



Case Study: First Right of Refusal

By Kate Krebs Lyda, Staro Insights

The organization was in a tough spot. On one hand, they were looking at a fantastic opportunity to own their own building and determine their own future; on the other hand, they had to come up with hundreds of thousands of dollars—and fast.

Three years prior, when the organization had signed the lease in their building, a 16,000 sq ft facility, of which they rented about a quarter of the space, they were guaranteed first right of refusal should their landlord decide to sell the property. And now the landlord was ready to put the building on the market. After its offer was accepted, the organization would have sixty days to come up with a down payment and any financing for the purchase.

The Executive Director was referred to Staro Insights and together they swiftly got to work. While there was not time for planning and feasibility analysis that would typically come with a building campaign, Kate Krebs Lyda with Staro Insights was able to tap into the tried-and-true elements of a campaign that they could quickly put in motion.

First, the Executive Director and Kate convened a small campaign committee of current and former board members who were committed to the organization and the new endeavor. The group met regularly to identify prospective donors and reach out to connections. Kate also provided a major gifts training, helping board and committee members identify prospective donors and ways to discuss potential gifts with them.

During this time, Kate also worked on the Staro Insights Social Impact Prospectus that outlined the opportunity for donors and funders to give and invest in the project. With the help of a talented member of the staff with creative expertise, Kate created a short booklet and a long booklet that outlined the opportunity for the organization to own this real estate. The Executive Director's work with an architect on schematic designs for the remodel provided a vision for the new space. The purchase meant staying put and not being displaced of course, but it would also allow the organization to expand their programming and generate earned income from renting some of the space to tenants. The Social Impact Prospectus provided potential donors and investors with details on the project's impact on a vulnerable community and the financial benefits for the organization.

Next, the team worked on structuring the capital for the purchase. Because of a low-interest-rate-environment, and a longstanding relationship with a community bank, the organization



was able to negotiate a favorable mortgage for the building purchase. Still, it needed to secure a cash down payment and funding for deferred maintenance and renovations. Kate created a table of gifts with the number and sizes of contributions needed to meet the goal.

Just as the fundraising began to pick up speed, COVID cases began to increase dramatically. It was late fall of 2020, and as people began to move indoors, case numbers began to spike. The organization had never shut down because of COVID – they were considered essential because of their food and emergency services programs. But now because scheduling in-person meetings with major donors was out of the question, the team coordinated virtual meetings with prospective donors. Also at the same time, the organization was conducting its year-end giving campaign. Staff and volunteers were careful when soliciting gifts to ask for a gift or pledge that was in addition to a year-end gift so as not to cannibalize the nonprofit’s annual revenue.

In a few short months, the organization raised approximately half of a million dollars. They were able to make a 30% down payment on the building and also had enough funds to start renovations to expand one of their program areas. Their mortgage was about the same monthly rate as the rent they had been paying for just a portion of the building, and they would have space to rent to mission-aligned tenants.

After the building financing was in place, Kate began working on program-related investment options for program expansion. The organization continued to raise gifts and pledges through the momentum of the campaign but also needed immediate funding for renovations and some expensive equipment to expand its programs. Because some of the programming generated earned revenue for the organization, the organization was able to work with a funding partner on a low-cost program-related investment to purchase the new equipment. The payments would be affordable and could be repaid with income from the program expansion.

While a condensed funding timeline means less time for planning, the sense of urgency in getting to the building closing in this instance gave the organization a reason to reach out to donors and also a compelling case for donors to give. Staro Insights was able to bring a combination of traditional campaign experience, impact investing expertise, and flexibility and creativity to help the organization realize its dreams of being there for its community for the long term.