – and you might not find out about a mistake until it's too late to fix.

Because the stakes are so high during the construction phase, it is always wise to engage a full time Project Manager or Owner's Representative. Hiring or contracting with someone that brings substantial construction management experience and expertise, will be the best insurance policy you can buy to make sure your project is completed on time and within budget. You should also have a point person within the organization who is engaged with the project design and construction (preferably the same person from start to finish).

The two most common reasons that projects go over budget are:

- Delays that extend the project schedule, and
- Scope changes that add more expenses to the work.

The first step to avoid these problems is to ensure that you have a complete, accurate and thoroughly understood design. Three-dimensional models, energy analyses, and day-lighting studies all help the team to better understand the design and the building's expected performance. Then, by developing daily, weekly and monthly project reports, you can make sure that both staff and board are aware of progress – and know about any problems that arise as soon as possible. Early awareness of problems is the best way to keep your project on track and on budget.

Step 6. CONSTRUCTION: Plan for Donor Recognition & Facility Dedication

Step 6. Construction: PLAN FOR DONOR RECOGNITION & FACILITY DEDICATION

Recognizing the generosity of your donors is one of the most important aspects of a Capital Campaign. The way you honor these donors speaks volumes of your organization's value system, and will set the tone for future donor giving.

Traditionally, donors are recognized on plaques or a “donor wall,” which is prominently displayed in the new facility. For donors contributing large amounts, venues or portions of the facility may be named for the donor. Although these forms of recognition are completely adequate, they often miss an opportunity to:

- Create a memoriam that is truly personal and special to donors, and
- Become integral to and enhance the architectural design of the facility.

Do not underestimate the importance of a dedication ceremony! An effective dedication will:

- Bring attention to the impact the new facility will have on your service community
- Recognize and thank the campaign's contributors
- Bring media attention and community visibility to your organization and its mission
- Also serve as a great fundraising event for the new facility



Green Tip:

If the building is LEED® certified, a plaque will be provided and another opportunity to recognize donors will be available.

Step 6. CONSTRUCTION: Develop a Long Range Maintenance & Facility Plan

Step 6. Construction: DEVELOP A LONG RANGE MAINTENANCE & FACILITY PLAN

Once the project is complete, and your new facility is open for business, the work doesn't stop! Hopefully, you have planned well, and have a facility reserve fund established in accordance with your business plan. This reserve fund should continue to grow over time, and will serve many functions, including to:

- Cover routine repairs and maintenance
- Help pay for future major capital expenses
- Provide working capital for future facility assessments and planning
- If building is green, assess the buildings performance and compile a case study explaining green building features

As a rule of thumb, your organization should invest cash in the amount of your depreciation expense back into your facility every year. If repairs, maintenance and capital expenditures in any given year don't require such investment, then those dollars should be added to the facility reserve fund for future needs.

Every year as you update your Strategic Plan, you should review your new facility, and ask when the next expansion or reconfiguration might be needed.

APPENDIX A: Glossary

Appendix A: Glossary

Still to come – a work in progress...

APPENDIX B: Comparison of Renting, Buying & Building

Appendix B: Comparison of Renting, Buying & Building

Your search for new space may lead you to a few suitable properties or options that merit closer analysis. Before you decide whether to rent, buy, or build you may want to analyze the respective costs and benefits in a systematic fashion to determine what would be best for your organization. This table highlights some of the basic differences between renting, buying or building new space.

Characteristics	Renting	Buying	Building
Optimum Program Fit	Evolving, Changing	Stable, Fixed	Stable, Fixed
Up Front Costs	Low	High	Higher
Site Improvements	Landlord may pay for these.	Between \$50 and \$80/ per square foot typical	No improvements, new construction
Operating Costs	Depends on what is included in lease	Actual costs. Rule of thumb for moderate upkeep is \$5.50 per square foot or \$55,000 a year for 10,000 sq ft Actual costs	
Project Complexity	Lower	High	Higher
Project Duration	Shorter	Longer	Longest
Financial Controls Required	Minimal	Extensive	Extensive
Effect on Cost Structure	Occupancy costs will be more variable	Occupancy costs will be fixed. Repair bills can be large and unexpected.	

Sample Costs

If an organization needed 10,000 square feet of office space they might be looking at spending:

Method	Cost
Rental Cost	\$15 per square foot or \$150,000 per year
Purchase Price	\$90 per square foot or \$900,000 where 70% financed at some interest rate for some period of time
Building Price	\$150-\$190 per square foot or \$1,500,000-\$1,900,000 where 70% financed at some interest rate for some period of time

APPENDIX C: Financing Resources

Appendix C: Financing Resources

- **Colorado Housing and Finance Authority (CHFA)** www.colohfa.org
CHFA provides a long term, fixed interest rate combined with a low down payment requirement, creating the opportunity for nonprofits to acquire real estate. Eligible 501(c)3 entities may also qualify for tax exempt financing at below market fixed rates. Prospective borrowers should apply directly to CHFA.
- **Colorado Education and Cultural Facilities Authority (CECFA)** www.cecfa.org
CECFA provides bond financing for educational institutions, as well as financings for cultural entities.
- **USDA Rural Development** www.rurdev.usda.gov/co
Loans, loan guarantees, and grants to nonprofit, tribes, and public entities for community facilities in unincorporated rural areas, cities, and towns with populations less than 20,000
- **Mile High Housing Fund** www.mhhf.org
Mile High Housing Fund provides early-stage, high-risk, low-cost loans to affordable housing developers, nonprofit facilities and other community assets to improve economic opportunities of low-income persons and communities.
- **Community Development Block Grants**
Federal dollars available through local government entities and the state Department of Local Affairs (for rural areas.). Uses of funds determined on a local basis and may include financing of nonprofit community facility development. In Denver, contact Office of Economic Development Division of Housing & Neighborhood Development.
- **Micro Business Development** www.microbusiness.org
A non-profit organization whose mission is to eliminate barriers to economic independence for disadvantaged entrepreneurs, both youth and adults, through access to markets, resources and business capital.
- **State Historical Fund** www.coloradohistory-oahp.org
Funds distributed competitively for restoration and preservation of building to be used for public benefit.
- **Colorado HomeAid** www.hacolo.org
Through partnerships with homebuilders and other non-profit care providers serving the homeless population, HomeAid builds or renovates quality, respectable homes for Colorado's temporarily homeless.

National Nonprofit Facilities Financing Resources

- **Nonprofit Finance Fund** www.nonprofitfinancefund.org
Provides capital and advice to help nonprofit organizations achieve their mission, improve their capacity to deliver services and strengthen their communities.
- **Charter Schools Development Corporation (Building Block Fund)** www.csdco.org
Nonprofit organization that assists charter schools with acquisition and financing of educational facilities.

- **National Clearing House for Educational Facilities** www.edfacilities.org
Provides information on planning, designing, funding, building, improving, and maintaining safe, healthy, high performance schools.
- **The Reinvestment Fund** www.trfund.com
TRF builds wealth and opportunity for low-wealth people and places through the promotion of socially and environmentally responsible development.

Facilities Project Development Resources

- **Illinois Facilities Fund** www.iff.org
Site offers a helpful template for real estate development projects
- **Construction Center, Indymac Bank** www.indymacbank.org
Offers line item form to help with construction cost breakdown.
- **Chicago Artists Resource** www.chicagoartistsresource.org
A comprehensive source of information for nonprofit and for-profit arts organizations including business and development topics.
- **Architectural Heritage Center** www.visitahc.org - A nonprofit resource center and showcase for historic preservation that offers a wide range of programs to help people and organizations restore vintage properties.
- **Energy Outreach Colorado** www.energyoutreach.org
The only non-profit organization in the state that raises money through donations and foundation grants to help families in need pay energy bills and avoid shut offs. Energy Outreach Colorado leads the state in pursuing affordable energy policies and advocating for energy efficiency measures in affordable housing.

APPENDIX D: Construction Costs

Appendix D: Construction Costs

Construction costs can greatly vary based on a wide variety of factors. The types of materials [flooring, siding, interior finishes, roofing, exterior treatments, window, control systems, heating and cooling systems, lighting systems, etc.] can cause cost of similar sized buildings to greatly vary. Furthermore, the size of complexity of site work [grading, importing/exporting fill, infrastructure utilities, etc.] cause cost variances for identical facilities on different sites. Additionally, the time period for construction if acceleration is desired, can significantly add to the cost.

For general cost estimating, RSMMeans is a widely recognized and accepted source for building costs. The square foot costs which RSMMeans provides for facilities are averages based on all types of construction and variables presented above. The actual cost of an organization's facility can therefore widely vary from the average cost per square foot. For 2007, some average square foot costs are:

	New Construction Cost per SF*		
	1/4	Median	3/4
Community Centers	\$96.5	\$120	\$160
Offices [1 to 4 stories]	\$90	\$111	\$137
Elementary Schools	\$83	\$107	\$139

* Aside from the above variable, other considerations must be considered before using average SF costs.

1. Inflation – an estimated inflation factor must be applied to present cost estimates to escalate costs to when the facility is expected to be constructed
2. Location – costs may greatly vary based on geographic location – a location factor must be applied to the average cost
3. Projects included in averaging may or may not have included site work or equipment.
4. The costs are construction only and do not include “soft costs” such as property acquisition, design/engineering fees, permitting fees, topographical and geotechnical fees, remediation, demolition, etc.

Renovation costs depend on the extent of the renovation. RSMMeans can provide unit costs depending what renovations are required. A renovation may be as simple as repainting and new flooring or as complex as completely gutting a building to its structural members and rebuilding. Key factors in considering a renovation project are:

- The cost of the renovation in comparison to new construction – generally if 50% or greater, close scrutiny is recommended.
- Will the renovation provide the same or similar capabilities as new construction.

- What are the annual operating, life cycle and replacement costs of a renovation as compared to new construction?

The “hard” construction cost of a project is by far the largest capital expense. The next largest expense is the design/engineering fee for a project. As with construction, this can vary widely depending on the type, complexity and size [larger projects generally have a lower percentage than smaller projects] of the project. Some rough guidelines for design and engineering fees are:

- New Construction – 6% - 8% of construction cost
- Renovation - 10% - 13% of construction cost

Reducing Project Costs

An organization’s project may, almost always does, cost more than available funds. There may be several reasons for this:

- Fundraising came up short
- Inflation factors increased
- Construction bids came in higher than expected
- Scope creep during design
- Owner direct changes during construction

Scope creep and owner directed changes are possibly the most frequently cause for cost increases but are the ones over which the organization has the most control. When a project is viable and begin, departments, agencies, and individuals suddenly wish to add additional functions, additional amenities and additional space all adding up to additional costs. The organization must continually remember the basic purpose and scope of the project and not let additional “requirements” cause the costs to go out-of-control.”

Some recommended techniques to managing additional unexpected expenses are:

- Obtain cost estimates during all stages of project design and development – conceptual, schematic, detailed design and construction drawings. If done, the owner is always aware of the project’s estimated cost and whether additional funds will be required or whether to reduce the project’s scope to comply with available funds.
- If during design, project estimates appear higher than available funds, the organization should take action. Not taking action during design, “hoping” or “wishing” a low bid will be obtained, is a course for disaster.
 - “Value engineering” is a term frequently used but many times not applied correctly. Value engineering should review a design to replace materials, systems etc. to reduce costs but maintain the same or similar functions, life cycle costs, etc. The organization and the designer, potentially with the contractor if under contract, should review design the design to reduce costs. Use of tile versus terrazzo for flooring, use of paint versus paneling, reducing “nice to have” controls or features, will reduce construction costs while not reducing functions or increasing life cycle costs.
 - Scope reduction is literally reducing the size of the project to reduce the cost. Some programs may not be immediately required and could possibly be deferred to a future capital project. Some functions may not truly need “x” amount of rooms or “amount” of space. In

making these reductions, it is recommended that a “salami slicing” approach not be used. That is reducing areas across all functions to reduce costs – this would result in an unsatisfactory new facility which does not meet requirements or expectations.

- Design alternates and additives. If “value engineering” eliminates terrazzo flooring for tile, the organization have the design include terrazzo as a bid option. Additionally, if a function is initially cut to save construction costs, the function or addition could be fully designed. If funding appears close, this addition could be a bid additive.
- During the bid phase, the owner should have bid alternates and/or additives. These should have been developed during the project’s design. This will provide flexibility to remain with available funding while getting the maximum amount of project for the funding. Being stringent during the design process, cutting desires and requests, and then having funds remain after bidding causes hard feelings.

Continuously throughout the design-construction process, the organization must constantly be aware of funding and estimated/actual costs. As stated above, there must always be options and alternates to stay within available funding. The worst possible occurrence would be to receive a construction bid which exceeded available funds and not have alternates. This would result in a project cancellation, a project redesign and delay [an increased cost for less project] or negotiating scope reductions after the bid [maybe getting \$.75 savings for every \$1.00 of reduction].

APPENDIX E: Green Building Resources

Appendix E: Green Building Resources

What is LEED®?

The LEED® (Leadership in Energy and Environmental Design) Green Building Rating System is the industry-recognized, voluntary standard that defines high performance green buildings – which are healthier, more environmentally responsible and more profitable structures. LEED® is a tool to evaluate environmental performance from a “whole-building” perspective over a building’s life cycle, providing a definitive standard for what constitutes a green building. All LEED® Rating Systems are developed by the U.S. Green Building Council:

- LEED for New Construction (NC)
- LEED for Existing Buildings (EB)
- LEED for Commercial Interiors (CI)
- LEED for Core & Shell (CS)
- LEED for Homes (H) – pilot
- LEED for Neighborhood Development (ND) – pilot

For each Rating System, points are earned in various categories. For individual buildings, these categories include Sustainable Sites, Water Efficiency, Energy & Atmosphere, Materials & Resources, and Indoor Environmental Quality. Each category includes credits with designated point values and requirements. A rating of certified, silver, gold, or platinum is awarded based on the number of points earned. The Council has asserted that a LEED® Silver-rated building should not cost more than a conventional building.

Why Choose LEED®?

Green building is a growing field and without a recognized stamp or rating system, it is difficult to quantify the environmental attributes of a building or development. LEED® is the nationally recognized voluntary rating system for green buildings. LEED® certification communicates the green building characteristics in a clear, quantifiable manner. A third party review process ensures that environmental and health claims are legit – if a building is not LEED® certified, it is difficult to know how green it really is. LEED® standards are being adopted across the nation by governments, corporations, and business leaders as it showcases leadership and a commitment to employees and communities.

Resources & Links

U.S. Green Building Council (USGBC): The USGBC is a non-profit organization that handles the creation and implementation of all LEED rating systems, certifications, and resources – www.usgbc.org

U.S. Green Building Council Colorado Chapter: Begun in April 2003, the Colorado chapter is one of the

strongest in the nation – <http://chapters.usgbc.org/colorado/>

Institute for the Built Environment: The Institute for the Built Environment (IBE), founded in 1994 at Colorado State University, is a multidisciplinary research institute whose mission is to foster stewardship and sustainability of the built environment through a research-based, interdisciplinary educational forum – www.ibe.colorado.edu

Energy Star: Energy Star is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy helping consumers save money and protect the environment through energy efficient products and practices – www.energystar.gov

BuildingGreen.com: BuildingGreen is an independent company committed to providing accurate, unbiased, and timely information designed to help building-industry professionals and policy makers improve the environmental performance, and reduce the adverse impacts of buildings – www.buildinggreen.com

Sustainable Buildings Industry Council: SBIC is an independent, nonprofit organization whose mission is to advance the design, affordability, energy performance, and environmental soundness of America's buildings – www.sbicouncil.org

Whole Building Design Guide: The WBDG is the only web-based portal providing government and industry practitioners with one-stop access to up-to-date information on a wide range of building-related guidance, criteria and technology from a 'whole buildings' perspective – www.wbdg.org

Natural Capitalism: Natural Capitalism is a book written by Paul Hawken, Amory Lovins, and L. Hunter Lovins, which presents a new business model to enable companies and individuals to use natural capital more efficiently – www.natcap.org

National Renewable Energy Laboratory: NREL is at the forefront in developing advanced building technology and science to reduce the amount of energy consumed in our nation's buildings – www.nrel.gov/buildings

APPENDIX F: Business Plan Outline

Appendix F: BUSINESS PLAN OUTLINE

Sample Business Plan Outline

A typical business plan has the following components:

- **Executive Summary**
 - Vision and Mission
 - Case for Support
 - Leadership
- **Serving the Community**
 - Define the size & needs of the community you serve
 - Segment this Service Community as you see it
 - Address future needs & how they will change from today
- **Program or Product Description**
 - Describe your program or product in detail
 - Explain how it meets the needs of your Service Community
 - Impact that future expansion plans will have on program
- **Service Landscape**
 - History/background of your field of service in the community
 - Competitive or supporting agencies
 - Opportunities for collaboration
 - Explain how you expect things to change in the future
- **Organization Overview**
 - Organization's structure, including Board of Directors
 - Bio's on leadership and key people - staff and volunteer
 - Growth strategy - future staffing & board development plans
- **Funding and Support**
 - Describe your funding sources by category, including earned income (foundation, individual, government, etc.)
 - List your key supporters and a brief history with each
 - Explain any other special support relationships you have
 - Describe how you wish your support base to change in time
- **Financial Model (see Financial Model Outline on next page)**
 - Cashflow pro-forma
 - Emphasize new funding sources and revenue growth
 - Cost of Expansion, including financing

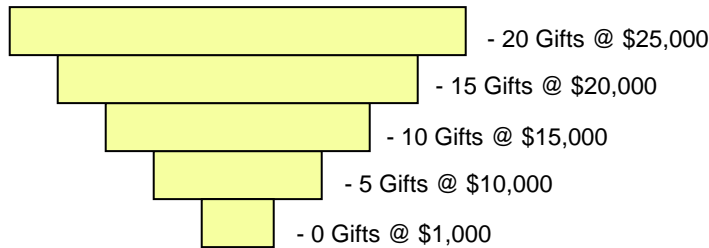
APPENDIX G: Campaign Gift Model Examples

Appendix G: Campaign Gift Model Examples

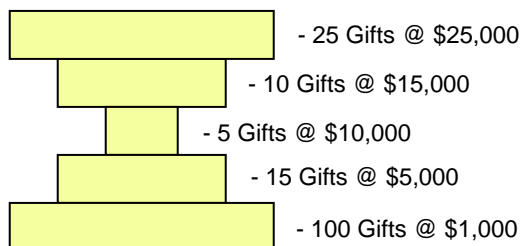
Traditional Campaign – “Giving Pyramid”



Concentrated Giving Campaign



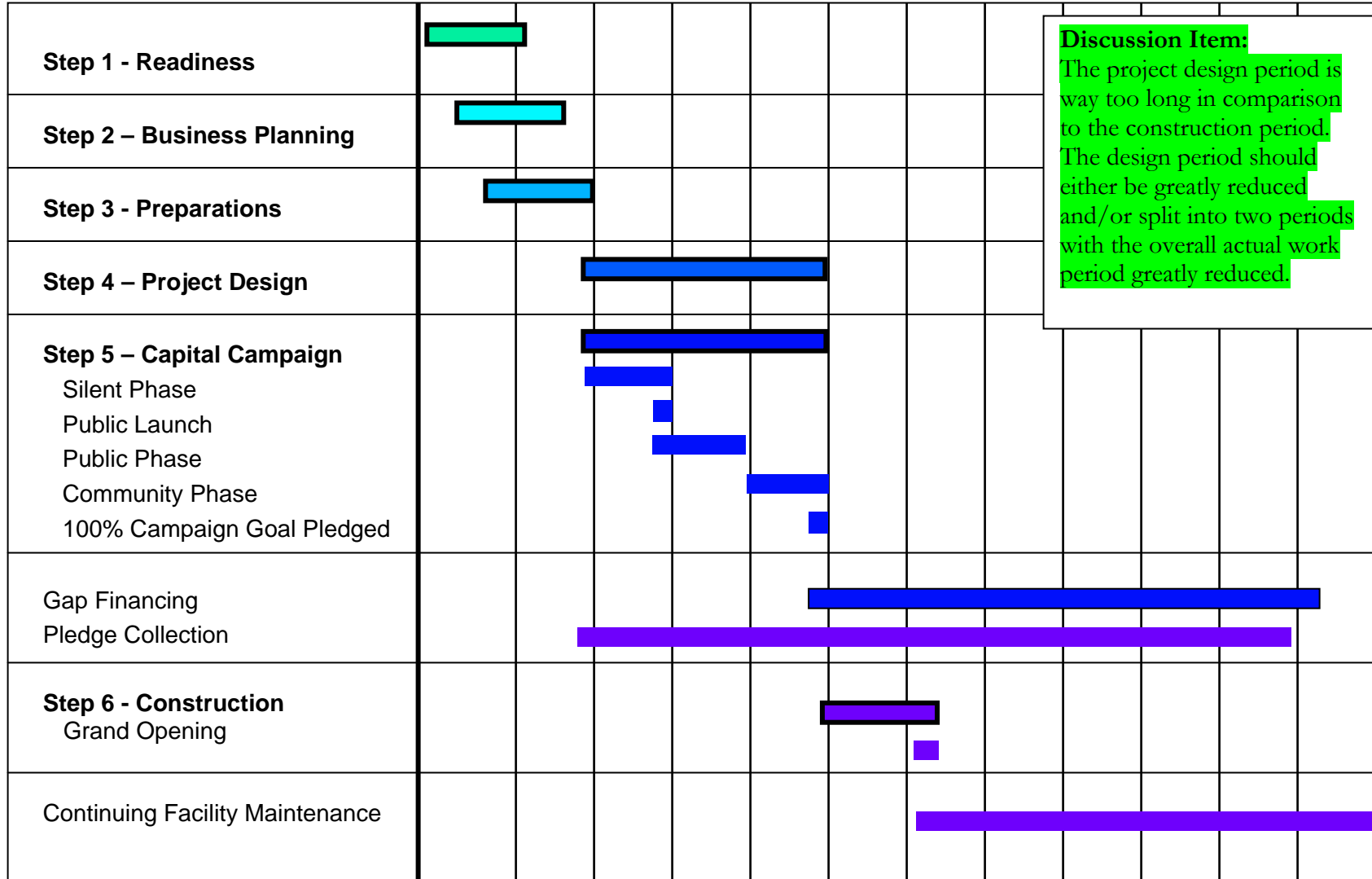
Hour Glass Campaign



APPENDIX H: Typical Campaign Schedule

Appendix H: Typical Campaign Schedule

YEAR: 1 2 3 4 5 6 7 8 9 10 11 12



Discussion Item:
The project design period is way too long in comparison to the construction period. The design period should either be greatly reduced and/or split into two periods with the overall actual work period greatly reduced.