CAPITAL PROJECTS
CHARTING A COURSE FOR SUCCESS
Survey Questions

1. How many of you were thinking about or had begun planning for a capital project?

2. How many of you have paused your projects or modified your strategy in some way as a result of COVID-19?

3. How many of you have had previous experience with capital projects?
Agenda

I. Welcome and Agenda Overview
II. The Reading Center Project Overview
III. Top 5 Capital Project Challenges
IV. Recommendations
V. Key Findings from Funders
VI. Q & A
The Reading Center's Capital Project
Top 5 Capital Project Challenges

Equating capital projects and capital campaigns

- Campaign is one component of a capital project
- All components have decisions, costs and implications for project success
The Reading Center's Experience...

• Internal Areas of Strength
  ✓ Fundraising
  ✓ Strategy
  ✓ Case for support

• No Internal Capacity
  ✓ Design / Architect
  ✓ Property development
Top 5 Capital Project Challenges

Minimizing Project Burden
- Direct expenses beyond capital project consultants and vendors
- "Wear and tear" on ED, staff and volunteers
- Costs and implications of public funding
The Reading Center's Experience...

- Project interfered with operations management
  - Re-allocated ED and staff responsibilities
  - Adjusted expectations (timelines and duties)

- In-kind gift of Owner's Rep for property development (negotiated gift)
Top 5 Capital Project Challenges

Managing multiple sources of capital funding
- Varying expectations depending on source of funds
- Synchronizing cashflow and expenditures
The Reading Center's Experience...

- Unanticipated expenses
  - State construction requirements
  - Hired an attorney/advocate for state requirements
- Consequences for project
  - Pause due to no bonding bill
  - Other large donors paused until the following year as well
Top 5 Capital Project Challenges

Engaging in "wishful thinking"
- Overestimate amount and sources of funding
- Underestimate time and effort in securing funding
The Reading Center's Experience...

- Overly ambitious volunteers
  - Unrealistic gift estimates from their networks
  - Unfulfilled assignments and commitments
- Ineffective donor engagement strategies
- Need new prospects
Top 5 Capital Project Challenges

Understanding the costs of "free"

- Unintended consequences
- Donor and organizational interests may not always align
- Loss of "agency"
The Reading Center's Experience...

• Multiple "free" or discounted offers – all with some sort of baggage or strings attached
  ✓ Land and development opportunities
  ✓ Architect
• Ultimately purchased our own property at substantially less than market rate
<table>
<thead>
<tr>
<th>Challenge</th>
<th>Recommendation</th>
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<tr>
<td>#1 Equating capital projects and campaigns</td>
<td>Create capital project plan for full scope of activities and identify associated areas of expense</td>
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<tr>
<td>#2 Minimizing project burden</td>
<td>Realistically estimate staff and volunteer capacity to take on project and fill gaps upfront</td>
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<td>#3 Managing multiple sources of capital funding</td>
<td>Create and continually update cashflow projections to match planned expenditures</td>
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<tr>
<td>#4 Engaging in &quot;wishful thinking&quot;</td>
<td>Create multiple cashflow scenarios – best and worst case and most likely; continually update projections</td>
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<td>#5 Underestimating the cost of &quot;free&quot;</td>
<td>Create gift acceptance committee and guidelines to vet gift opportunities</td>
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Key Findings from Funders and Lenders

Foundations and banks tend to:
- Invest in organizations they know and whose leadership they trust
- Prefer wait to invest until they have seen signs of the project’s viability

Recommendations:
- Build relationships early
- Let them "under your tent"
Questions and Answers

How can we help?
Please ask your questions via the Q&A function on Zoom.
Thank you!
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