St. Anthony Foundation in San Francisco broke ground on the city's first LEED-certified Gold Standard "green" social services building this past fall. Now at the midway point in the $42-million, two-building capital campaign, which began during early 2005, the charity has used just 1 percent of its 5 percent contingency. And, the $800,000 cost for going green? The charity expects to recoup that via all the efficiencies being built into the project.

"First of all, it's a design build, different from other types of projects," said Fr. John Hardin, executive director at St. Anthony's. "And with design builds, you can actually look at ways throughout the process to save money." Prior to the construction, the charity also agreed upon a guaranteed maximum price with the contractor, "so that's certainly helpful."

The nonprofit sector is seeing more and bigger capital campaigns, despite rising interest rates and soaring construction costs. Major donors are also giving more restricted gifts, which implies a greater desire for the money to be used the way it's intended. Good and bad, it provides less flexibility to the nonprofit to use that money, say, for operating costs. Another change impacting capital campaigns today is the heightened reliance by major donors on the fundraiser — not a peer — for advice.

Although the extra cost is buried in St. Anthony's $42-million goal, Hardin likes to share the $800,000 price tag with other nonprofits that are hesitant to go green. "They think it's so expensive. But in relation to a $22-million building, it's not a lot," he said, referring to the first building, being built at 150 Golden Gate Ave.

Added Hardin, "There are some very practical, pragmatic reasons why we're going green. It's reducing our energy use in the building by over 30 percent. It's reducing our water use by 20 percent. And 95 percent of the material that came out of the old building was recycled. That's huge." Although it's not been decided yet, Hardin would like to see the second building, to be built at the charity's current home of 121 Golden Gate Avenue, also be energy efficient.

Hardin said the green factor will save St. Anthony's around $4,000 per month in operating costs, which means it will recoup...
the $800,000 within 15 to 20 years. He added that the gold certification from the Leadership in Energy and Environmental Design (LEED) green building rating system has provided momentum as the campaign continues. "We're just cracking through some of that," he said of the promotional benefits of going green.

St. Anthony's is also capitalizing on the density of San Francisco. Like the Friars did at 31st Street in New York City, the home of the St. Francis Parish, St. Anthony's is selling to a developer the air rights over the second building, yet to be constructed. "We were initially going to build a three-story building," said Hardin. "Well, the city was not really excited about that." Those plans were replaced with plans for an eight-story building, which will include St. Anthony's along with five floors of low-income housing.

The developer will pay $3 million for the rights and agreed to cover the costs of St. Anthony's third floor, which will be low-income housing for seniors. "So that takes the cost of that floor off of our plate and puts it on theirs," said Hardin. "That's a tremendous benefit, as construction costs have been a big consideration for St. Anthony's," which has seen them rise consistently over the past several years.

Since 2000, construction costs have nearly doubled in California, according to Lawrence Nibbi, CEO of Nibbi Brothers Construction, the firm contracted to erect the new St. Anthony's buildings.

According to Linda Pasquinucci, deputy director at St. Anthony's, the issue of the buildings costing more was a consideration from the start of the campaign planning process. "When we originally started on this project...as we were going through the different design phases, that's where the numbers kept escalating," said Pasquinucci. The project began at $35 million, she said, and not long after jumped to $40 million.

Because of rising costs, Pasquinucci said St. Anthony's went public with the $42 million goal. Within that number, both St. Anthony's and Nibbi built in 10 percent for contingencies. "We've had to give up some of that contingency, and it did drop to 5 percent," she added.

Nationally, 2005 saw construction costs spike as the demand for both labor and materials soared. This was exacerbated by outside factors, in particular the devastating hurricanes in Florida and along the Gulf coast that led to, among other things, increasing fuel costs. According to Ken Simonson, chief economist at the Associated General Contractors of America in Arlington, Va., the cost of construction material continues to rise by more than the overall rate of inflation, following a pattern that emerged in 2000 and 2005.

Even without increases in construction costs, a project can still turn into a budget-busting nightmare during construction, according to Roger K. Lewis, an architect based in Washington, D.C., and professor of architecture at the University of Maryland. "Contract bids usually exceed cost estimates, no matter how thorough the estimates," he said.

Keeping on budget for the University of California at San Diego (UCSD), which kicked off the silent part of its latest capital campaign seven years ago, was, according to Associate Vice Chancellor for Development Rebecca Newman, an improbable task.

"Building costs have soared dramatically," said Newman. "And so buildings that were on the drawing board seven years ago but are breaking ground in September (2007) have a very different reality today than they did when we were raising money for them."

During 2000, UCSD launched its most ambitious capital campaign to date: $1 billion. Previously, the school's largest campaign had been $25 million. Adjusting for inflation, "the exponential difference between a campaign of $25 million (in 1985) and a billion is still huge," said Newman.

The standard is that the cost of running a campaign amounts to 10 percent of the actual dollars raised. According to Newman, the cost of UCSD's campaign, which closed June 30, was around 5 to 7 percent of the total. "It's good and it's bad," she said. "To be able to sustain the kind of momentum that a campus requires in a campaign, you have to exceed each individual goal of the campaign. The campaign included $342 million for five new buildings, $100 million in scholarships and $70 million for faculty support, $415 million in research dollars, and $103 million in "innovation" funds.

When asked where operating costs fit into UCSD's overall campaign, said Newman, "At most universities, it's campus administration and development who usually figure out before a building is approved how they're going to manage the ongoing operating costs." For the bulk of nonprofit organizations, however, this is not usually the case.

"The issue of building things, be they endowments or buildings, and then not being able to operate it is a big issue in the capital campaign world," said Alexander "Sandy" Macnab, founder of Chicago-based consulting firm Alexander Macnab & Company.

A capital campaign changes an organization's business model, said Clara Miller, president of the Nonprofit Finance Fund (NFF) in New York City, formerly the Nonprofit Facilities Fund. It's especially true if an organization decides to acquire a building for the first time. "They might go on building an organization that leases space and is only flexible financially, to an organization that has this large fixed asset." The problem with this scenario lies within what has historically been a mindset of the typical capital campaign, one Miller would like to see change.

"Particularly for small or mid-sized organizations that aren't terrifically sophisticated about or don't have a lot of experience or infrastructure to do capital campaigns, they (capital campaigns) generally mean buildings," said Miller. "Constructing a new building or expanding an old one "drives growth in other parts of the organization," she added. "And many, many times, if you're new to a capital campaign, you don't raise money for the growth of the programs and services that are inside this wonderful new building."

Miller said she'd like nonprofits to think about capital "more like long-term resources or investment, including the nonprofit sector calls equity - that you invest in an organization to take it from one level of performance to another."

"Consider, she said, how growth affects performance, and what it takes to grow in the sector: "Those are bigger questions than just, 'How do we acquire this building?'"

In its earlier days as the Nonprofit Facilities Fund, group financed numerous building projects for organizations with and without buildings. "And neither is better," said Miller. "And none of them, practically, plan for enough working capital to actually fund the growth of the programs and services inside the building. This is still the case."

Capital campaigns are no longer just for bricks and mortar. "Most capital campaigns not only include the capital and construction projects and endowment, but may very well include an estate planning program, and may very well include annual operating support," said Bobertook, chairman and CEO of Hartsook Companies in Wichita, Kan. He said while universities have traditionally led the way with these comprehensive campaigns, it's beginning to filter down to other social services organizations. But not fast, or broadly enough.

"What happens traditionally in a capital campaign continues on page 18"
Why Donors Like Capital Campaigns: You Can’t Layoff A Building

What a capital campaign generally means to the majority of the sector is the addition of some sort of fixed or permanently restricted asset on the balance sheet, such as a building, a building and endowment, or a building, endowment and a cash reserve or scholarship fund. While this is generally a positive step, many organizations overlook that it will almost always change an organization's business model.

"Operating expenses become bigger. The cost structure becomes bigger. And that means, every year. So you have to build the financial engine that can feed that higher cost structure," said Clara Miller, president and CEO of the Nonprofit Finance Fund (NFF) in New York City. "At the same time, especially if the capital campaign is to acquire a facility, you're entire capital structure becomes less liquid."

According to Miller, you can't really layoff bricks and mortar. "Donors will always need that comfort. 'Well, at least I know I can kick a brick,'" she said. While people can be fixed costs too, it's different because an organization can hire consultants or part-time staff.

"What we don't want to do is send the message that facilities are bad, which is the simple way of interpreting what we're saying," said Miller. "What we're saying, is that facilities are part of an overarching business model that is different. It's a different way to provide programs and services, and if you plan for them right they can cradle the mission. If you plan for them wrong, it literally can suck the lifeblood out of a perfectly good organization."

Earlier this year, the NFF along with the Hauser Center for Nonprofit Organizations at Harvard University convened a group of more than 50 field leaders to address the topic of Capital Ideas: Moving from Short-Term Engagement to Long-Term Sustainability. The group affirmed the need for change in the following ways:

- Broaden the scope from narrowly focused program funding to funding that recognizes and addresses the financial and organizational needs of the nonprofit organization as a whole, even if that funder is interested in only one part of the enterprise.
- Identify the collective impact of funders' financial practices on an organization, and adjust accordingly the application, stewardship and reporting demands made of the grantee.
- Move toward sector-wide results-based metrics that encompass both organizational and field-wide dimensions and:
  - Lower transaction and stewardship costs by encouraging funders to adopt simplified or standardized reports, processes, and data in order to help the sector focus more resources toward achieving its mission.

The participants generated the following collaborative solutions being undertaken – if a grant amount isn’t adequate to cover costs, reduce the scope or help find other funders. Employ existing pooling mechanisms where possible, resisting ad-hoc creations. And, don’t create new layers of administration.

- Reform the field’s overly complex and expensive accounting, regulatory, and contracting requirements. Advocate revising Financial Accounting Standards Board (FASB) rules to make nonprofit financial statements management-friendly and comprehensible to a wider range of users. Develop policy outreach to improve IRS rules, including Form 990, the public support test, and tax deduction standards. Advocate for full-cost recovery or value-based pricing in government and foundation contracts to nonprofits. And press for parity between nonprofits and for-profits in basic governmental and regulatory, and contract requirements. Advocate for full-cost recovery or value-based pricing in government and foundation contracts to nonprofits. And press for parity between nonprofits and for-profits in basic governmental and regulatory, and contract requirements.

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The participants generated the following collaborative approaches that rely on cooperative action among funders that:

- Minimize the transaction costs for grantees and funders of applying for and reporting grants.
- Include standardizing grant request formats, reporting and stewardship methods; using your grantees’ or commonly accepted sector-specific performance metrics; sharing data and data platforms to avoid repetition; and adopting a “net grants” approach that recognizes and limits the time and cost grantees spend applying for, securing, and reporting on a grant.
- Actively pool resources when more funds are required to achieve results. Match amount, type and duration of funding to the ambition and life cycle of solutions being undertaken – if a grant amount isn’t adequate to cover costs, reduce the scope or help find other funders. Employ existing pooling mechanisms where possible, resisting ad-hoc creations. And, don’t create new layers of administration.
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- Create the culture, knowledge and methods necessary to enable nonprofits to succeed. This includes making finance part of grant-making; funding experiments without punishments if results fail; and finding ways to support networked, “supply chain,” and social ecosystem-type approaches that advance entire fields of service.

Approaches funders can take alone include:

- Fund at the organizational rather than the programmatic level.
- Fund to meet the organization’s business needs and operating realities.
- Avoid frequent changes in funding priorities – signal exits or changes well ahead of time for grantees.
- Understand when you’re “building” and when you’re “buying;” and fund accordingly.
- Use evidence-based performance, learning and organizational health metrics to measure and report effectiveness.
- Small can be beautiful. Make appropriately sized investments, and don’t encourage growth for growth’s sake.

The hospital faced several challenges getting that continued on page 19

continued from page 17

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The hospital faced several challenges getting that continued on page 19
Making IT Work
Mass customization training to rule the day

Many nonprofit organizations invest significant resources in an electronic constituent relationship management (eCRM) system to help broaden their base of support through viral marketing. For an organization whose vendor is located in the same city as its staff and volunteers, training costs are minimized. But for many small and medium-sized nonprofits, as well as large multi-affiliate organizations, sending staff and volunteers across the country for three days of instructor-led training is too big a hit on an already strained budget.

Tuition costs, travel expenses and the costs associated with loss of staff time on the job are critical challenges for nonprofits and software as a service (SaaS) providers in tackling training needs. Add to that an increasingly diverse set of technical skills at nonprofits and the knowledge gap created by staff turnover, and there’s only one outcome to conclude: traditional classroom training can no longer be the only solution offered by SaaS providers.

As more organizations adopt online solutions to take constituent relationships to new levels, SaaS providers will be compelled to increase the ways they deliver their training and to create new opportunities for learning.

As people are becoming more technologically and Internet-marketing sophisticated, the software consumer has become a savior user. Gone is the old vendor model of “we’ll tell you what you need.” Today, the SaaS provider is more a partner than a vendor; collaborating with the nonprofit on what best meets the organization’s needs. No one buys a product off the shelf anymore. The trend is “mass customization;” and the SaaS provider has to figure out how to economically provide “mass customization” training.

MULTIPLE OPTIONS, VARIABLE COSTS

“Mass customization” in training means that SaaS providers need to provide ways of training that are most feasible to a range of clients. The training must meet a variety of budgets via self-study, recorded training that is available “on-demand” at little to no cost; live, online training (at a higher cost); client forums and client communities; and the traditional multi-day instructor-led class, which is the most expensive option.

While live training will always be a premium offering, there is still great demand for it and SaaS providers are trying to scale their training organizations to meet that demand, especially for more client-site training. One way to do this is partnering with consulting organizations to provide branded training in locations where the SaaS provider can’t reach its clients. To offer this kind of training, SaaS providers are setting up train-the-trainer programs for training partners. These train-the-trainer programs are bound to have an impact on client organizations that are eager to develop in-house expertise and offer benefits and incentives for staff.

Nonprofits are beginning to advertise job openings stating a preference for candidates with a proficiency in a specific eCRM platform and online tools. It won’t be long before organizations will want staff members to become authorized trainers on a particular eCRM or CMS (content management system) platform.

This authorization will not only provide in-house expertise, but also a professional development benefit to those staff becoming authorized.

BEST PRACTICES AND TRENDS IN TRAINING

The leaders in client training will be those that offer:

• “Blended solutions” of live and online training;
• Those that offer different types of online training, in “live” and on-demand modes;
• Those that offer locations for live training that are close to or where clients work;
• Those that leverage the windows of a client staff member’s availability: short segments for “Just in Time” (JIT) material to longer dedicated learning sessions; and,
• Those that leverage clients’ media preferences, be it the Internet, iPod, or gaming and simulations.

Face-to-face training is an intensive mode of delivery that will continue to be at a premium. For some types of subject matter, this training might be the most effective in spite of its associated costs.

Online live training is an option that is suited for topics that require an interactive training format, such as a new product release.

Online pre-recorded training has its place, too. It is the best way to deliver training on topics that are standardized and of interest to a broad audience, such as an “Introduction to Online Marketing” training session, which would be viewed by most users.

Online communities for client users leverage the information exchange and users’ eagerness to share ideas common among online activists and fundraisers working for nonprofits. Often these individuals are already participating in other listservs and online forums. SaaS providers are beginning to offer clients a robust online community where they can get their questions answered by someone at the software company or by a colleague who has the expertise and experience to help his or her colleague.

In the future, look for other training options via social networking, blogs, wiki pages and iPod iCasts – the same modalities nonprofit clients are using to reach, engage and motivate their constituents.

Ted Smith is director of client education at Convio, Inc., headquartered in Austin, Texas, with offices in Berkeley, Calif., and Washington, D.C.

SPECIAL REPORT

THE NONPROFIT TIMES www.nptimes.com

OCTOBER 1, 2007

Making the right choice for leadership gift, said Executive Director Janet Haines. Those challenges included the misperception among the community that it was a tax-supported institution, and the accompanying perception that the hospital had great wealth. “We have a beautiful healthcare facility and then there was the perception that we had all this money. People don’t really understand that with healthcare.

You have to sit down and talk to them.”

According to Brenda Asare, senior vice president at the Evanston, Ill., branch of The Alford Group, individuals like the family who donated the leadership gift to Edward Hospital are becoming fewer and farther between. “Seventy-five percent of the donations come from individuals, and those individuals, they’re hard to find,” said Asare. “You’re trying to build on existing relationships while at the same time build new relationships in the life of a capital campaign, and it’s growing more challenging.”

Hartsook noted a recent study that reviewed what major donors expect in terms of giving. The study, commissioned by Bank of America and completed by the Center on Philanthropy at Indiana University, found 41.2 percent of high net-worth households consulted fundraisers/nonprofit staff when making their charitable giving decisions, versus 35.9 percent that turned to peers. “What that confirms for me....is you’re finding capital campaigns are becoming much more staff driven. It’s not saying the volunteers aren’t still important, but that employees of the agency are having to do a number of things that volunteers used to do.”

To keep donors and volunteers enthused, both Macnab and Asare recommend organizations accelerate the capital campaign process, rather than drag it out. “If you drag it out you just exhaust your volunteers,” said Macnab. “Instead, you want an exciting, brief, really good campaign and programs that move.”

Added Haines: “The shorter campaign, the better. But that’s all strategy and that’s all psychology.” Because if you do your homework, if you’re doing a proper and traditional capital campaign you’ve already lined up your major gifts behind the scenes. It’s all about your timelines.”