BUILDING STRONGER ORGANIZATIONS

The Impact of Capital Projects—

Lessons for Human Services Agencies and Their Funders

Prepared for

THE BUSH FOUNDATION

by

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EXECUTIVE SUMMARY

Facilities are critical to the mission of human services agencies. They not only provide the setting where staff offer services and clients access them, they help to determine the type of services that can be offered and the number of clients who can be served. They affect staff and client morale and influence community attitudes toward the agency. They comprise a key component of agency budgets. In short, facilities affect an organization's effectiveness, financial stability, the quality and quantity of services provided, and more.

In their efforts to acquire, improve, or construct facilities that further their missions, human services agencies must overcome a number of obstacles. One obstacle is their own necessary focus of energy and resources on the services they provide rather than on the condition of the facilities they occupy. In addition, agencies undertake capital projects infrequently so staff rarely have the experience or knowledge to plan and manage a capital project that will meet their needs. The scarcity of funding for capital projects presents another obstacle, as does the lack of technical assistance in many regions. These obstacles are heightened in times of recession, when human services agencies face increased demand for services while government and private funding declines.

This report, based on an evaluation of the Bush Foundation's grantmaking to support human services capital projects, provides information about the wide-ranging benefits of effective capital projects and the obstacles that agencies must overcome. We believe the lessons and recommendations that emerged from the evaluation will help nonprofit agencies, their funders, and others develop or support successful capital projects—ultimately contributing to the ability of human services organizations to continue to meet changing needs.

BACKGROUND

Based on the belief that appropriate physical facilities can strengthen human services agencies and enable them to better serve their clients, the Bush Foundation has supported capital projects by human services organizations in Minnesota, North Dakota, and South Dakota since 1970. Nearly half of all Bush human services grant dollars are for capital projects. In the 20 years between 1980 and 1999 the Foundation's human services capital grants totaled $37 million. These grants enabled 12 percent of the human services agencies in the three-state region to improve, acquire, or construct facilities.

To understand the impact of its human services capital grantmaking and to inform future grantmaking, the Foundation asked Showalter & Company and Vicki Itzkowitz-Consulting to conduct a comprehensive evaluation. Completed in 2001, the evaluation included site visits to human services agencies, surveys of Bush grantees and denied applicants, analysis of data from the Foundation Center and Native Americans in Philanthropy, and in-depth interviews with funders, technical assistance providers, lending organizations, membership associations, and others. The evaluation focused on the following questions:

- What difference do capital projects make for human services organizations and staff, the people they serve, and the issues they address?
- How can nonprofits make their capital campaigns and projects more successful?
- How can funders enhance their support of capital projects?
- What is the need for capital support in terms of the capacity and effectiveness of human services organizations and the availability of other sources of support, particularly in rural areas?
- What is the availability and impact of technical assistance and support for planning?

The evaluation concluded that the Bush Foundation's investments in human services capital projects have produced significant returns in terms of their benefits for organizations, people served, and communities. In addition, the evaluation identified the findings and lessons described below.

CONCLUSIONS AND LESSONS FOR NONPROFIT AGENCIES AND FUNDERS

1. **Successful capital projects mean much more than improved facilities: they strengthen organizations and provide benefits for clients and surrounding neighborhoods.**
   Nearly all of the human services agencies interviewed and surveyed as part of the Bush evaluation said their capital project strengthened their organization and resulted in better service for clients. Over three-quarters of the agencies said the project had a positive impact on their neighborhood. The numbers are striking:

   - 99 percent said the project had a very positive or positive overall impact on their *organization*.
   - 97 percent said their capital project had a very positive or positive overall impact on their *clients*.
   - 78 percent said the project had a very positive or positive overall impact on their *neighborhood*.
   - 98 percent said the capital project accomplished what they had intended.

   Benefits for clients include:

   - better service
   - addition of new services
   - additional clients served
   - improved client attitudes

   Benefits for the organization include:

   - increased effectiveness
   - greater financial stability
   - lower building operating costs
   - improved staff morale
   - increased funding potential and broader donor base
   - new relationships with other organizations

- organizational legitimacy, pride, and confidence
- increased status in field
- improved environment
- increased focus on planning for ongoing maintenance
- greater internal cooperation
- catalyst for organizational change

Benefits for the neighborhood or community include:

- greater community awareness and good will
- jobs created and retained
- enhanced neighborhood stability and development

2. **Human services agencies often neglect their capital needs. Indeed, the current system of funding nonprofit organizations encourages disinvestment in facilities and the costly practice of deferred maintenance.**
   Facilities are critical to the mission of human services agencies, but many organizations do not address their capital needs because of their necessary focus of energy—and limited budgets—on the services they provide rather than on the condition of the facilities they occupy. Lack of attention to facilities can hamper services for clients, working conditions for staff, and effective operating systems.

   According to one expert, "fewer than 30 percent of nonprofits have capital budgeting systems and fewer than 10 percent employ outside experts to advise them on their buildings." Problems that could be addressed by preventive maintenance escalate when they are ignored, becoming more serious and expensive. Funders may contribute to this situation by providing grants for emergencies or one-time opportunities over general operating support or overhead that would allow ongoing facilities management.

3. **The success of a capital project depends on comprehensive planning for the ongoing operation and maintenance of the facility as well as for its initial development.**
   Planning matters. It emerged as one of the most important themes of the Bush evaluation, which confirmed that well-planned projects produce better results. Many nonprofit agencies underestimate or are surprised by the maintenance and operating costs of their new facilities. One expert says that bricks and mortar represent only about one-quarter to one-third of what it costs overall to move into a larger facility. To be successful, agencies must consider the implications for budgeting, staffing, programming, and maintenance once the project is complete.

4. **Appropriate technical assistance is necessary and sometimes difficult to access.**
   Research for the Bush evaluation indicated that the vast majority of human services agencies undertake a capital project only once in 20 years. Because capital projects are infrequent, staff rarely have the necessary technical knowledge and experience; sometimes they lack enough knowledge to know they need assistance. In addition, effective project planning and management is time consuming and can divert an agency's attention from its mission and clients. Working with individuals or firms with the necessary expertise can help nonprofit organizations bridge the experience gap, "borrowing" the expertise they need rather than attempting to "own" it.

In the Bush Foundation's three-state region (Minnesota, North Dakota, South Dakota), appropriate technical assistance is less available in the Dakotas and Greater Minnesota than in the Twin Cities. Even when it is available, agencies often lack the funds to pay for it.

5. **Support for capital projects is limited and access is uneven, especially for smaller organizations and those in rural areas.**
   Many foundations do not provide support for facilities or other capital projects, heightening the competition for available funds. In addition, traditional lenders are often reluctant to consider making loans to nonprofit agencies because of the complexity of reviewing and managing such loans, and government funding is also lacking.

   The reluctance of many funders to provide capital support is a problem for human services organizations. Compared to other types of nonprofits, human services agencies receive little funding from individuals and often lack a "natural donor constituency."

   Because rural and smaller human services agencies often provide intensely needed or preventive services, their capital projects may provide special benefits. Yet these agencies face special challenges in finding support. One expert estimates that because smaller agencies lack the infrastructure to raise funds, their cost of raising each dollar is five times the cost of larger organizations. Rural agencies turn to a myriad of organizations—e.g., a local service club or electric cooperative—for capital support. But these sources cannot meet the full needs.

   In the Foundation's region, Minnesota organizations receive a disproportionate share of all foundation capital grants awarded to the region's human services nonprofits: Minnesota is home to three-quarters of the region's human services agencies but received 92 percent of the capital dollars awarded between 1990 and 1999. According to the Foundation Center, only eight major foundations provided human services capital support in North Dakota and only 10 in South Dakota between 1990 and 1999, compared to 52 in Minnesota. (The grantmaking of smaller foundations is not tracked by the Foundation Center.) It appears that foundation support for Native American capital projects is also limited.

   In addition to the general lack of funding to support human services capital projects, gaps exist in the specific kinds of support available. These gaps include support for technical assistance, planning, predevelopment, and such purposes as affordable housing, community centers, child care centers, and technology.

6. **Agencies must know when the timing is right for a capital project.**
   Capital projects can be a trap for newer and smaller organizations, leading them away from a focus on service and operations. They may not yet have developed the capacity to understand the impact of the project on the organization, to decide what kind of facility is needed, or to raise the funds and negotiate the costs. And yet, if the timing is right, a capital project can help an agency move to a new stage of organizational development by expanding services, donor base, reputation, and effectiveness.

   The evaluation of Bush Foundation grantmaking found that agencies involved in a first capital project are more likely than others to report that the project improved their organizational operations and that it led to greater financial stability and to new relationships with other organizations. Yet these agencies, which tended to be smaller and newer organizations, were also more likely to report that operating expenses were greater than expected, to attribute their problems to lack of staff experience, and to wish they had increased the scope of the project, allowed more time for planning, and budgeted for higher quality construction.

Appropriate technical assistance, feasibility studies, and comprehensive planning are key to helping agencies decide when they are ready.

7. Recommendations for human services agencies considering a capital project include:

- Invest in comprehensive planning for all aspects of the project, including how you will operate and maintain the facility once your project is complete. Consider the implications for budgeting, staffing, programming, and maintenance.
- Seek appropriate technical assistance.
- Involve clients, staff, board, and community members.
- Consider whether the timing is right.
- Maintain a focus on your mission.
- Prepare for how you will handle the demands of fundraising and project management.
- Communicate how the capital project will affect clients, services, and the community.
- Set realistic fundraising goals and stay within your budget.
- Factor in escalation of costs and sufficient contingency.
- Keep funders informed.
- Create a project steering committee and make sure you have an experienced project manager.
- Pay attention to details and allocate more time than you think you'll need.

8. Options for funders seeking to strengthen their capital project grantmaking include:

- Emphasize adequate planning and ensure that it includes ongoing operations and maintenance.
- Provide support for technical assistance.
- Create incentives for agencies to set aside funds for ongoing facility operation and maintenance.
- Link agencies with others who have completed similar projects.
- Consider the use of challenge grants to help agencies leverage additional funds, expand their supporters, and encourage local "buy-in" for the organization and the project.
- Consider the use of program-related investments or loan guarantees to increase the amount of support you can provide.
- Understand that different grantmaking approaches may be appropriate for rural areas and smaller organizations.
- Help applicants through the process.
- Stay aware of program, fundraising, and operating issues facing nonprofits.
- Share lessons learned, and collaborate with others to share knowledge, best practices, and new approaches.

The full report provides more detail on these findings and recommendations.

FOR FURTHER INFORMATION

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I. THE NEED FOR CAPITAL PROJECTS AND FUNDING

Facilities are critical to the mission of human services agencies. "Without a stable home, it's difficult to provide services," said one respondent interviewed as part of an evaluation of the Bush Foundation's human services capital grantmaking.[1] And, as described in detail later in this report, appropriate facilities bring important returns not only for clients served, but also for agencies themselves, their staff, and their surrounding neighborhoods or communities.

Research for the Bush evaluation revealed *broad agreement—by nonprofit organizations, funders, technical assistance providers, and others—on the extent of human services agencies' need for capital support*. "This is a continuing need that's difficult to finance," in the words of one funder. Sources of operating revenue simply are not sufficient to cover capital projects.

Human services agencies receiving Bush capital grants said they embarked on a capital project because existing space was inadequate in some way, the agency had expanded or changed the type of services provided, or more clients were requesting services. While the primary capital need is for facilities, agencies also need equipment and vehicles.

Smaller and mid-size organizations as well as those in rural areas have special needs and concerns. As one interviewee said, "Ten percent of the organizations own 90 percent of the square footage and have access to 90 percent of the available capital," while community-based, smaller, and mid-sized organizations lack access. Residential facilities (e.g., long-term care and foster care facilities) may have access to resources to care for their buildings but organizations focusing on preventive care (youth programs, for example) face a "catch as catch can" situation. While the numbers of people served by rural organizations may be smaller than in urban areas, the needs are compelling and the services provided can have a marked impact.

According to a technical assistance provider, because smaller agencies lack the infrastructure to raise funds, their cost of raising each dollar is five times the cost of larger organizations. *Even though smaller organizations may need relatively small amounts of money, they represent complicated deals for financial institutions* because their revenue streams are so diverse and hard to predict. Foundation funds can be critical for these agencies.

Lack of Attention to Facilities

These indications of need present only part of the story. It's difficult to accurately gauge the extent of the need because *many human services organizations do not address their capital needs*; of necessity, they focus their energies—and limited budgets—on the services they provide rather than on the condition of the facilities they occupy. The lack of attention to facilities and other capital needs can hamper services for clients, working conditions for staff, and effective operating systems.

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[1] Appendix A provides a partial list of the nonprofit, philanthropic, and technical assistance organizations whose staff provided insight and data for the evaluation. Interview quotations are not attributed because all interviews were confidential.

Many of those interviewed for the Bush evaluation indicated that human services organizations were often painfully aware of the need for improvements or expansion in their facilities, but, as one person put it, "when organizations are working day by day to stay open and serve people, it's tough to think of those capital projects." One funder believes that financing difficulties may lead human services organizations to "not fully understand the need and deny it." Indeed, this *lack of attention to facilities is a theme that emerges from the research*.

According to one study:[2]

> Facilities are a low priority for the staff and supporters of nonprofit agencies. Fewer than 30 percent of nonprofits have capital budgeting systems and fewer than 10 percent employ outside experts to advise them on their buildings. When funds are scarce, building maintenance budgets are often cut, meaning that problems once controlled by preventive maintenance escalate, becoming more serious and more expensive. The need to modernize facilities to keep up program quality and to comply with government health and safety regulations adds to these costs.

The lack of attention to facility needs and inadequate budgeting for capital expenditures—such as preventive maintenance and equipment replacement—*lead to frequent and costly emergency repairs*. When nonprofits address capital needs, they often concentrate on the "do cycle," according to a report from the Nonprofit Finance Fund,[3] rather than on the "think cycle"—planning, management, maintenance, and development of cash reserves.

Studying the facility needs of United Way agencies in New York,[4] the Nonprofit Facilities Fund documented the extent of the need and observed that:

- Over two-thirds of the financing needed would have to be allocated to deferred maintenance on existing properties.
- Deferring maintenance is a very expensive way to save money: When maintenance needs are not promptly met, they become geometrically more costly as they worsen with time.
- Facilities are not maintained because of rapid expansion of services, inadequate funding, and simple negligence.
- Agencies appear to have accepted serious facilities deterioration—including noncompliance with health and safety codes.

The study also highlighted the plight of small agencies, those with revenues under $1 million, which experience frequent moves and thus disruption in their programs. "This is significant," the report comments, "because small agencies are typically involved in local direct services such as recreation, training, and child care that may prevent or reduce the eventual need for more expensive institutional care."

Funders of nonprofits may bear some of the responsibility for disinvestment in facilities and practices that favor deferred maintenance by providing grants for emergencies or one-time opportunities over general operating support or overhead that would allow ongoing management improvements. "The

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[2] *The Market for Capital Loans Among New York City Nonprofit Organizations,* ECF Management, 1988.
[3] *Linking Financing and Management for Sustainable Nonprofits,* Clara Miller and Chris Jenkins, Nonprofit Finance Fund Monograph, 2000.
[4] *Capital Needs of United Way Member Agencies,* Nonprofit Facilities Fund, 1992.

unintended effect of such policies," note Clara Miller and Chris Jenkins,[5] is to provide "an expensive incentive for poor management," an incentive more powerful than efforts to provide technical assistance or training about best practices.

A recent study of Boys & Girls Clubs in New York and Boston,[6] conducted by the Nonprofit Facilities Fund for the Charles Hayden Foundation, confirmed what the Fund had found in its own work: In the absence of incentives to budget for building maintenance and make repairs as needed, training and technical assistance for youth-serving organizations on facility management led to limited results, as did financing projects individually.

This study led to the design of a program that would provide financial incentives to make capital investments to correct deferred maintenance, create a replacement reserve, and finance repairs on a timely basis. The program would require participants to do preventive maintenance, budget for capital expenditures and building operations, and control construction cost and quality.

In addition to recommendations for funders to encourage and reward planning for capital needs, the Nonprofit Facilities Fund has also recommended:

- Encouraging accounting practices that reflect rather than obscure the cost of facilities.
- Advocating for changes in government and private funders' attitudes and funding patterns, including budgeting practices and "pricing" of services by agencies that reflect the real cost of services, including capital needs.

By examining the impact of human services capital projects and describing the very positive potential benefits of successful projects, the next section underscores the extent of the need. A later section looks at the funding side of the equation.

[5] Miller and Jenkins.
[6] *Capitalizing Youth Services: NFF's Research and Design for the Asset Management Program,* Nonprofit Facilities Fund, 1998.

II. THE IMPACT OF HUMAN SERVICES CAPITAL PROJECTS

The most basic approach to understanding impact is to ask, *what happened?* What happened as a result of a human services agency's capital project?

Bush Foundation grant recipients—12 percent of the human services agencies in Minnesota and the Dakotas between 1980 and 1999—have improved, acquired, and constructed facilities that are being used for a broad range of human services purposes throughout the region. The experience of these organizations confirms, indeed expands, the widespread agreement about the very positive impact of capital projects—for clients served, for the organization, and, in many cases, for the surrounding neighborhood or community.

Nearly all of the agencies interviewed or responding to surveys as part of the Bush evaluation *said their capital project strengthened their organization.* Agencies were able to provide improved or expanded services to people in need, serve additional clients, and increase their effectiveness. Client attitudes and staff morale improved. And the capital projects led to *greater financial stability*, lower building operating costs, and new relationships with other organizations.

A thumbnail sketch of the purposes and results of a few specific projects funded by the Bush Foundation may help to illustrate the broad potential impact of capital projects:

- Acquisition and renovation of a school building in a South Dakota community to provide residential treatment for girls. As a result of the project, the agency expanded the number of clients served from 24 to 38; provided additional, more intense services for each client; increased staff jobs from 30 to 58; enhanced its fundraising capacity; saved, renovated, and used a historic building; retained the program and its jobs in the community; and garnered strong board and community support.

- Development of affordable, supportive housing facilities for low-income people with disabilities in more than 12 rural and urban locations throughout Minnesota. The project enabled many clients to remain in their own communities and allowed others to move out of institutional settings; leveraged HUD rent subsidies, federal loans, and local community support; and increased national recognition for the development agency, leading to opportunities to develop additional projects.

- Acquisition and renovation of a building to house five Twin Cities organizations collaborating on neighborhood development. The project led to greater coordination and collaboration among the agencies; greater credibility for the lead agency and its community development work; additional resources for the neighborhood; the implementation of new community development initiatives to benefit the neighborhood; and partnerships with additional agencies and government entities.

OVERALL IMPACT

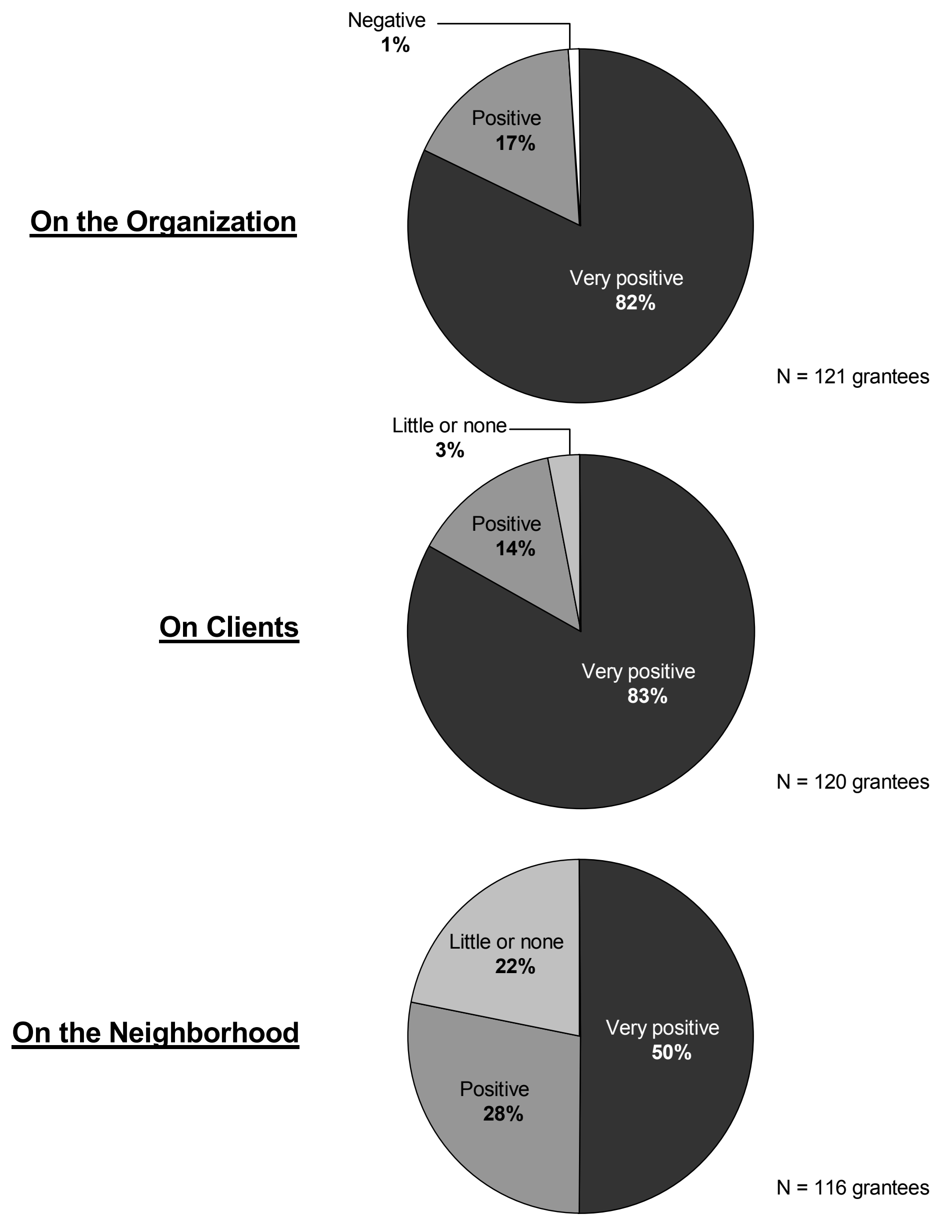
According to the survey of human services agencies receiving support from the Bush Foundation for their capital projects, agencies believe the overall impact of their capital projects was *very positive*.

The numbers are striking:

- Ninety-nine percent believe the project had a very positive or positive overall impact on their *organization*.
- Ninety-seven percent believe their capital project had a very positive or positive overall impact on their *clients*.
- A smaller number, though still a sizable majority, of agencies surveyed (78 percent) think their capital projects had a very positive or positive overall impact on their *neighborhood*.

Figure 1

Overall Impact of Capital Project

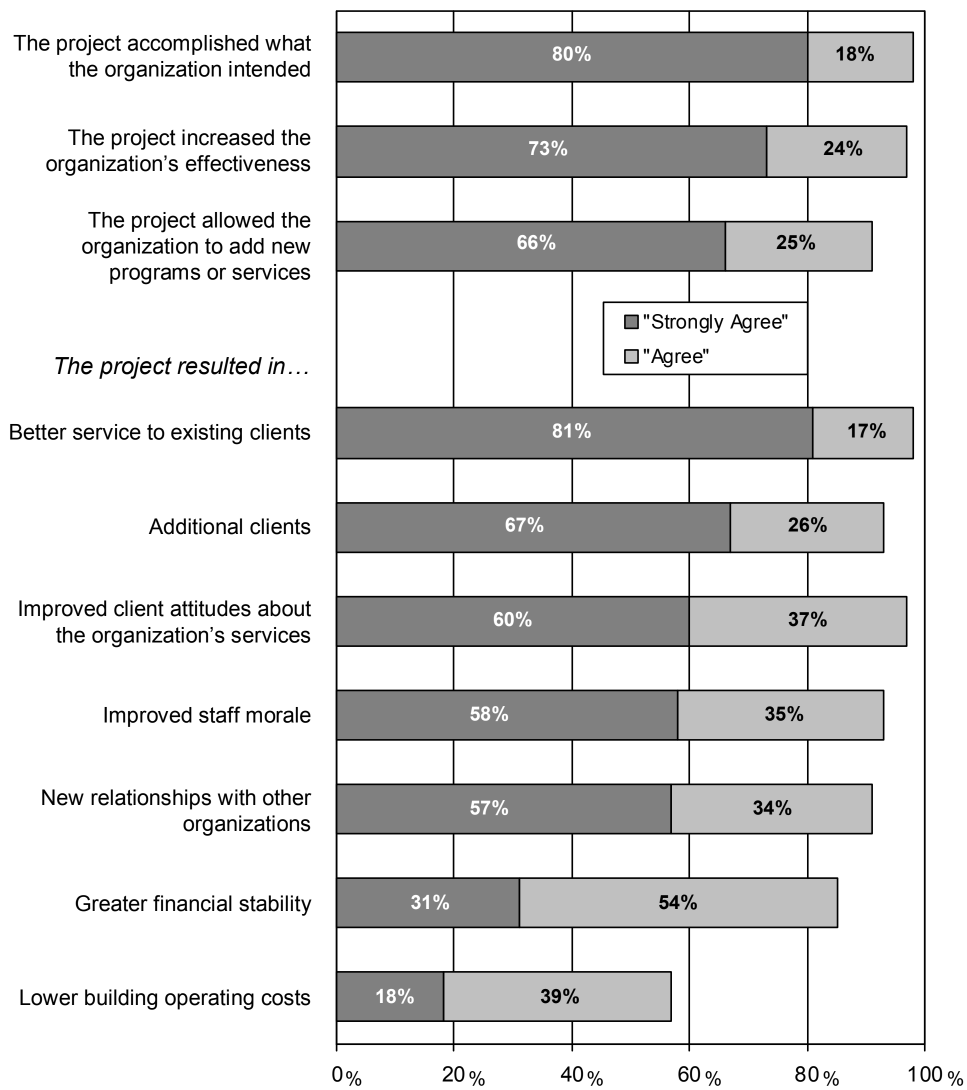


SOURCE: Bush Human Services Capital Grants Survey, 2000.

SPECIFIC POSITIVE IMPACTS

Bush grantee survey respondents noted many positive effects of their capital projects, summarized in the following figure and described below.

Figure 2
Positive Effects of Capital Projects



SOURCE: Bush Human Services Capital Grants Survey, 2000.

Better service for clients. *Ninety-eight percent* of survey respondents agreed or strongly agreed that their capital projects resulted in better service to existing clients.

Addition of new services. As space expands, more services can be provided. Just over *90 percent* of respondents agreed or strongly agreed that their capital projects allowed them to add new programs or services. Organizations with projects involving new construction agreed most strongly that the project resulted in the addition of new programs and services.

Additional clients. By increasing the size of a facility, a capital project may enable an agency to serve additional clients, providing benefits for these clients and, in many cases, allowing the agency to reach a more financially viable size. *Ninety-three percent* of respondents agreed or strongly agreed that their projects resulted in additional clients.

Improved client attitudes. Capital projects affect the attitudes of clients seeking services. As one funder said:

> One of the principles we operate on is that nonprofits have the right to have decent places to work and nonprofit clients have the right to appropriate environments. People feel valued and respected when the space says that.

Ninety-seven percent of survey respondents agreed or strongly agreed that their capital project led to improved client attitudes about the organization's services. Agreement that the project improved client attitudes was strongest among organizations serving people of color and those with larger projects.

Increased effectiveness. *Ninety-seven percent* of survey respondents agreed or strongly agreed that their capital projects increased their organization's effectiveness. Organizations involved in new construction agreed most strongly that the project increased their effectiveness.

Greater financial stability. *Eighty-five percent* of respondents agreed or strongly agreed that their capital projects resulted in greater financial stability. Organizations conducting first capital projects and those with more expensive projects were most likely to report greater financial stability as a result, suggesting that both small and large organizations can plan capital projects that will enhance their financial stability.

Lower building operating costs. *Over half* of grantee respondents reported lower building operating costs. Organizations with projects costing less than $750,000 were more likely to note this effect. Projects involving new construction were less likely to result in lower building operating costs. For a number of agencies interviewed, a move from rental space to a facility they owned meant lower building operating costs—and greater financial stability.

Improved staff morale. *Over 90 percent* of respondents agreed or strongly agreed that their capital projects resulted in improved staff morale. Improved staff morale was most likely to be rated as a result of the project when the project cost less than $750,000 and when more than half the funds had been raised at the time of the Bush grant, perhaps indicating that smaller projects and those for which fundraising was comparatively easy created less stress for staff and were therefore more likely to increase morale.

Several funders noted that perhaps the greatest effect of capital projects is on employees. According to one, "Morale improves tremendously when they're in a place that's decent."

New relationships with other organizations. Capital projects can bring about productive collaborations with other institutions. In addition to serving as an incentive and means to build relationships with new funders and other supporters, a capital project may result in connections to agencies providing similar or complementary services. These connections may come about during project planning as changes to the facility and to services are being explored, or after the project is complete, as new or expanded services lead to new relationships with other agencies.

Over 90 percent of survey respondents agreed or strongly agreed that their capital project led to new relationships with other organizations. Organizations serving primarily people of color, those conducting first capital projects, and those with grants of more than $80,000 were most likely to agree that their projects led to new relationships with other agencies.

Sometimes a project involves the *leasing of space to other organizations* and that, too, often leads to collaborations not entered into before. Over three-quarters of survey respondents who answered a question about the impact on their own organization of leasing space to others reported that this practice has provided helpful opportunities for collaboration. Agencies serving primarily people of color and those doing new construction were most likely to report this positive impact from leasing to others.

Additional Positive Impacts

The human services agencies, funders, technical assistance providers, and others interviewed for the Bush evaluation identified the following additional positive impacts of capital projects:

Organizational legitimacy, pride, and confidence. "A capital project lends legitimacy to an organization, providing a psychological uplift and spurring an agency on to do better work," said one observer. And another explained, "There's something wonderful about having an asset. It gives you a sense of pride and confirms your mission." And still another said, "It has significant impact on recognition of the organization, on its ability to be a full part of the community." Agencies also spoke of the sense of legitimacy and credibility that comes as community members view them in a new way.

Increased status in field. The internal confidence, external recognition, and expanded programming that often come from capital projects may enable an agency to play a new role in its area of service and serve as a model to others. A number of grant recipients spoke of the increased status accorded them and the opportunity to accomplish more.

Increased funding potential and broader donor base. Capital projects often build the fundraising capacity and sophistication of agencies. They learn how to tell their story and that they can engage "the community as a partner in their work, not just approach them with hat in hand," as the executive director of one agency put it. Often first-time donors become ongoing supporters when they see the very visible results of their support of a capital project. A few funders and observers see the expansion of an organization's funders and supporters as the central impact of capital projects.

Improved environment. Human services agencies, focused on their missions and their clients, often make do with substandard facilities, which affects the attitudes of both staff and clients. Not surprisingly, an improved environment is an important outcome of capital projects. And, as the quality and functioning of an organization's space improves, other benefits become evident.

Increased focus on planning for ongoing maintenance. While nonprofit organizations may focus on immediate needs and costs in planning a capital project, they come to realize, although sometimes not until they are faced with emergency repairs or licensing requirements, that the remodeling, renovation, or construction is not the end of the project. They learn that they must also pay attention to the costs of ongoing operations. This focus can be an important outcome for the agency's future health and stability.

Greater internal cooperation. Many agency staff noted that their capital projects increased the involvement of board members and necessitated close cooperation between staff and board.

Catalyst for organizational change. In "Thinking Beyond the Dollar Goal: A Campaign as Organizational Transformation,"[7] Carol L. O'Brien argues that capital campaigns are not primarily about raising money:

> They help an organization find its collective voice; they provide the opportunity to examine and reshape the institution's programs; they provide mechanisms by which organizations can share and communicate their visions, objectives, and outcomes; and they involve constituents in meaningful initiatives and create reasons…for celebration.

In short, by "providing opportunities for sustained focus on vision and values, they are catalysts for organizational change."

The evaluation found many examples of how a capital project has changed an organization, often helping it move to a new stage of development. One executive director, for example, spoke of how the project and the expanded programming it permits have helped community members and clients see an expanded mission for the agency.

Greater community awareness and good will. Sometimes a capital campaign or fundraising effort will make community members aware of an agency for the first time, increasing the number of potential donors, individuals willing to serve on an agency's board, and client referrals. An enhanced or new facility often becomes a source of community satisfaction and pride. As one agency executive director said, "The community knows you are going to stay when you buy a building." Over and over, agency staff reported that they were "surprised by the support of the local community."

Jobs created and retained. Job creation and retention are additional ways in which a capital project has impact beyond the facility itself. "Not only does the project contribute to construction jobs, but to nonprofit jobs after the work is done," said one observer. In some cases, the enhanced or additional services made possible by the capital project enable an

[7] In *Capital Campaigns: New Directions for Philanthropic Fundraising,* Jossey-Bass Publishers, 1998.

agency's clients to retain jobs or enter the work force for the first time. And when a capital project keeps an organization from relocating outside the community to find the space it needs, jobs are retained in the community.

Enhanced neighborhood stability and development. When a capital project results in renovation of a worn or sometimes empty building, the addition of local jobs, the involvement of neighbors in fundraising and other activities, it contributes to the stability of the surrounding community.

Figure 3
Summary of Positive Impact

ON CLIENTS/ SERVICES

- Better service for clients
- Addition of new services
- Additional clients
- Improved client attitudes

ON ORGANIZATIONAL OPERATIONS

- Increased effectiveness
- Greater financial stability
- Lower building operating costs
- Improved staff morale
- New relationships with other organizations
- Organizational legitimacy, pride, and confidence
- Increased status in field
- Increased funding potential and broader donor base
- Improved environment
- Increased focus on planning for ongoing maintenance
- Greater internal cooperation
- Catalyst for organizational change

ON NEIGHBORHOOD/ COMMUNITY

- Greater community awareness and good will
- Jobs created and retained
- Enhanced neighborhood stability and development

SOURCE: Surveys, interviews, and site visits conducted for the Bush human services capital grants evaluation, 2001.

Negative Effects of Capital Projects

Based on the grantee survey conducted for the Bush Foundation evaluation, *fewer than one-third of human services agencies receiving Bush capital support believed their projects had any negative effects*. For those who identified negative effects, concerns focused on the cost of adding items omitted from original plans, higher than expected operating expenses, and having attention diverted from the organization's core mission.

- Agencies conducting a first project and those with larger projects were most likely to express concern that overseeing construction took too much staff time and that operating expenses for the new space were higher than expected. *Appropriate technical assistance and support for comprehensive planning might help agencies avoid these surprises.*

- Agencies serving primarily people of color and those with larger projects were most likely to believe that fundraising for the project took too much staff time, diverting attention away from the core mission.

Despite the time demands and other concerns noted by some nonprofit organizations, the evidence is compelling: capital projects produce important benefits for human services agencies, the people who turn to them for assistance, and their neighborhoods or communities. The next section discusses the specific factors that contribute to the success of a capital project.

III. WHAT'S NECESSARY FOR SUCCESS?

Nonprofit organizations can increase the likelihood that a capital project achieves the outcomes they seek. According to human services agencies, funders, technical assistance providers, and others, the following factors increase a capital project's potential to be successful:

1. Comprehensive planning
2. Appropriate technical assistance
3. Understanding the organization's financial situation and its ability to support the incremental costs of operating a new or larger facility
4. Knowing when the timing is right
5. Realistic fundraising goals
6. Effective project management
7. Maintaining a focus on mission
8. Ensuring that internal stakeholders are behind the project
9. Community support

Each of these issues is discussed below.

KEY SUCCESS FACTORS

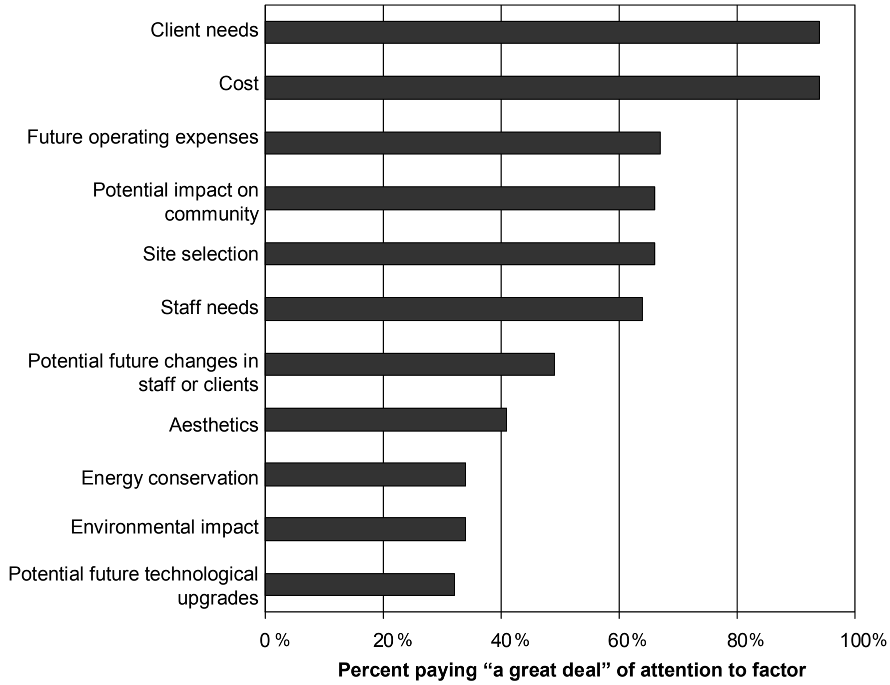
1. Comprehensive Planning

Planning matters. It emerged as *one of the most important themes of the research for the Bush evaluation*. Over and over, the survey responses, the interviews with grantees, funders, and others, and the literature pointed to the need for effective, comprehensive planning, focusing not only on space needs but on the implications for budgeting, staffing, programming, and maintenance once the capital project is complete.

When asked what advice they would give to organizations contemplating a capital project, human services agencies and funders invariably mentioned issues related to planning. "Take your time and do your homework," was how one funder put it. That homework will likely inform nonprofits that "the project will take longer than expected and construction will cost more than expected," said another funder. Feasibility studies have helped organizations go back to the drawing board or decide not to go ahead. And while bigger isn't always better, "nonprofits often don't think big enough: the building may be full the day they move in," a funder pointed out.

As the following figure illustrates, Bush Foundation grant recipients paid attention to a broad range of factors in planning their capital projects. Client needs and cost were identified by 94 percent of respondents as receiving "a great deal" of attention. About two-thirds of grantees surveyed paid a great deal of attention to future operating expenses, the potential impact on the community, site selection, and staff needs. Grantees also paid either "a great deal" or "some" attention to potential future changes in staff or clients, aesthetics, energy conservation, environmental impact, and potential future technological upgrades.

Figure 4
Factors Grantees Considered in Planning Capital Projects



NOTE: Respondents could choose more than one answer.

SOURCE: Bush Human Services Capital Grants Survey, 2000.

Bush grantees cited *insufficient planning* as one of the reasons they encountered problems in completing their capital projects along with such planning-related issues as *lack of staff experience* with projects of this kind, *not realizing they needed technical assistance*, poor quality technical assistance, or inability to locate technical assistance. More than half of grantee survey respondents said they would advise other human services agencies to *pay attention to planning* issues, including:

- Start to plan earlier and allow time for all elements to come together.
- Analyze needs and anticipate future needs.
- Visit similar projects to learn from others.
- Involve key staff.
- Rely on a team of managers and consultants—and choose consultants carefully.
- Listen carefully to architects but don't let them make promises that are not budget-based.
- Get everyone on board early.
- Factor in escalation of costs and sufficient contingency, and be conservative in projections.
- Add 20 percent to expected operating costs.

Responses to a survey question about *what they would do differently* if they were to do their projects again confirms that many grantees wish they had considered additional issues and given more attention to planning. For example, grantee survey respondents would:

- Budget more funds for furniture, decoration, or other amenities (60 percent).
- Increase the scope of the project (43 percent).
- Allow more time for planning (41 percent).
- Increase the involvement of community members (37 percent), staff (30 percent), and clients (28 percent) in planning.
- Budget for higher quality construction (25 percent).

As the responses suggest, organizations may easily underestimate the time and sophistication needed for thorough planning.

Bush Foundation data confirms that *well-planned projects produce better results.* An analysis of staff and consultant ratings of funded projects over the last decade shows a very high correlation between high planning ratings, given at the time a grant proposal is reviewed, and high post-grant ratings, given as part of the post-grant review when a project is complete.

2. Appropriate Technical Assistance

Those interviewed for the Bush evaluation agreed that "projects may fail unless they have the appropriate support to develop the best plan." Sometimes that expertise is available on staff; more often it must be hired. Almost one-third of Bush grantee survey respondents said they would advise other human services organizations contemplating capital projects to consult experts. But, because organizations undertake capital projects so infrequently, many organizations "don't even know what they don't know and what they need," as one funder put it.

Experts can help nonprofit organizations conduct the necessary planning and, when they are ready, make decisions in a timely manner. "Being able to move in a responsible and businesslike manner is important," according to the director of a nonprofit lending organization. "Organizations can get 'analysis paralysis'; they may lose buildings because they weren't ready to act. Or they can be penny wise and pound foolish." Working with individuals or firms with the necessary expertise *can help nonprofit organizations bridge the experience gap.*

Expertise of various types is needed: architects and builders who understand an organization's needs and its financial constraints, as well as other types of experts able to assist in the technical demands of planning. While interviewees most frequently cited planning as the stage requiring expert assistance, *project management* also requires a level of experience and expertise nonprofits rarely possess. Project managers play a crucial role in helping to keep a capital project on time and on budget. Attempts to "learn as we go" may not only result in problems, they may divert agencies from their core missions.

Those who recommended technical assistance believe organizations need help with:

- Assessing the need for a capital project
- Project planning
- Estimating project costs

- Understanding implications for organizational operations (services, budgeting, staffing, etc.)
- Understanding impact on organizational culture
- Estimating operating costs
- Fundraising
- Managing project implementation

Several observers talked about the distinction between training and technical assistance, cautioning that nonprofit organizations are apt to do capital projects so infrequently that they *do not need to "own" the expertise but rather to "borrow" it.* Having funds to hire consultants as needed allows the agency to focus on mission, program, and fundraising. Workshops may help organizations prepare for a capital project, providing a valuable overview of the planning and management issues they will encounter and where they can turn for technical assistance.

Bush grant recipients who used consultants found them helpful. The most common type of consultant was an architectural consultant, used by approximately three-quarters of the grantees responding to the survey. This was also the type of consultant receiving the highest ratings: 84 percent of respondents said the architectural consultant was "very helpful." Nearly half (46 percent) of the grantees used a fundraising consultant, and 63 percent of these thought the fundraising consultant was very helpful. Only four in 10 grantees used a project planning consultant, with 71 percent rating this type of consultant very helpful.

Approximately three-fourths of grantee survey respondents said appropriate consultants are either "readily" (42 percent) or "somewhat" (32 percent) available in their geographic area. Grantees doing remodeling projects were more likely to think consultants were difficult to find. The survey results confirm information from other sources: *consultants are less available in the Dakotas and in Greater Minnesota than they are in the Twin Cities area*.

3. Understanding the Organization's Financial Situation and Its Ability to Support the Incremental Costs of Operating a New or Larger Facility

According to an experienced technical assistance provider, bricks and mortar represent only about one-quarter to one-third of what it costs overall to move into a larger facility. Agencies often overlook the staffing implications—the need for extra security guards or marketing staff, for example, or the demands on existing staff—as well as maintenance and other costs. The Bush evaluation confirms this pattern: *many grant recipients report underestimating or being surprised by the maintenance and operating costs of their new facilities.* The demands of a capital project, according to the technical assistance provider, are like "starting a new business."

Funders also spoke to the central importance of this issue. "Some organizations simply don't look at the long-term impact of a new facility and its potential to drain their operating budget," said one funder. They run the risk of making themselves "building poor," with facilities acting as a drain on resources. As another funder commented, "They may only think about it in terms of rent savings and overlook the necessity to hire a management company to run the building." And, as many said, bigger isn't always better.

Because facility maintenance is an ongoing rather than a one-time concern, several people interviewed noted that nonprofits need to *set aside funds in advance* to cover the costs of facility maintenance. "These funds should be built into the organization's fee structure," said one observer. "It doesn't have to be a great deal of money. But a new roof will be needed and sometimes the need is not large enough to do a separate capital drive."

As nonprofit organizations consider how they can support the ongoing operating costs of a new, expanded, or remodeled facility, they may consider the possibility of leasing some of their space to others. Based on the survey of Bush grant recipients, *leasing space to others appears to provide some positive benefits in terms of collaboration and, to a lesser extent, added income.* Approximately one-third of survey respondents answered questions about the impact on their own organization of leasing space to others. Over three-quarters of those answering believed that leasing space has provided helpful opportunities for collaboration, and that it has *not* been too time-consuming. Only about a third of respondents, however, believed that leasing space to others has added significant income to their operating budgets.

4. Knowing When the Timing is Right: First-Time Capital Projects

A number of funders and technical assistance providers interviewed for the Bush evaluation talked about the stage at which nonprofit agencies may be ready to embark on a capital project to expand or improve facilities. Newer organizations may not yet have the experience to predict what their needs will be—in terms of amount and kind of space, changes in clients and services—or whether they have the staff, fundraising, and financial capacity to manage the challenges of a capital project. Smaller organizations face similar issues.

In some cases, newer or smaller organizations may—and, according to several people interviewed, *should*—determine that they don't need larger or even permanent facilities, that instead they need to think differently about how to deliver their services. And yet, if the timing is right, a capital project can have decided benefits for newer and smaller agencies, *helping them to move to a new stage of organizational development* by expanding services, donor base, reputation, and effectiveness. A capital project may also increase an organization's financial stability. Appropriate feasibility studies and comprehensive planning are key to helping agencies decide when they are ready.

The experience of Bush grantees confirms the benefits and risks of capital projects for smaller and newer organizations. Agencies conducting a first capital project tended to be smaller and younger organizations. (The average operating budget was $1.6 million and the organization had been in existence about 15 years.) They were more likely than other grantees to report that their capital projects *led to greater financial stability* and that the projects improved organizational operations even more than services. They were also more likely to say the project *led to new relationships* with other organizations. Underlining the caution expressed by interview respondents, the survey results show that these agencies were more likely to attribute problems in their projects to *lack of staff experience*. They were more likely to report that overseeing construction took too much staff time and that operating expenses were greater than expected. These organizations also have some regrets about their projects. If they were to do the project again, they would increase its scope, allow more time for planning, and budget for higher quality construction.

5. Realistic Fundraising Goals

"Some organizations make early commitments based on being able to raise unrealistic amounts of money," noted a funder interviewed for the Bush evaluation. "They may take on a short-term loan or get ahead of themselves in other ways before the pieces are solidly in place." Being realistic may mean organizations develop a "staged vision," as one funder put it, creating plans for something that can be added to over time.

In addition to setting realistic goals, organizations also need contacts and relationships that will help them access the resources required. According to many, *fundraising is harder for human services organizations than for other types of nonprofits.* Human services agencies often lack what one funder calls a "natural donor constituency." They need to work hard for every dollar raised. The old model of "80 percent of gifts coming from 5 percent of donors was never really true for human services, and may not be true in other areas any more," said another funder. And, unlike fundraising for educational or arts institutions, gifts from individuals comprise a very small part of giving to human services agencies.

Several interviewees talked of the need for human services agencies to explore new fundraising approaches as well as continuing to pursue the basics. "They need to be good at marketing and getting buy-in if they're going to succeed in fundraising," said one observer. Another stressed that organizations will be successful in their fundraising if they can articulate the need to the community and show how the project will affect the community: "People don't give to the past or to the present but they do give to realize dreams for the future." According to a respondent, "what attracts money is a good board, good staff, and a good program." Volunteers are "absolutely necessary" as well. For those agencies conducting capital campaigns, limiting the time for the campaign can keep a sense of urgency alive.

Bush grantees confirm the difficulty of raising money for a capital project. Only construction problems were cited more frequently than fundraising problems, with 42 percent of grantee survey respondents encountering fundraising problems (compared to 44 percent for construction problems). When asked what they know now that they wish they had known before in terms of raising money for a capital project, the most frequent responses given were "how difficult/complicated it would be" and how much staff and volunteer time was needed.

Grantee survey respondents advised:

- Use fundraising consultants—but screen them.
- Raise enough money ("don't be conservative") and pursue fundraising assertively.
- Start early and have access to funds upfront.
- Start at the smaller foundations.
- Meet with foundations and keep them informed.
- Wait to start the project until the money comes in.

They cautioned that "the last 10-20 percent takes more time and energy" and that people are more willing to give for something "concrete and easily measured."

6. Effective Project Management

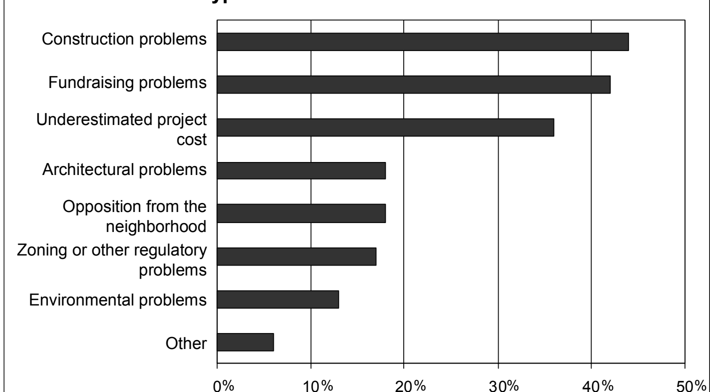
Suggestions, from Bush grant recipients and others, for effective management and oversight of a capital project included:

- Have one central steering committee.
- Make sure you have a project manager who knows the construction business and can devote the time needed to overseeing the project.
- Pay attention to details, and allocate more time than you think you'll need.
- Expect the unexpected.

Grantees wish they had known *how time consuming managing a capital project was;* this was the comment made most often about project management. Respondents also commented on the amount of work and the many details—and meetings—involved. Several respondents said they had to limit services during the project's implementation or that they "should have moved services to another site." One Bush grant recipient lost both its board chair and its executive director because they were "burned out" by the complexity of managing the agency's project.

More than one-third of respondents to a survey question about problems encountered in completing projects identified construction problems, fundraising problems, or problems resulting from underestimating project costs. Smaller numbers encountered architectural problems, opposition from the neighborhood, zoning or other regulatory problems, or environmental problems.

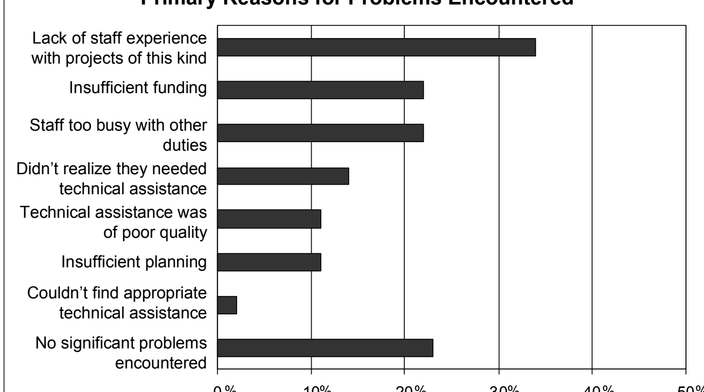
Figure 5
Types of Problems Encountered



NOTE: Respondents could choose more than one answer.
SOURCE: Bush Human Services Capital Grants Survey, 2000.
N = 91 grantees

Approximately one-third of grantee respondents *attribute the problems they encountered to lack of staff experience* with projects of this kind. Insufficient funding and staff too busy with other duties were each cited by over one-fifth of grantees as reasons for the problems they encountered, followed by not realizing technical assistance was needed, receiving technical assistance of poor quality, and insufficient planning.

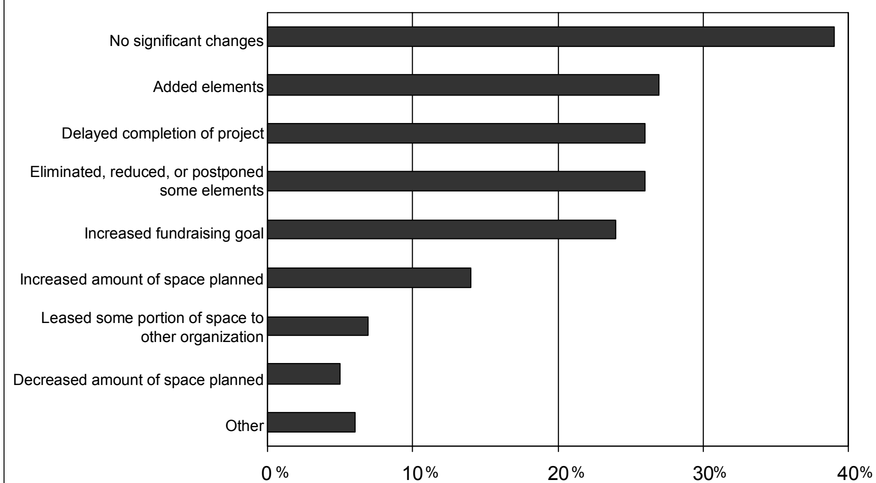
Figure 6
Primary Reasons for Problems Encountered



NOTE: Respondents could choose more than one answer.
SOURCE: Bush Human Services Capital Grants Survey, 2000.
N = 113 grantees

These responses emphasize the *need for competent project management*, to cope with problems as they arise, and—once again—the *need for comprehensive planning*, to avoid problems that are preventable. In turn, both suggest the *need for access to appropriate technical assistance*.

Figure 7
Changes Made to Original Plans



NOTE: Respondents could choose more than one answer.
SOURCE: Bush Human Services Capital Grants Survey, 2000.
N = 113 grantees

While almost 40 percent of grantee survey respondents made no significant changes in their projects after the original plan was completed, approximately one-quarter of grantees added elements; delayed the completion of the project; eliminated, reduced, or postponed some elements; and increased their fundraising goal. Others increased or decreased the amount of space planned or decided to lease some portion of the space to other organizations. Most (61 percent) believed the changes they made improved the final result of their projects.

Grantees cited as other "surprises" encountered while conducting their projects: environmental issues; cost increases, sometimes due to higher than expected cost of materials; construction delays; problems discovered during renovation that had not been anticipated in the plans, including the discovery of asbestos, necessitating unplanned removal costs; zoning changes; and equipment breakdowns. On the positive side, two respondents mentioned the support of the community and funders as surprises.

7. Maintaining a Focus on Mission

Organizations must consider whether a capital project fits their mission. While this sounds obvious, the many detailed planning demands of a complex capital project can mask the need to answer this central question. The agency must understand its vision, its market, and its own capacities. As one technical assistance provider cautioned,

> Production of the facility is not the goal. In the case of medical care, for example, the goal is providing excellent health care at an affordable cost. The 'facilities decision' involves the examination of alternatives such as treatment in homes, a mobile unit, an existing building that houses a concentration of users (school, factory, etc.) and other approaches…. Mission clarity is paramount.

Several observers warned that a capital project's impact may be blunted if fundraising and other demands of completing the project take the organization away from a focus on its mission and clients. It's critical for organizations to "know who they are," according to one funder, to make sure their donors know that, and to consider how they will maintain the integrity and quality of their work in the new facility.

8. Ensuring that Internal Stakeholders are Behind the Project

Interviewees emphasized the importance of engaging staff, board members, and clients in endorsing, designing, and planning the project. The board in particular is an agency's "natural support group" and must be involved on a regular basis. Because a capital project will place many demands on staff time and energy, it is critical that they are involved in determining how to handle these demands and in assessing the impact on other activities. Nonprofit grant recipients also spoke of the need to keep clients and other constituents involved in the process.

9. Community Support

Community support is necessary for a successful capital project. Staff of organizations located in or associated with rural areas mentioned community support most often, a likely outgrowth of the greater need for local funding and volunteer participation for rural projects. "In the end, if you have community buy-in and support, it will be a success," one person commented. Understanding—and conveying clearly—how the project will affect clients and services is critical to community support, according to several interviewees.

Advice to ensure community support included:

- Hold community meetings *before* you begin fundraising for the project.
- Know what services people want.
- Don't limit your research and discussion to consumers of the service.
- Articulate how the project will affect the community.
- By soliciting funds that have to be matched locally, you can help to ensure community support and ownership of the project.

OBSTACLES TO SUCCESS

Many of the factors identified as contributing to successful projects clearly have embedded within them assumptions about what impedes success. Funders, observers, and grantees interviewed for the Bush evaluation mentioned the following specific obstacles to success:

- Lack of rigorous planning
- Plans that are overly ambitious
- Failure to consider the facility's long-term implications, especially maintenance and staffing issues
- Ignoring feasibility studies
- Lack of input from staff, board, clients, and community members

Attention to the issues discussed above can point the way toward successful capital projects for human services agencies and the funders and technical assistance providers that support them. The next section presents findings about how funders can strengthen their own capital grantmaking and contribute to the likelihood that capital projects achieve the outcomes their grantees seek.

IV. HOW CAN FUNDERS HELP CAPITAL PROJECTS SUCCEED?

When asked what lessons they have learned about effective grantmaking for capital projects, funders and technical assistance providers cited the following:

1. Emphasize adequate planning.
2. Encourage the use of technical assistance.
3. Pursue creative approaches.
4. Keep an eye on the big picture.
5. Understand that different approaches may be appropriate in rural areas.
6. Help applicants through the process.
7. Stay aware of issues facing nonprofits.

Each of these lessons is discussed below.

1. Emphasize Adequate Planning

Not surprisingly, given how frequently nonprofit agencies, funders, and technical assistance providers stressed the importance of planning, funders typically require applicants to show evidence of thorough planning and believe their review processes contribute to project success. Carefully examining the impact of the proposed project on an organization's long-term finances and mission is key, according to many, and funders can contribute to success by requiring feasibility studies and otherwise helping organizations anticipate the full costs of operating and maintaining the facility.

2. Encourage the Use of Technical Assistance

Many of those interviewed spoke about the need for technical assistance and enthusiastically endorsed the role a foundation might play in helping organizations access it. One interviewee spoke of the "enormous role" foundations could play in requiring appropriate planning, including feasibility studies that would document month-to-month cash flows, impact on staffing, mission, and services, and other critical issues: "If you can interweave technical assistance and funding, then you have something powerful."

Interviewees expressed concern about the *lack of available technical assistance in rural areas*. And, according to several observers, finding good technical assistance may be a problem not only in rural areas. Many Bush grantees also noted the difficulty in finding technical assistance.

Where technical assistance resources are available, the *quality may vary*. It can be difficult to identify consultants with the right kind of expertise, people able to understand the organization and all the issues involved.

Cost is another issue interview respondents cited; technical assistance, when available, is expensive, and unless funders are willing to pay the cost, *nonprofits may not be able to afford* the help they need.

3. Pursue Creative Approaches

In addition to emphasizing technical assistance and planning, funders and technical assistance providers advised a variety of options to meeting the facility needs of nonprofits, including:

- Create incentives for nonprofits to set aside funds for ongoing facility operation and maintenance.
- Provide program-related investments or loan guarantees.
- Link agencies with others who have completed similar projects.
- Provide support through intermediaries.

4. Keep an Eye on the Big Picture

Several funders and observers expressed concern that the *large capital campaigns* of individual organizations can "have a dramatic *financial impact on the community*," absorbing a large percentage of available philanthropic dollars and placing real pressure on smaller organizations. They cautioned that funding is a "zero sum game" and that funders need "prudence and caution and sensitivity" in weighing the needs of organizations against each other.

Keeping an eye on the big picture also means that funders need to look at the potential impact of a capital project *on the neighborhood or district*. "We must put our capital funding into more of an economic development context," urged one funder.

And both funders and observers stressed the need to consider capital projects in the context of the *organization's mission and its overall operations and finances*. "The stability of the organization is the first thing we look at," a funder said. "If that's in question we stop, because otherwise we'd be helping to build a house of cards."

5. Understand that Different Approaches May Be Appropriate in Rural Areas

Rural communities continue to confront challenges presented by demographic changes, restructuring economies, and other trends, many of which increase the need for human services. Several interviewees commented that projects are done differently in rural communities. The whole process is less formal, and the players may be different. In-kind contributions play a bigger role, and the public sector is more important. Funders of rural human services capital projects need to be open to different approaches and collaboration with others.

6. Help Applicants Through the Process

Sometimes applicants need help not only in preparing capital project plans but also in navigating a foundation's requirements. Several funders said they are trying to provide more coaching as applicants move through the process. The evaluation of Bush Foundation capital grantmaking found a very high level of satisfaction with the Foundation's grantmaking process and the helpfulness of staff, even among those denied grants. Some grantees suggested various additional types of support—ranging from planning support and technical assistance to information handouts—that would help agencies embarking on capital projects.

7. Stay Aware of Issues Facing Nonprofits

Good grantmaking is based on a deep understanding of the needs and concerns of nonprofit organizations. Funders interviewed for the Bush evaluation had clearly spent a lot of time grappling with the issues nonprofit agencies face—issues concerning human services fields as well as those concerning capital projects.

Bush grantee surveys included a question asking respondents to identify the *"two or three most important issues facing your organization over the next three to five years."*

Funding. Over two-thirds of grantee respondents named funding as one of the most important issues facing their organization. Specific concerns included expanding their donor base, managing the operating budget, and achieving financial stability.

Programs and services. Almost half of grantees cited programs and services in their list of important issues, including program growth, meeting changing needs of clients, improving the quality of services, and building stability and the infrastructure to support programs and services.

Staffing. Just under half of grantee respondents identified staffing as important to their agencies. Issues included supporting staff, maintaining competitive salaries and benefits, and finding qualified staff and volunteers.

Facilities. Concerns about adequate space led about one-quarter of grantees to put facilities on their list of the top issues facing the organization.

Other concerns mentioned by smaller numbers of grantees included affordable housing, welfare reform, aging populations, immigrants, health care costs, technology, leadership, changing demographics, and publicizing services.

The next section continues to look at the funding side of the equation, outlining the gaps as well as resources available to human services agencies as they attempt to meet their facilities needs.

V. THE FUNDING MARKET

Research about the funding market for human services capital projects points to a clear conclusion: **Support for capital projects is limited and access is uneven, especially for smaller organizations and those in rural areas.**

As one observer commented, "This is a wildly undercapitalized enterprise." Many funders do not provide support for facilities or other capital purposes. "Capital needs get short shrift because funders get overwhelmed or don't see it as their capacity," a technical assistance provider explained.

The reluctance of many funders to provide capital support is a problem for human services organizations. Compared to other types of nonprofits, *human services organizations receive comparatively little funding from individuals*.

Competition for available funds is strong. Interviewees for the Bush evaluation expected that the competition for capital dollars would intensify as funders reacted to economic decline.

A small number of philanthropic funders have stepped into this gap. Recognizing the key role human services nonprofits play in serving the neediest members of society, these funders believe that the condition of agencies' facilities has a direct impact on their ability to provide services and on their financial health. Because other sources of support for capital projects are so scarce, foundation funds are critical.

Indeed, *grants from foundations provided the majority of capital project support* for the largest number of human services agencies responding to the Bush Foundation grantee survey, followed by mortgages, individuals, and government and corporate grants. Forty percent of Bush grantees (with 112 responding) listed foundation grants as providing over half the project cost, while 22 percent (with 41 responding) identified mortgages as providing over half the cost.

Capital project funders are likely to have been prior funders of the organization and also likely to fund the organization again after the capital project. Over half of Bush grantee survey respondents said that most or all of their capital project funders had provided prior support to the organization. Close to half said that most or all of their capital project funders have subsequently funded the organization, a striking statistic given that 60 percent of respondents had just recently conducted their capital projects (1997-1999). These responses suggest that, *in addition to improved facilities and other immediate benefits, a capital project can set the stage for future support for other aspects of an organization's program and operation.*

THE REGIONAL FUNDING MARKET

Capital Grants for Human Services in Minnesota and the Dakotas

The research[8] suggests that the funding markets are very different in the Dakotas compared to Minnesota:

- Minnesota organizations received a disproportionate share of the foundation capital grants awarded to human services organizations in the three-state region. Minnesota is home to about three-quarters of the region's human services nonprofit organizations. Yet between 1990 and 1999, Minnesota organizations received 92 percent of the capital dollars awarded.

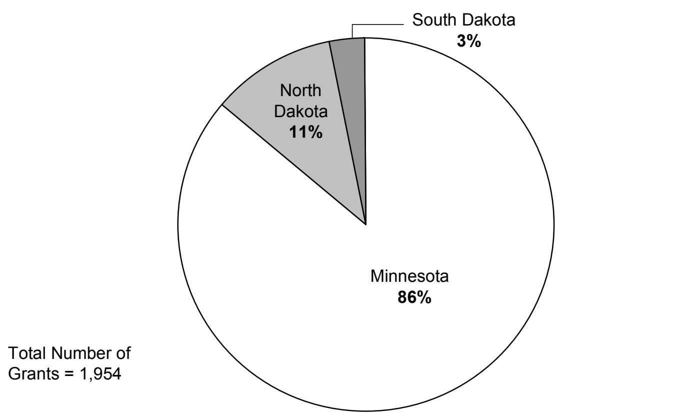
- The average size of foundation human services capital grants is smaller in North Dakota and South Dakota than in Minnesota.

- Many more foundations provide human services capital grants in Minnesota than in North Dakota and South Dakota. In Minnesota, 52 foundations provided human services capital grants of $10,000 or more between 1990 and 1999, compared to only 8 foundations in North Dakota and only 10 in South Dakota.

(The Foundation Center does not track the grantmaking of smaller foundations.)

Number of grants for capital projects. According to the Foundation Center, foundations awarded a total of 1,954 capital grants for human services capital support in Minnesota and the Dakotas in the 10-year period between 1990 and 1999. Minnesota organizations received 86 percent of these grants (1,676 grants); North Dakota organizations received 11 percent (222 grants); and South Dakota organizations received 3 percent (56 grants).

Figure 8
Number of Human Service Capital Grants Awarded to Nonprofit Organizations in Minnesota and the Dakotas, 1990-1999



SOURCE: The Foundation Center, 2001.

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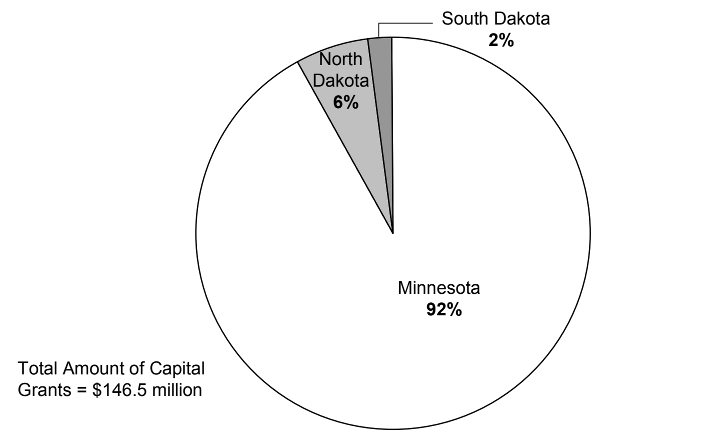
[8] Based on data from the National Center for Charitable Statistics and the Foundation Center. Foundation Center data, reported here and in Appendix D, comes from a custom research report provided by the Center in 2001. *The Foundation Grants Index* includes grants of $10,000 or more awarded to organizations by a sample of approximately one thousand larger foundations. For community foundations, only discretionary and donor-advised grants are included. Grants to individuals are not included in the file. **Please note:** According to the Foundation Center, "grants may occasionally be for multiple types of support, i.e., for program support and for research, and would thereby be counted twice." Data before 1990 is not available.

Dollars awarded. According to the Foundation Center, foundations awarded a total of approximately $146.5 million for human services capital support to organizations in the three states between 1990 and 1999. Minnesota recipients received approximately $135.2 million or 92 percent; North Dakota recipients received approximately $8.2 million, or 6 percent; and South Dakota recipients received approximately $3 million, or 2 percent. While South Dakota received the smallest number of grants and grant dollars in the same period, the average size of grants was smallest in North Dakota.

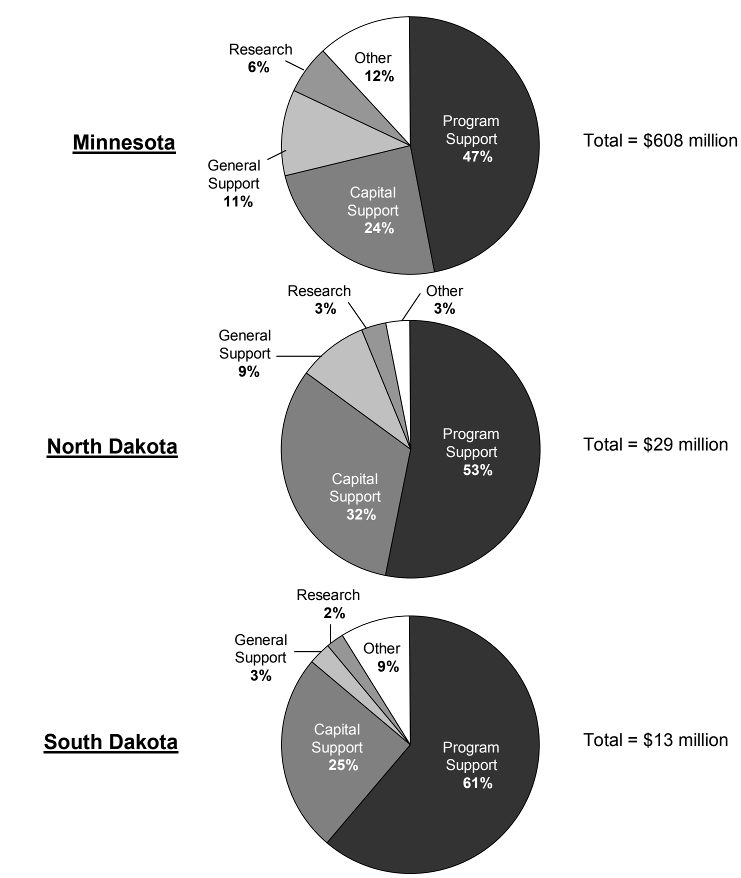
Figure 9
Amount of Human Service Capital Grant Support Awarded to Nonprofit Organizations in Minnesota and the Dakotas, 1990-1999



SOURCE: The Foundation Center, 2001.

Capital support compared to other human services support. Foundation Center statistics show that human services capital support represented approximately 24 percent of the total foundation dollars awarded for human services in Minnesota in the 10 years between 1990 and 1999. In North Dakota during the same period, capital support represented approximately 32 percent of the dollars awarded for human services; in South Dakota, capital support was about 25 percent of human services dollars awarded.

Figure 10
Human Service Grants Awarded by Types of Support, 1990-1999



SOURCE: The Foundation Center, 2001.

The following table summarizes the comparative data about capital grants in the three states.

Figure 11
Capital Grants for Human Services in Region, 1990-1999

1990-99 (10 years)	Total	Minnesota	North Dakota	South Dakota
Number of human service organizations	2,141	76%	13%	11%
Number of human service capital grants	1,954	86%	11%	3%
Human service capital dollars granted	$146.5 million	92%	6%	2%
Average grant size	$74,974	$80,686	$37,081	$53,804
Capital dollars as percentage of all human service dollars granted	25%	24%	32%	25%

SOURCES: National Center for Charitable Statistics, 1995. The Foundation Center, 2001.

Foundation funders. According to the Foundation Center, 52 foundations provided human services capital grants of $10,000 or more in Minnesota between 1990 and 1999, compared to only 8 foundations for North Dakota and 10 foundations for South Dakota. *None of the foundations making capital grants in North Dakota are located in that state. Only one foundation making capital grants in South Dakota (the South Dakota Community Foundation) is located in that state.* By contrast, 23 of the top 25 foundations making capital grants in Minnesota are located in Minnesota. The following chart lists the top 10 foundations for each state, ranked by dollars provided for human services capital grants. A complete list, including dollar amounts and number of grants provided by each foundation, is contained in Appendix D.

Figures 12-13

Top Foundations Providing Human Services Capital Grants, Circa 1990-1999
Ranked by Amount Provided (in Millions)[9]

RANK	MINNESOTA	$	NORTH DAKOTA	$	SOUTH DAKOTA	$
1	McKnight, MN	45.2	Bremer, MN	4.5	Bush, MN	2.1
2	Bush, MN	19.1	Bush, MN	2.4	Kresge, MI	.4
3	Saint Paul Foundation, MN	14.2	Knight, FL	.5	SD Community, SD	.2
4	Blandin, MN	8.4	Lutheran Brotherhood, MN	.4	U S WEST, CO	.1
5	Bremer, MN	5.4	Kresge, MI	.2	Knight, FL	.08
6	Emma Howe, MN	5.1	McKnight, MN	.2	Hearst, NY	.03
7	F. R. Bigelow, MN	5.1	U S WEST, CO	.03	Helen Bader, WI	.02
8	General Mills, MN	4.4	Saint Paul Foundation, MN	.02	Harry C. Trexler Trust, PA	.02
9	Kresge, MI	4.0			UPS, GA	.01
10	Target, MN	3.5			U.S. Bancorp, MN	.01
	+ 42 other funders	*20.8*	*no additional funders*		*no additional funders*	
TOTAL		**135.2**		**8.2**		**3.0**

SOURCE: The Foundation Center, 2001.

Here's how the ranking looks for the three-state region as a whole:

RANK	THREE-STATE REGION	TOTAL $	MN GRANTS	ND GRANTS	SD GRANTS
1	McKnight	45.3	✓	✓	
2	Bush	23.6	✓	✓	✓
3	Saint Paul Foundation	14.2	✓	✓	
4	Bremer	9.9	✓	✓	
5	Blandin	8.4	✓		
6	Emma B. Howe	5.1	✓		
7	F. R. Bigelow	5.1	✓		
8	Kresge	4.5	✓	✓	✓
9	General Mills	4.4	✓		
10	Target	3.5	✓		

SOURCE: The Foundation Center, 2001.

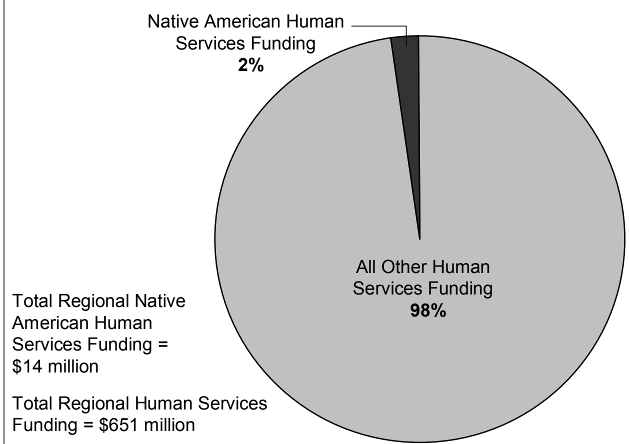
[9] Totals may not match exactly due to rounding.

Regional Funding for Native American Human Services Organizations

It appears that support for Native American human services capital projects is also very limited in Minnesota and the Dakotas. According to an analysis of Foundation Center data by Native Americans in Philanthropy (NAP),[10] Native American human services grants from all sources totaled $14 million in the three-state Bush Foundation region in the years 1990 to 1999. This represents *only 2 percent* of the total human services dollars awarded in the region.

Figure 14

Native American Human Services Funding Compared to All Human Services Funding in Region, 1990-1999

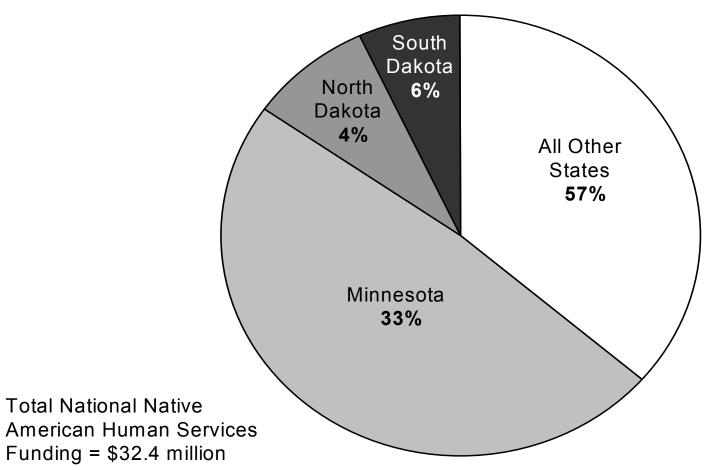


SOURCE: Native Americans in Philanthropy, 2001, based on data from the Foundation Center.

Although Native American human services funding represents a very small portion of all human services funding in the three-state region, it represents a large share of the Native American human services funding nationwide. According to NAP, Minnesota and the Dakotas received 43 percent of the $32.4 million Native American human services funding nationwide in 1990-1999.

Figure 15

Regional Share of National Native American Human Services Funding, 1990-1999



SOURCE: Native Americans in Philanthropy, 2001, based on data from the Foundation Center.

[10] Specific data on Native American human services *capital* grants was unavailable at the time of the Bush evaluation so Native American grants for all human services purposes were used as a proxy.

Within the three-state region, Minnesota received the highest proportion of Native American human services funding, 76 percent, with South Dakota receiving 15 percent and North Dakota 9 percent.

While 490 foundations have been identified by NAP as funders of Native American organizations, the top 25 foundations give 80 percent of the dollars. The *concentration of giving from comparatively few foundations* is a concern, according to Donna Chavis, NAP executive director, because "funding diversity is one of the underpinnings of the health of nonprofits."

The Rural Funding Gap

Rural communities in the Dakotas and elsewhere face what the nonprofit associations in those states refer to as the *"philanthropic divide"*—a gap in funders willing to consider making grants in those areas. "There simply isn't the same array of options," one funder explained. "Rural areas don't have corporate headquarters, foundations, or even individual donor bases." Another interviewee noted, "Organizations serving rural communities don't have the numbers of people served to show impact."

Nonprofits in small rural communities often turn to local businesses for support, but local businesses, banks, rural electric cooperatives, and service clubs cannot meet the full extent of the need. Many observers believe this support is nonetheless critical. "It's more than financial," an observer explained. "It encourages local buy-in to the purpose of the project."

Challenge grants can encourage outreach to local funding sources and provide a compelling incentive for their participation; many welcome the matching requirements that some funders include. But, caution several respondents, challenge grants need to be realistic and flexible in terms of timing. There's a real sense of pride and accomplishment when a challenge grant is earned, but several people mentioned the "huge sense of defeat" if the required amount can't be reached.

While funding sources are scarce for capital projects in rural areas, volunteer services and equipment may be more available. One observer believes rural nonprofits will need to rely on these resources and be inventive in coming up with the funds they need. They may, for example, need to work for increases in sales tax, consider whether a service can stay nonprofit or become for-profit, or affiliate with other agencies to provide services regionally rather than locally.

ACCESS TO OTHER SOURCES OF CAPITAL

Loans are rarely a resource for nonprofits trying to access support for capital projects. According to several technical assistance providers, traditional lenders are often reluctant to consider making loans to nonprofit agencies because of the complexity of reviewing and managing such loans, the limited size of the transactions, and uneven or undesirable collateral. "Building a facility on a distressed inner-city street may bring excellent benefits," observes a report from the Illinois Facilities Fund,[11] created to provide loans that traditional banks won't touch. "But the immediate market value of the finished building may be far less than the outstanding liability."

[11] *A Different Kind of Lender: The First Ten Years at the Illinois Facilities Fund, 1990-2000,* page 30.

One technical assistance provider believes nonprofits have not taken enough advantage of traditional financing sources and that too many funders have ignored the potential advantages of providing capital support through *program-related investments*.[12] "They are very practical and relatively easy to administer," this respondent says. "And they could become a financial planning tool for a foundation to manage grant flow, particularly in volatile stock market periods."

Another technical assistance provider emphasizes the "appallingly primitive underlying economic issues" that need to be addressed if the facilities needs of human services nonprofit organizations are to be met. These include the lack of *government funding* for capital projects. This lack of capital support contributes to the substandard facilities many programs operate out of, the interviewee explained, heightening the "horrible self-image" for staff and clients of these programs.

HOW FUNDERS APPROACH CAPITAL GRANTMAKING

Funders' Rationales

Funders that provide support for capital projects do so for a range of reasons. The Kresge Foundation, for example, does capital grantmaking to help organizations build their capacity, specifically to help them *broaden their donor base*. "When a capital campaign truly succeeds, it leaves in its wake a stronger board and a giving constituency that is broader and deeper," John Marshall, president and CEO of the Kresge Foundation, wrote in the 1994 Kresge annual report.

A number of funders who provide capital support do so as part of their grantmaking focus in *particular subject areas*, rather than as part of a focus on capital projects per se. For these foundations capital grants are one way to help organizations accomplish a mission that is important to the foundation—arts, for example, or support for children and families. Other funders provide capital support as part of ongoing work with long-term nonprofit partners.

Assessing Capital Proposals

The research revealed few surprises in the issues identified by funders as important in assessing proposals for capital grants. Questions funders raise in reviewing projects include:

- Is the organization stable?
- Is the project needed? How will it serve the organization's clients?
- What impact will the project likely have on the ability of the organization to carry out its mission?
- Is the project feasible? Is it well designed? Is there evidence of good planning? What other options were explored before the decision was made to do the project?
- Do staff and board support the project?
- Is the project's budget realistic?

[12] Program-related investments (PRIs) are investments made by foundations to support charitable activities that involve the potential return of capital within an established timeframe. PRIs include loans, loan guarantees, linked deposits, and equity investments.

- Is there an appropriate, strategically designed business plan for after the project is completed? How will the organization meet the ongoing costs of the new facilities? Has the organization determined the staffing implications of the new space?
- Is the fundraising goal feasible? Has the organization developed a sound fundraising plan? How much has been raised to date? Has the organization considered 'staging' the project, in case the full amount can't be raised?
- How important is our foundation's money to the outcome?
- Are competent personnel involved?
- Have community concerns been addressed?
- Have environmental concerns been resolved?

Facility design. *Almost none of the funders interviewed for the Bush evaluation review architectural plans* as part of their assessment (although the Bush Foundation does). A number of funders believe that is the responsibility of the organization and its board. One funder said "it makes sense to do that—though we don't." Another looks at designs "from a programmatic perspective" rather than examining technical issues or square-foot cost: "We ask, 'How will the building work for the people who will use it?'" Most funders believe aesthetics is an issue best left in the hands of the organizations themselves. "We don't look specifically at aesthetics; we respond to the project presented" was a typical comment.

Environmental impact. *Few funders look at the environmental impact of proposed projects* in detail. One foundation looks at community response and at whether environmental issues are resolved. Another considers access issues—not only whether the building is accessible for those with disabilities but also whether it's on a bus line to make it accessible to low-income clients. Still another has a staff/trustee committee reviewing environmental issues to decide what the foundation's position will be.

Technical assistance. *A number of funders provide limited funds for technical assistance on a selective basis.* One funder will occasionally provide small technical assistance grants—on a case-by-case basis—for financial analysis or an early feasibility study, when the issue is important and the organization lacks the ability on its own, but the foundation doesn't advertise this support. Another might make a grant so an organization can pay for technical assistance, or it might link an agency to similar agencies for advice, or connect applicants to appropriate umbrella or training organizations. In areas in which a corporate foundation has special expertise—like marketing or human resources—the foundation may provide direct assistance.

Grant amount and timing. Not surprisingly, funders differ in the way they determine individual grant amounts and timing. One foundation, for example, doesn't determine its grant amounts as a set percentage of total project costs. "If you do that," says a staff member, "it becomes the standard." This foundation also may be willing to be the first funder of a capital project, "depending on the organization and our relationship with them." Other foundations, in contrast, will not be the first funder of a project and require that at least 25 to 30 percent of the project's budget be raised locally.

Review process. Several funders described spending an intensive amount of time on capital requests and making site visits as part of the review process.

PERCEIVED GAPS IN FUNDING

In addition to the lack of sufficient funding to support human services capital projects, funders, technical assistance providers, nonprofit agencies, and others pointed to specific funding gaps. These gaps can be considered in three categories—gaps related to type of support, gaps related to purpose of support, and gaps related to organization type, size, and location.

Type of Support

Interviewees identified the following gaps in the types of support available:

- technical assistance
- project planning
- predevelopment costs
- general operating support needed during a capital campaign
- increased costs of building maintenance and operations after a capital project is completed
- organizational capacity building to manage and act as stewards of the new space

Several funders and technical assistance providers suggested that funders find ways to help organizations address their *ongoing capital needs*, perhaps through a matching fund program that encourages nonprofits to set aside money for capital improvement. "Capital wears out," was an observation voiced by more than one interviewee. One respondent urged funders to consider looking beyond the capital project itself to the organization's capacity to manage and act as stewards for the new space: "Along with funding the infrastructure of the building you need to focus on the capacity of the organization—the people who will take care of it."

Purpose of Support

When asked about gaps in the human services purposes for which capital funding is available, a number of interviewees identified *affordable housing* as a need that had reached near-crisis proportions. Also cited: shelters, community centers, safety visitation centers, child care centers, elder care facilities, technology, capital work on leased space, Boys and Girls Clubs, nature trails, vehicles.

Organization Type, Size, and Location

In addition to gaps in funding related to type and purpose of support, respondents pointed to gaps related to organizations themselves. One funder summarized these gaps in this way:

> Organizations that have the toughest time are those with *no natural donor constituency*—for example, the homeless—or the lack of another interested party such as a Friends organization or committee. Mental health organizations have a particularly tough time, as do very small grassroots organizations.

A number of respondents spoke about the challenges facing *smaller organizations* in planning for and completing capital projects. Organizations *in rural areas* also are at a disadvantage because of limited funding sources, real and perceived difficulties in competing with other organizations, lack of technical assistance, and scarcity of existing facilities that can be acquired and renovated. A funder from the Dakotas said, "Many organizations don't apply because they don't think they can compete, especially those from smaller communities." Another respondent encouraged funders to think of "regional" approaches when funding services in rural areas, so the impact is not limited to one locale: "Cooperative, regional projects serving more than one community are the way to go, sharing equipment, personnel, and space. We just don't have the money, people, or other resources to do it any other way. We also don't have the numbers of people to demonstrate sufficient impact if we work alone."

Figure 16

Summary of Perceived Gaps in Funding for Human Services Capital Projects

BY TYPE OF SUPPORT	BY PURPOSE OF SUPPORT	BY ORGANIZATION TYPE
• Technical assistance • Project planning • Predevelopment costs, including feasibility studies, site development, legal fees, architectural plans, etc. • General operating support (during a capital campaign) • Increased costs of building maintenance and operations (after the project is completed) • Organizational capacity building (to manage the new space)	• Affordable housing • Shelters • Community centers • Safety visitation centers • Child care centers • Elder care facilities • Technology • Capital work on leased space • Boys and Girls Clubs • Nature trails • Vehicles	• No natural donor constituency (e.g., organizations serving the homeless) • Mental health organizations • Grassroots organizations • Small organizations • Rural organizations

SOURCE: Interviews conducted for the Bush human services capital grants evaluation, 2001.

In light of the need of human services agencies for capital projects—and the very positive potential benefits of those projects—the very limited funding market is a matter of concern to those who care about the capacity of these agencies to provide needed services. It also raises ongoing questions about the expectations held for the nonprofit sector, the relationship between government and the nonprofit sector, and the need for long-term systems change to overcome nonprofits' disinvestment in their own facilities and to provide incentives for good management practices.

APPENDIX A

ACKNOWLEDGMENTS

Susan Showalter and Vicki Itzkowitz prepared this report based on their 2001 evaluation of the Bush Foundation's human services capital grantmaking. The Foundation and the evaluators would like to thank the following individuals and organizations for their help in the research: Steven Lawrence, director of research, and Robin Gluck, research associate, of the Foundation Center; Donna Chavis, executive director of Native Americans in Philanthropy; Suzanne Fearon, partner, and others at 4 Seasons Research. Charles Keffer, consultant, participated in the initial evaluation research, conducting site visits and interviews with program and architectural consultants.

We also gratefully acknowledge the information provided by staff of the human services agencies, foundations, nonprofit associations, technical assistance providers, and other organizations whose experiences and insights were central to the evaluation and to this report. A partial list follows. (Individual human services organizations are not listed due to confidentiality.)

Foundations
Bremer Foundation
General Mills Foundation
Initiative Foundation
Initiative Fund of Southeastern and South Central Minnesota
Kresge Foundation
McKnight Foundation
Minneapolis Foundation
Jay and Rose Phillips Family Foundation
Rose Community Foundation
Saint Paul Companies Foundation
Saint Paul Foundation
South Dakota Community Foundation
Target Foundation

Nonprofit Associations
North Dakota Association of Nonprofit Organizations
South Dakota State Association

Nonprofit Technical Assistance Providers/Lenders
Illinois Facilities Fund
Nonprofit Finance Fund
Larson Allen Public Service Group

Others
Minnesota Council on Foundations
Native Americans in Philanthropy
United Way of Sioux Falls

APPENDIX B

ABOUT THE EVALUATION

Research for the evaluation included:

- Analysis of the Foundation's grants database.
- Site visits to 34 human services agencies, including 28 grant recipients and six agencies whose capital requests were denied. Organizations were selected for visits based on the potential to learn from their experience as well as on the diversity of geographic location, program activity, project purpose, and clients represented.
- A post-grant evaluation for each grant recipient visited.
- Interviews with the Foundation's president and program staff, program consultants, and architectural consultants.
- Surveys from 121 grant recipients (nearly 60 percent of all grantees) and 20 denied applicants (about 20 percent of all denied applicants). The survey samples are a reasonably accurate reflection of all Bush applicants for human services capital grants.
- 21 in-depth interviews with funders of capital projects, technical assistance providers, lending organizations for nonprofits, philanthropic and nonprofit membership associations, and others.
- Analysis of data from the Foundation Center and Native Americans in Philanthropy.
- A review of literature relevant to human services capital projects.

Evaluators Susan Showalter and Vicki Itzkowitz provide consulting services to foundations, nonprofits, and businesses.

Susan Showalter specializes in policy, program development, research, evaluation, and planning. She also reviews grant requests in education, health, human services, and the environment. She is the ongoing evaluator for the Bush Leadership Fellows Program and the Phillips Scholars Program, and has evaluated the impact of a regional faculty development program and a cluster of transitional housing programs, among others. She is a member of the American Evaluation Association. Showalter also has experience in health care policy and system reform. She earned an M.B.A. in strategic management from the University of Minnesota under a Bush Leadership Fellowship, and holds a B.A. in mathematics and psychology from Gustavus Adolphus College.

Vicki Itzkowitz served for many years as director of communications for the Northwest Area Foundation, where she managed a number of evaluation projects and worked closely with program staff to identify lessons of grant programs. Her work in disseminating those lessons was recognized with several awards from the Council on Foundations. She is a former member of the Grantmakers Evaluation Network and has served on advisory boards for the Council on Foundations, the Pacific Northwest Grantmakers Forum, the Minnesota Council on Foundations, and the Communications Network in Philanthropy. Recent clients include the Forum of Regional Associations of Grantmakers, the Minnesota Futures Fund, and the Bush, McKnight, and Northwest Area foundations. Itzkowitz holds a B.A. from Brooklyn College and an M.A. from Columbia University.

APPENDIX C

THE BUSH FOUNDATION'S HUMAN SERVICES CAPITAL GRANTMAKING

The Bush Foundation is open to proposals for major building construction, renovation, and purchase. It typically provides support for community-wide campaigns to build or renovate buildings. Usually, it does not support small-scale, single-purpose projects, such as purchasing vehicles or repairing a roof.

The size of a Bush capital grant normally is between 5 and 15 percent of the project budget. The percentage may be larger in geographic areas or organizations with very limited access to other sources of capital funds. The percentage may be smaller for large capital campaigns.

Bush prefers to review proposals when the applicant has raised about one-third of the capital campaign goal. This timing demonstrates community support for the project and allows the project planning to be at a stage where the Foundation's architectural consultants can review site plans and building plans in sufficient detail to justify cost estimates.

Bush Foundation guidelines for capital grants are available on the Foundation's Web site (www.bushfoundation.org) or on request from the Foundation's offices: East 900, First National Bank Building, 332 Minnesota Street, St. Paul, Minnesota 55101, 651/227-0891, info@bushfoundation.org.

APPENDIX D

FOUNDATION CENTER DATA ON HUMAN SERVICES CAPITAL GRANTS IN MINNESOTA AND THE DAKOTAS CIRCA 1990-1999

Human Service Capital Grants Awarded to Minnesota Recipients, circa 1990-1999*

	Foundation Name	State	Dollar Amount	No. of Grants
1.	The McKnight Foundation	MN	$45,175,874	258
2.	The Bush Foundation	MN	19,047,696	171
3.	The Saint Paul Foundation, Inc.	MN	14,144,867	162
4.	The Blandin Foundation	MN	8,443,575	57
5.	Otto Bremer Foundation	MN	5,370,266	208
6.	The Emma B. Howe Memorial Foundation	MN	5,129,757	8
7.	F. R. Bigelow Foundation	MN	5,092,600	74
8.	General Mills Foundation	MN	4,432,000	91
9.	The Kresge Foundation	MI	3,960,000	12
10.	Target Foundation	MN	3,496,456	63
11.	The Jay and Rose Phillips Family Foundation	MN	3,246,000	69
12.	Mardag Foundation	MN	2,949,715	84
13.	Deluxe Corporation Foundation	MN	2,793,400	88
14.	The Cargill Foundation	MN	2,159,168	56
15.	The Minneapolis Foundation	MN	1,947,603	67
16.	Honeywell Foundation	MN	1,208,372	42
17.	Andersen Foundation	MN	1,150,000	1
18.	Star Tribune Foundation	MN	924,026	37
19.	John S. and James L. Knight Foundation	FL	647,500	17
20.	U.S. Bancorp Foundation	MN	645,000	9
21.	Carolyn Foundation	MN	565,000	11
22.	Hugh J. Andersen Foundation	MN	323,000	14
23.	The Medtronic Foundation	MN	252,386	9
24.	The B. C. Gamble and P. W. Skogmo Foundation	MN	241,000	7
25.	Central Minnesota Community Foundation	MN	198,616	1
26.	U S WEST Foundation	CO	165,000	9
27.	Fannie Mae Foundation	DC	160,000	3
28.	Ordean Foundation	MN	144,000	5
29.	USX Foundation, Inc.	PA	130,000	7
30.	Surdna Foundation, Inc.	NY	125,000	1
31.	Northwest Area Foundation	MN	110,630	3
32.	Siebert Lutheran Foundation, Inc.	WI	100,000	1
33.	Rochester Area Foundation	MN	90,000	2
34.	Foundation for Deep Ecology	CA	75,000	1
35.	The Jostens Foundation, Inc.	MN	70,000	3
36.	Lutheran Brotherhood Foundation	MN	57,400	3
37.	Potlatch Foundation II	WA	50,000	2
38.	The Prudential Foundation	NJ	50,000	2
39.	Bemis Company Foundation	MN	50,000	1
40.	Marbrook Foundation	MN	44,000	4
41.	Tozer Foundation, Inc.	MN	40,000	2
42.	The Hearst Foundation, Inc.	NY	35,000	1
43.	W. K. Kellogg Foundation	MI	25,194	1
44.	Henry P. Crowell and Susan C. Crowell Trust	CO	25,000	1
45.	Archer Daniels Midland Foundation	IL	25,000	1
46.	Merrill Lynch & Co. Foundation, Inc.	NJ	25,000	1
47.	The Arthur Vining Davis Foundations	FL	20,000	1
48.	Bayport Foundation, Inc.	MN	20,000	1
49.	Jessie Smith Noyes Foundation, Inc.	NY	15,000	1
50.	The Chatlos Foundation, Inc.	FL	15,000	1
51.	The Humanitas Foundation	NY	10,000	1
52.	The Martin Foundation, Inc.	IN	10,000	1
	Total		**$135,230,101**	**1,676**

Source: The Foundation Center, 2001.
**The Foundation Grants Index* (circa 1990-1999) includes grants of $10,000 or more awarded to organizations by a sample of approximately 1,000 larger foundations. For community foundations, only discretionary and donor-advised grants are included. Grants to individuals are not included in the file.

Human Service Capital Grants Awarded to North Dakota Recipients, circa 1990-1999*

	Foundation Name	State	Dollar Amount	No. of Grants
1.	Otto Bremer Foundation	MN	$4,512,281	168
2.	The Bush Foundation	MN	2,379,195	26
3.	John S. and James L. Knight Foundation	FL	450,397	11
4.	Lutheran Brotherhood Foundation	MN	443,553	11
5.	The Kresge Foundation	MI	225,000	1
6.	The McKnight Foundation	MN	171,000	2
7.	U S WEST Foundation	CO	31,000	2
8.	The Saint Paul Foundation, Inc.	MN	20,000	1
	Total		**$8,232,426**	**222**

Source: The Foundation Center, 2001.

**The Foundation Grants Index* (circa 1990-1999) includes grants of $10,000 or more awarded to organizations by a sample of approximately 1,000 larger foundations. For community foundations, only discretionary and donor-advised grants are included. Grants to individuals are not included in the file.

Human Service Capital Grants Awarded to South Dakota Recipients, circa 1990-1999*

	Foundation Name	State	Dollar Amount	No. of Grants
1.	The Bush Foundation	MN	$2,136,543	24
2.	The Kresge Foundation	MI	350,000	2
3.	South Dakota Community Foundation	SD	227,500	12
4.	U S WEST Foundation	CO	127,500	8
5.	John S. and James L. Knight Foundation	FL	84,002	5
6.	The Hearst Foundations, Inc.	NY	25,000	1
7.	Helen Bader Foundation, Inc.	WI	22,500	1
8.	Harry C. Trexler Trust	PA	20,000	1
9.	The UPS Foundation	GA	10,000	1
10.	U.S. Bancorp Foundation	MN	10,000	1
	Total		**$3,013,045**	**56**

Source: The Foundation Center, 2001.

**The Foundation Grants Index* (circa 1990-1999) includes grants of $10,000 or more awarded to organizations by a sample of approximately 1,000 larger foundations. For community foundations, only discretionary and donor-advised grants are included. Grants to individuals are not included in the file.

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