

## Grants as Part of a Capital Campaign

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Contributed By Michael Wells

Capital campaigns, raising money for a building or buildings, are different from other fundraising. You're creating a permanent asset, something that makes a statement about your organization's stability and longevity. In the process of a capital campaign, organizations usually become better organized, more mature, and improve their business operations. Sometimes the growth is painful -- staff and board may leave, unable or unwilling to move to the new level of operation.

Grantwriting for capital campaigns is also somewhat different from other grants. They are generally larger -- if your largest previous grant was \$100,000, a capital request may be \$500,000 or a million or more. They require more strategy and coordination with other fundraising efforts. You need to decide which funders to approach for capital and which to save for operations and program grants. Capital proposals are also an opportunity to re-introduce your organization to a foundation -- to change your image.

When planning a capital campaign, think of grants in the context of your overall strategy. Resist the temptation to mail out a few big grant proposals early, then develop your funding plans. The grantwriter should be working closely with the campaign consultant on strategy and developing materials. (You're not really thinking of doing a capital campaign without a consultant, are you?) Much of the information you need for a capital campaign grant will be generated in the case statement. In any case, the grantwriter needs to be coordinating on strategy with whomever is running the major gifts part of the campaign. This is important for several reasons:

- The campaign consultant or development director is probably working with a board of directors who don't really want to do the work of asking for money. The board will be hoping that all of the funds will come in as grants. You need to help them understand that this isn't going to happen, that grants are part of a larger effort.
- Foundations and corporations are interested in board support and other significant lead gifts. This tells them how those closest to your mission feel about the project, and if the feeling is demonstrated in financial support. You should be able to say that you have 100% board participation at a significant level before submitting major grant proposals.
- In some cases, grants can be used as lead gifts, to get the campaign off the ground. Be sure you know which funders are willing to come in early (see below).
- With smaller or medium-sized family foundations, it may be more effective to

make a personal "major donor" call on family members than to submit a written proposal by mail -- or the proposal may be hand delivered as part of the personal visit, or sent as a follow-up.

- Sometimes you'll want to ask for a challenge or matching grant to encourage future gifts. But be careful in asking for challenge grants - you should know who your target audience for the match is and have a plan for approaching them before requesting a challenge grant. It should be designed to make your fundraiser's work easier and bring in more money. I've often seen organizations ask for a challenge grant for money they would have been granted outright, and then struggle to raise the matching funds.

In seeking foundation grants, start locally, then work further away. Get the foundations in your state to give first, before you start looking for national money. In the first place, most of your funding will come locally and you want to make those contacts early. Second, having the local grants in hand or applied for makes you more credible with any national funders you approach.

Before starting to write, you need to have certain basic information. You may need to develop this jointly with whomever is running the capital campaign. In general, if you don't have this information, you're not ready for major grantwriting.

- The campaign case statement, at least the rationale for why the building is needed.
- Architectural plans, at least front elevations and site and floor plans.
- A construction budget, with costs developed by the architect or contractor. A contractor's bid is best.
- The campaign fundraising plan, showing how much has been raised to date and where you expect to raise the balance.
- Financial projections for program operations after construction.

Plan when you want to approach each foundation. Some are willing to commit early to help you get started, some want to come in the middle with specific conditions, some would rather be late in the campaign, or give "capping" grants. Know what each funder wants and design them into your strategy. As a rule of thumb, think of asking larger foundations each for 10% of the project. With family foundations, decide if a personal contact is better than a written proposal.

In addition to the large local foundations, there are several specific types of funding sources you should consider:

- **Religious:** If you're working with an organization that has a religious affiliation, look for funders within their faith. There are foundations that only give to Catholic organizations, foundations that only give to Jewish organizations, etc. This may open doors on a national level for an otherwise local project.

- **Field of Interest:** Some foundations have a strong interest in children and families, or education, or health care, etc. Check to see if some funders in your subject area give capital grants.
- **Government:** Look for possible government granting sources and think creatively. For example, explore Community Development Block Grants (administered locally), federal programs related to your work, possible help from your local program funders (County and State agencies). Be careful when seeking government funds and that you know all the strings attached. There is always more oversight and conditions than with private foundations. Federal funds usually obligate you to follow the Davis Bacon Act, which requires paying "prevailing wages" for construction, which can add 30 - 50% to your costs. States may have similar "little Davis Bacon" requirements. You may decide that these funds bring more costs than benefit, but explore them anyway.
- **Corporate:** It used to be a rule of thumb that large local banks, utilities and headquarter companies would contribute 1% of a capital project. With corporate mergers and fewer community ties, this is less true today. Nevertheless, you should be approaching key local corporations for your project. Some companies have foundations, others don't -- but they may still have corporate giving programs. Work with the major gifts person on your campaign to decide if these should be written proposals, personal visits, or a combination.
- **Capital only:** A few foundations specialize in capital campaigns, Kresge being the largest and best known. Be sure to check their guidelines to see what their eligibility requirements and timelines are.

The hardest money to raise is often early money for your feasibility study and planning. If you have strong connections to a local family foundation, this may be their opportunity to make a relatively small grant have a big impact.

Know the timing of your funders' payments. Many foundations will set conditions on their capital grants, that they are payable as you meet certain milestones in terms of funds raised or construction progress, etc. You need to figure these payment schedules into your construction planning.

For a good background on capital campaigns, although it doesn't say much about grants, look at the book *Capital Campaigns: Strategies that Work* by Kihlstedt and Schwartz (Aspen Publishers, 1997)

## About the Contributor

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Michael Wells is a partner in the consulting firm Grants Northwest. He has been working with non-profits for over 30 years and consulting on grants since 1987. He has worked with dozens of nonprofit organizations, health clinics, Indian tribes, school districts and local governments and has helped them to raise over \$50 million. He is a Certified Fund Raising Executive (CFRE) and has a Masters degree in humanities. He is adjunct faculty at Portland State University where he teaches Grantwriting. He is editor of the CharityChannel online *Grants and Foundation Review*. Michael is a past national board member of the American Association of Grant Professionals (AAGP), current board member of the Grant Professionals Certification Institute (GPCI) and author of the *Grantwriting Beyond the Basics* series: *Proven Strategies Professionals Use to Make Their Proposals Work* (2005) and *Understanding Nonprofit Finances* (due for publication in February, 2006).