

Comprehensive Planning for Successful Facility Projects

Hosted by Hartford Foundation for Public Giving
Nonprofit Support Program

Thursday, March 23, 2:00 to 4:30 p.m.
via Zoom



Prepared by Susan Nelson, Executive Vice President, snelson@tdcorp.org

Norah McVeigh, Senior Vice President, nmcveigh@tdcorp.org

March, 2023

Agenda

- 2:00 – 2:15 Introductions
- 2:15 – 3:00 Presentation
 - Building and Vision
 - Organization assessment
 - Project Planning (costs, project team)
- **3:00 – 3:10 Break**
- 3:10 – 3:30 Presentation (continued)
 - Business and program planning (long term implications)
 - Funding (fundraising, debt)
- 3:30 – 4:00 Panel discussion
- 4:00 – 4:30 Q & A

Presenters & Panelists

Meher Shulman | Associate Director, Nonprofit Support Program
Hartford Foundation for Public Giving

Susan Nelson, Executive Vice President, TDC

Norah McVeigh, Senior Vice President, TDC

Matt Pugliese, Director, Community Investment Fund, Department of Economic & Community Development

Matt Straub, Senior Program Officer- Lending and Investments, LISC

Dan Kurowski, Manager of Program Development & CHEFA Community Development Corporation, CHEFA

Kim Hawkins, President & CEO, HEDCO

Poll Questions

1. Do you own or lease your primary building now?

- Own
- Lease
- Other (in-kind, fully remote, or other arrangement)

2. When are you planning to start your project?

- Within the next 6 months
- Within the next 1- 2 years
- Within the next 3-5 years
- Not sure or just dreaming
- None of the above

3. Have you been through a facilities project before - either with your current organization or with a prior organization (not counting your personal residence(s))

- Yes
- No

Comprehensive Planning for Successful Facility Projects

Best Practices in Planning Facilities Projects



Organization Planning and Project Planning

Best Practices: Integrated Holistic Planning



The planning process is informed by the above data and analysis, and engages board, staff, partners, clients, and supporters to ensure a shared and holistic understanding of the organization.

- **Programmatic strategy** centers impact, scaled to demand and available resources
- **Organizational strategy** includes adequate staffing and other resources to manage program and support activities (e.g. services, finances, facilities, marketing, development,)
- **Capitalization strategy** articulates size and shape of capital needs to support programmatic and organizational strategies

Best Practices in Planning Facilities Projects



Best Practices: Project Vision

- Begin with a thoughtful and well-planned vision for how the effort will help you *better* deliver your mission and serve your community
- Make sure that the project fits into your overall strategy
- Consider:
 - Clients or audiences to be served
 - Connection between the project and organizational goals
 - Business model for the project that supports your service delivery and integrates into the overall business model
 - Planning and implementation timeline (3-7 years)

Best Practices in Planning Facilities Projects



Best Practices: Current State

Understand who you are and build from strength

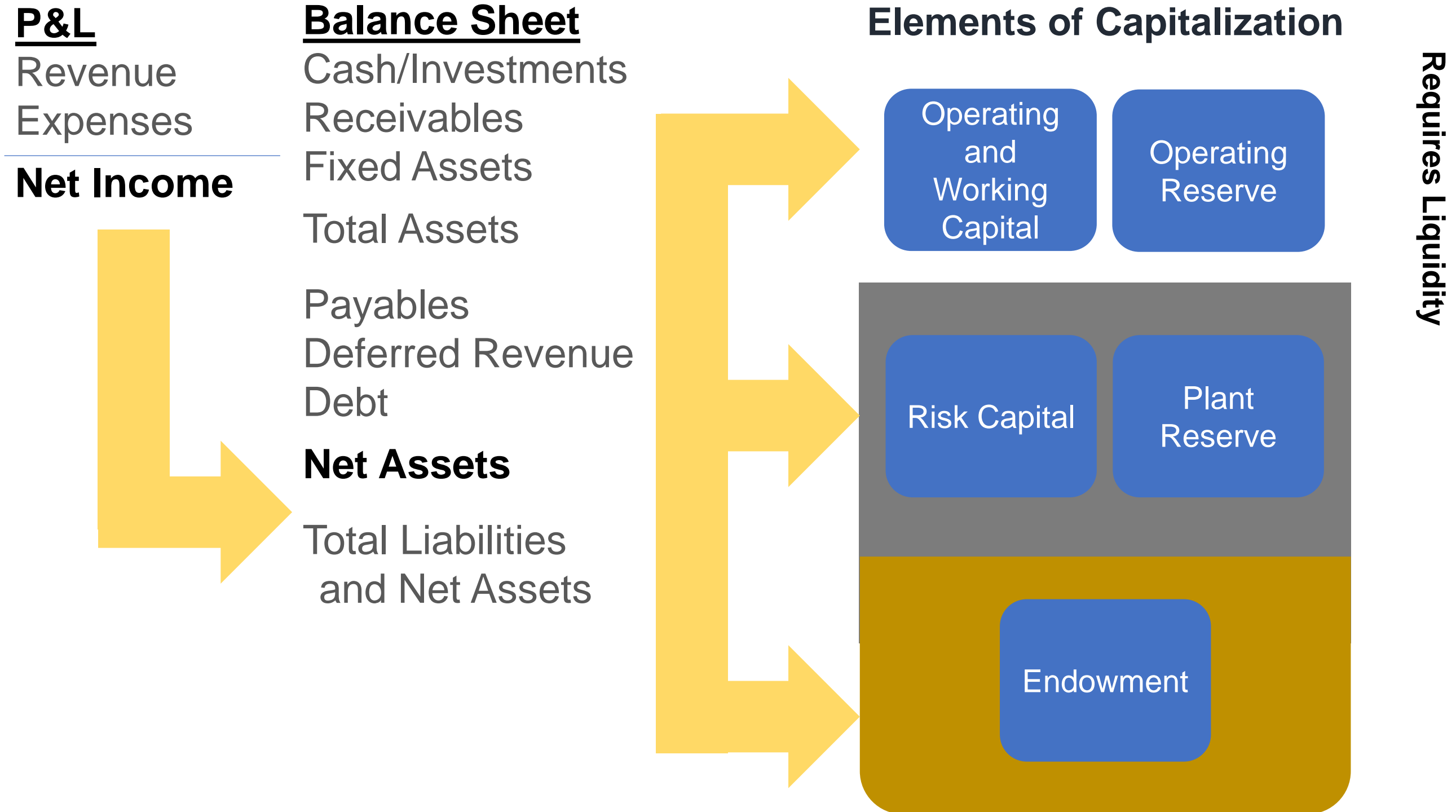
- What is the status of the organization's:
 - Financial strength
 - Programmatic and market position
 - Staffing
 - Leadership
 - Governance

Best Practices: Current State Operating Model and Capitalization

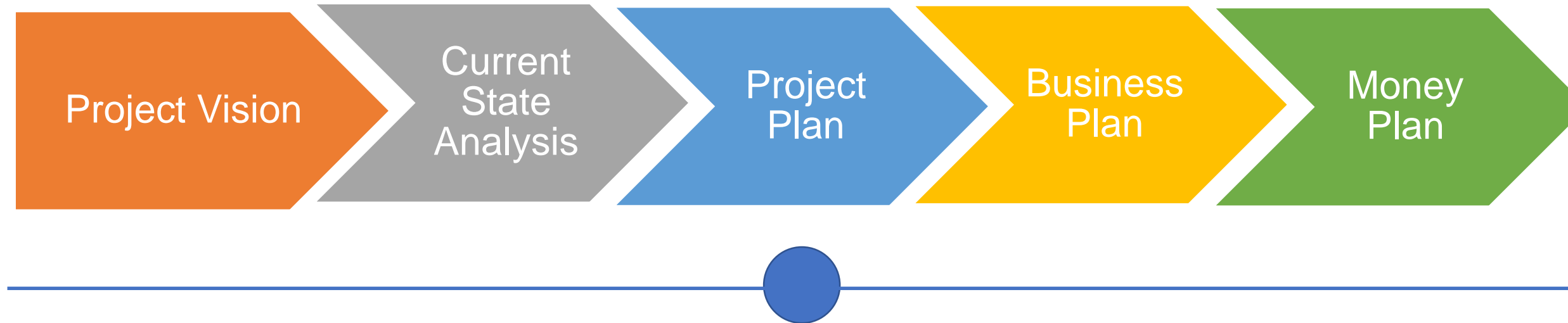
- Does the business model work?
 - Structural deficits come with you when you move
- Does the balance sheet have the flexibility you need?
 - Examine your positive unrestricted net assets (URNA)
 - Know how much of your positive unrestricted net assets is truly *flexible*.
 - This is the figure left after the amounts that have been invested in fixed assets are deducted
 - How much cash is available for growth, capital acquisition, and a fall back in hard times?

Best Practices: Current State

How well are you capitalized?



Best Practices in Planning Facilities Projects



Best Practices: Project Planning

- Project Team
- Project Budget
- Project Schedule

Best Practices: Project Team

Put together a stellar project development team

External

- Project Manager
- Architect
- Engineer
- Owner's representative
- General Contractor
- Estimator (not the same thing as an architect)

Internal

- CEO
- CFO
- Program Managers
- Facility or Property Manager

Best Practices: Project Team

- Pay for expertise (cheap, fast, good)
- Bring them on sooner rather than later
- Consider how to backfill staff who will spend significant time on the project

Best Practices: Project Costs

- Conduct a thorough and continual assessment of all project costs
- Total cost =
 - Hard Project Costs + Contingency +
 - Soft Project Costs + Contingency +
 - Furniture and equipment +
 - Technology +
 - Fundraising Costs +
 - Financing Costs +
 - Transition Costs +
 - Operating Gap +
 - Reserves Needed

Best Practices: Project Costs

- Transition costs need to be explicit - not hidden or assumed in project costs
 - Temporary help
 - Loss of revenue due to program interruption
 - Costs of ramping up:
 - Staff
 - Programming
 - IT

BREAK



Best Practices in Planning Facilities Projects



Best Practices: Operating Impact & Business Plan

Assess the impact on your ongoing operations and long-term economic model

- Consider changes in program & service delivery
 - Does the project represent:
 - Incremental growth
 - Doubling programs
 - Significant organizational change
 - Growing beyond demand
- Determine the impact on your annual budget
 - Project all revenue streams - realistic
 - Estimate new operating costs
 - Staffing, program, operations, fundraising, utilities, facility costs

Best Practices: Operating Impact & Business Plan

- Is there a gap between your projected budget and your reasonably, repeatable revenue?
- How will you fill this gap?
 - Fundraising
 - Earned revenue
- If you are an endowment-driven organization, how much money do you need to add to the endowment to cover the operating gap in resources over the long term?

Best Practices in Planning Facilities Projects



Best Practices: The Money Plan

Some combination of the following

- Cash and reserves
- Philanthropy & Fundraising
- Government grants
- Debt

Best Practices: The Money Plan

- Philanthropy / Fundraising / Capital Campaign
 - Individual
 - Foundation
 - Corporate
 - Events
- Government grants
- Debt
- Reserves

Best Practices: The Money Plan

Philanthropy and Fundraising

- The most successful fundraising plans:
 - Are built on accurate and pragmatic project costing and fundraising goals
 - Include goals for building and board designated reserves (and possibly endowment); and
 - Have feasibility study that has tested:
 - Donors' reactions to the case statement;
 - Willingness to make major gifts;
 - The likely number of gifts to be expected at all levels of the gift pyramid;
 - The timing of the proposed campaign;
 - Positioning against other capital projects in the region.

Best Practices: The Money Plan Philanthropy and Fundraising

Start with a thorough assessment of your development history

Do you have...

- A strong and active base of support, including full board support.
- A thriving annual fund with repeat and major donors whose gift sizes have increased over time.
- A proven record of more deeply engaging donors.
- A strong and continued base of foundation funding.
- Experience in raising funds for special projects from multiple sources.
- A strong infrastructure for tracking and recognizing donors.

Reality Check: Do not expect to raise any more than five times the amount raised from individuals in past annual appeals.

Best Practices: The Money Plan

Government Grants

- Do not overlook federal, state and local grants
- Depends on nature of project and program
- Consultants can help with applications
- Timing is important
 - Application rounds
 - Process and conditions to get cash in-hand?

Best Practices: The Money Plan - Debt

- Do not *let* it happen to you; *plan* for it
 - Construction debt
 - Long-term debt
 - Bridge funding
- It's not a bad thing, it can:
 - Keep project moving forward
 - Fill gaps in timing of getting grant funds
 - Help match the use of the facility with the capital
 - Add discipline to the process

Best Practices: The Money Plan Debt

- Whether borrowing from banks, CDFIs, foundations or working with bond issuer, it also has implications
 - Extra fees paid upfront (commitment, closing, lender's rep, legal)
 - Ongoing interest and principal payments and required replacement reserves require extra margin
 - Risk of balloon payments and interest rate risk
 - Process can be rigorous and sometimes lengthy
 - Bonds require scale

Best Practices: Take Aways

- A feasibility study is one of the most important steps in a facilities planning process
- Formulate a plan, don't design a project
- Map the process on a timeline, include impacts on ongoing operations
- Return to vision and strategy
- Educate all stakeholders about the risks involved, manage expectations
- Be open about the potential impacts on operating
- Constantly mitigate value and risk
- Build in long-term systems replacement needs at the start

Best Practices: Building Reserve

Why?

- Protects facility &
- Helps cover costs of future repairs and improvements
- Prevents you from need to run a special fundraising campaign for every major repair or systems replacement needed

How much?

- Depends upon scope of project: new construction, gut or substantial rehab, expansion of existing facility
 - % of hard costs
 - Funding depreciation

Panel

Matt Pugliese, Director, Community Investment Fund,
Department of Economic & Community Development

Matt Straub, Senior Program Officer- Lending and Investments, LISC

Dan Kurowski, Manager of Program Development & CHEFA
Community Development Corporation, CHEFA

Kim Hawkins, President & CEO, HEDCO

Community Investment Fund (CIF)

Matt Pugliese, Director

Department of Economic & Community Development

Community Investment Fund 2030

March 23, 2023

Matt Pugliese, Director, CIF



ELIGIBLE APPLICANTS

- Three categories of eligible applicants:
 1. 55 municipalities which are designated as Alliance Districts and/or Public Investment Communities
 2. Community Development Corporations which operate within those municipalities
 3. Non-profits which operate within those municipalities
- Multiple applicants may submit a joint application, provided that each applicant is eligible.



ELIGIBLE PROJECTS

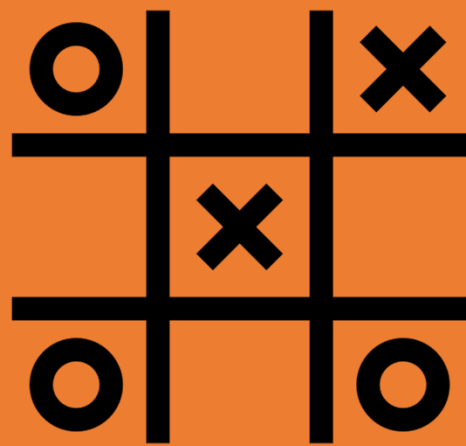
Eligible projects must:

1. Promote economic or community development in the municipality where the project is located; and
2. Further consistent and systemic fair, just and impartial treatment of all individuals, including individuals who belong to underserved and marginalized communities



PROJECT CATEGORIES

- **Capital improvements** – e.g., Brownfields remediation, affordable housing, infrastructure improvements
- **Small business support programs** – e.g., a revolving loan program or start-up funding to establish a small business
- Minimum \$250,000 of proposed CIF funding; no limit to the request
- **NEW** - Minimum project budget of \$1.5M

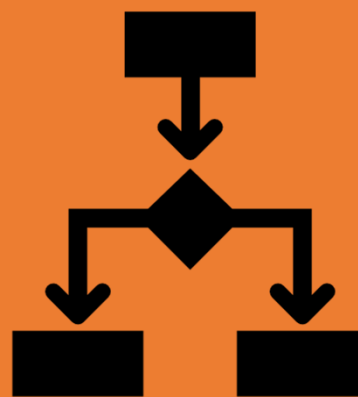
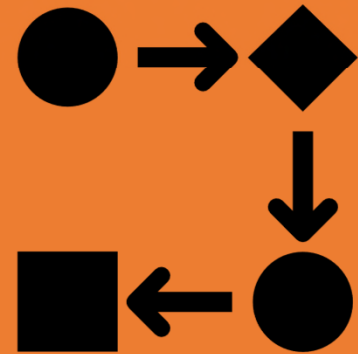


PLANNING

- New award category
- \$250,000 award
- Eligible activities to be funded include community engagement processes, feasibility studies, sustainability analysis and planning, development of project plan, conceptual drawings and construction budget documents

PLANNING YOUR APPLICATION

- Community Involvement
- Diversity and Inclusion
- Quantifiable Outcomes





DECD BEST PRACTICES

- Strong Project Readiness
- Leveraging Funding
- Realistic/Comprehensive Budget
- Limit Soft Costs
- Comprehensive Project Plan
- PoCD - Municipal Certification of Eligibility for Discretionary State Funding (or Waiver Request)
- Municipal Certified Resolution to Request Funding

Round 1 Lessons

- Underserved Audience Identification
- Intentionality of Process
- Transformative Projects
- Programmatic expenses are not covered
- Feasibility and Sustainability
- Other expenses not covered

QUESTIONS

- **Email Questions to**
CommunityInvestmentFund@ct.gov
- **Schedule 1:1 30-Minute Meeting**
<http://portal.ct.gov/communityinvestmentfund>

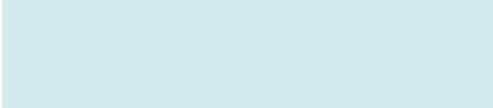


LISC

Matt Straub, Senior Program Officer - Lending and Investments

Since 1984 (*Connecticut only*)

\$88 Million Invested



\$805 Million Leveraged



4,750 Homes

Affordable homes and apartments built and/or preserved including:

- Multifamily rental
- Supportive housing for special populations such as chronically homeless, LGBTQ, seniors and veterans
- Affordable homeownership

We also emphasize sustainability through green, healthy housing and transit oriented development.

365k Square Feet

Square feet of commercial, retail and community space, including:

- Early childhood centers
- Fields/recreational spaces
- Healthcare centers
- Community facilities

\$466.5 Million

Total Net Assets – LISC org

- Net worth has increased 67% in the past 5 years
- Raised \$249 million in private grant funds in 2020

S&P ‘AA-’ Rating

LISC is the first CDFI to tap the general obligation bond market, with a \$100 million issuance in 2017

As a CDFI known for its lending in the acquisition/predevelopment phase of a project, what advice would you give nonprofits as they look at acquiring new property?

Be clear about your needs and goals.

Before you begin looking at property, set some expectations about what your needs are (current and future) and the resources available.

- Size
- Price
- Capital Needs (physical)
- Capital Needs (dollars)

Be open to opportunities that arise, but don't get lost down rabbit holes.



Give yourself ample time.

As you evaluate properties, one of the “fit” items you should consider is the seller you’re working with.

- Will the seller agree to a long-term purchase option?
- Or a substantial due diligence period with contingencies?

The below items (not exhaustive!), in addition to being for your own benefit and protection, are also things your lender (if you’re working with one) would need.

- Appraisal
- Environmental assessments
- Hazardous materials survey
- A capital needs assessment
- Initial zoning analysis
- Title Insurance/Survey



Don't get attached.

There is no such thing as a “perfect” property or “The” property.

- There is a good chance that there are many “The” properties that can meet your organization’s needs.
- Don’t chase sunk costs if a property has insurmountable issues.
- Money spent ruling out properties is money well-spent.



Contact

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Senior Program Officer, Lending and Investments

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CHEFA

**Dan Kurowski, Manager of Program Development &
CHEFA Community Development Corporation**



CHEFA Revolving Loan Fund | About the Program

Created in 2020 with an initial funding of **\$1 million** to provide **financial assistance to CT Nonprofits.**

- Program is funded from CHEFA's operating reserves, benefits include:
 - Low cost of capital
 - Able to offer flexible terms and security requirements
- Types of capital projects funded:
 - Upgrades to IT Systems
 - Vehicle Purchases
 - Equipment Purchases
 - Facility Repairs, including Roof, HVAC and Hot Water Systems
- Existing Borrowers Include:
 - Child Care Facilities
 - Community Action Agencies
 - Cultural Institutions
 - Healthcare Organizations
 - Independent Schools
 - Senior Living and Long-Term Care Centers





CHEFA Revolving Loan Fund | FY 23 Funding Cycle

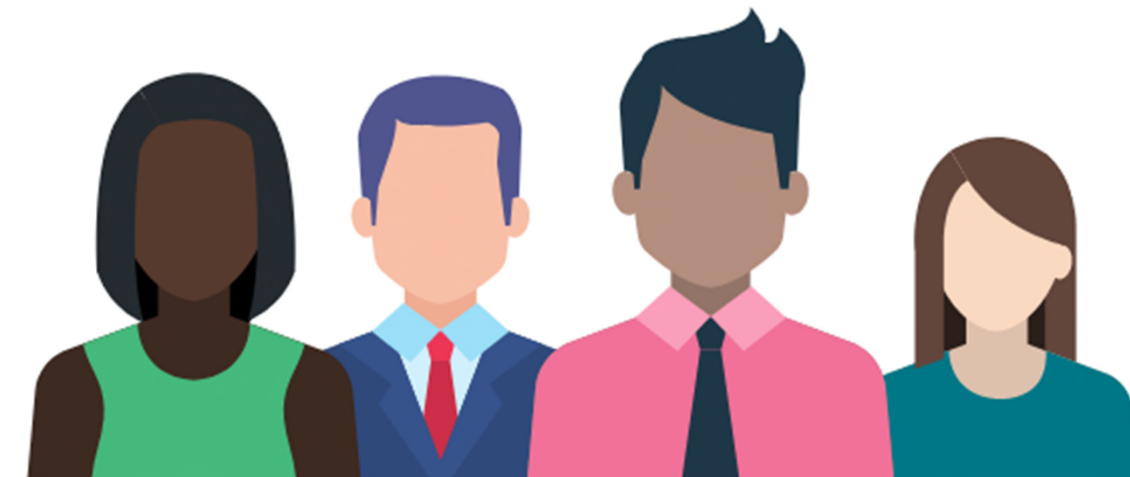
- ✓ Eligible Borrowers: 501(c)(3) Organizations
- ✓ Loan amounts up to \$50,000
- ✓ Term: 3.75% for 60 months
- ✓ Security: Unsecured
- ✓ Quick approval & closing process, typically less than 45 days

Dan Kurowski

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HEDCO

Kim Hawkins, President & CEO

HEDCO, Inc.
Hartford Foundation
for Public Giving
Partnership
1993-2023

HFPG Partnership

Non-Profit Revolving Loan Fund (NPRLF)

- Provides short-term working capital to certified 501(c)(3) organizations who are in good standing and in towns* served by the Hartford Foundation for Public Giving and been in operation for 3 years.

Terms

- Term loans up to 48-months;
- Line of Credit: 2-year terms (Renewable)
- 4% interest rate
- Amounts up to \$100,000

Use of Funds

- Bridge cash flow needs – (for services render while awaiting payment).
- Working Capital – (support event/activities until revenue is realized).
- Finance Equipment Purchase
- Finance Leasehold Improvements.

* Andover, Avon, Bloomfield, Bolton, Canton, East Granby, East Hartford, East Windsor, Ellington, Enfield, Farmington, Glastonbury, Granby, Hartford, Hebron, Manchester, Marlborough, Newington, Rocky Hill, Simsbury, Somers, South Windsor, Suffield, Tolland, Vernon, West Hartford, Wethersfield, Windsor, and Windsor Locks.

Business Credit

Importance of Business Lines of Credit

There are many reasons why your business can benefit from a business line of credit, even if your company does not necessarily need a credit line to continue operations. Having access to a business line of credit can help your company remain in control of your cash flow throughout the year. Having a line of credit also allows for incremental disbursements with interest accruing on the outstanding balance. If you do not use your credit line right away there are no costs associated with having it available.

An organization has been awarded funding to support the improvements to their historic house and visitors center along with other upgrades and improvements. There has been a delay in the funds being received. Meanwhile contractors are working and expecting payments, for which the organization won't have funds. They apply for a line of credit to be able to pay the expenses of the project until their funds are released. Upon their funds being released, the amount drawn from the line of credit was repaid in full.

Required Documents

Required documents include (but are not limited to):

1. Copy of IRS determination letter certifying 501(c)3 status
2. Resolution from Board of Directors authorizing request –signed by Board Chair
3. Last two years' financial statements (prepared by outside auditor along with Management letter if one is issued)
4. Latest annual and/or interim financial statements (in house)
5. Completed Application
6. Projected Cash flow Statement (monthly basis)
7. Copy of last annual budget with comparative actuals for same period from prior year.

Contact Info

- **Kim Hawkins, President/CEO**
- **John Robinson, Fund Manager**
- **Phone: 860-527-1301**
- **Address: 207 Main Street, 4th Floor, Hartford, CT 06106**
- Visit our website – www.hedcoinc.com
- For more information on funding opportunities, visit – www.hedcoinc.com/funding