



CASE STUDY: TWENTY-TWENTY HINDSIGHT A Community Leader's Advice To Nonprofit Executives



The Boston Chinatown Neighborhood Center

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If you ask Elaine Ng, the Executive Director of the Boston Chinatown Neighborhood Center (BCNC) about the organizational changes she's led over the past few years, she's quick to share that if "I knew then what I know now, we would have done things differently." While BCNC continues to be a thriving organization and key to the cultural fabric of the city, for many years Elaine and her leadership team struggled: first with the oversight of a major facility project (that included achieving LEED certification), then with managing the cultural tensions implicit in major organizational change, and finally with controlling operating costs related to the building. In 2007, Nonprofit Finance Fund (NFF) engaged with BCNC to help the organization diagnose the financial strains it was feeling and deepen its understanding of the financial implications of its new facility. During the engagement, Elaine often mused to NFF that she wished she could send a letter to other executive directors and nonprofit leaders to save them time, energy, and money by sharing her own lessons learned. Inspired by Elaine's idea, NFF has written the following letter.



Dear Nonprofit Executive:

If you are reading this letter, then it's likely that you are considering purchasing or building a new facility. The Boston Chinatown Neighborhood Center was in your shoes several years ago, and I'm happy to say that we successfully opened our facility in 2005. But, we faced many challenges along the way. Let's start at the beginning.

Negotiating for a New Home

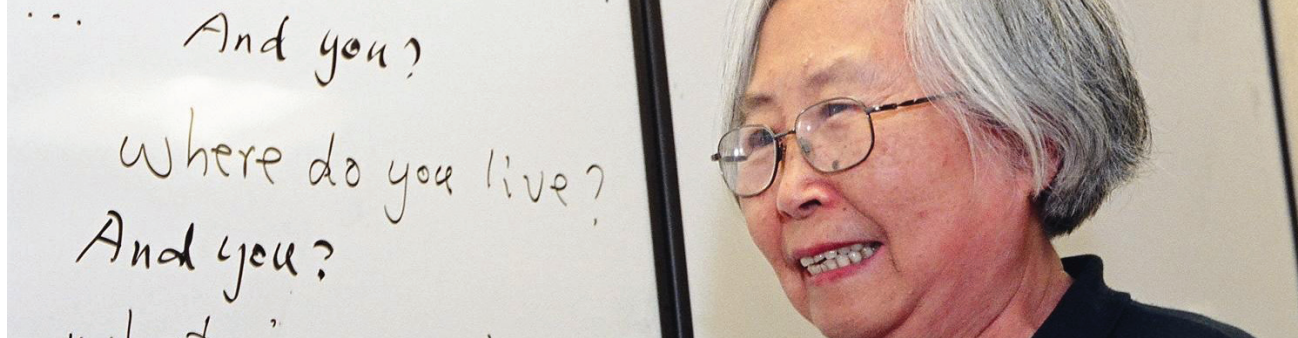
Since 1969, the Boston Chinatown Neighborhood Center has provided bilingual education, child care, and cultural, social, and recreational programs to bring together Boston's Asian American community and the residents of Chinatown and the South End. By 2002, our organization was occupying six different locations in Chinatown. We owned one building and some land we used for playgrounds, but we rented everywhere else, occupying space in historic buildings and storefronts throughout the area. This configuration meant that staff and resources were spread out across a wide geography and, in the end, we operated in silos. How were we supposed to bring cohesion to the Chinatown community if we weren't able to bring it to our own organization? If we wanted to fulfill our mission, something needed to change: we needed to move.

But, this being Boston, politics plays a part in this story. Since the 1950s, Chinatown has been an arena for heated policy and economic disputes. The city had taken parcels of land through eminent domain for construction projects including housing developments, a turnpike and major highway, and hospital expansions. In 2002, the Boston Redevelopment Authority (BRA) announced that the parcel on which our main building stood was going out for bid for private development; the BRA wanted to use it for a new structure consisting of housing, retail space, outdoor space, and a parking garage. Due to the project's proposed location, our future in a "central" location was uncertain. BCNC demanded a seat at the negotiating table and, several years later, received a new, five-story facility on the corner of the new development in exchange for our old building and land. The developer would pay for the shell of the building while BCNC would cover all interior work and furnishing. Most importantly, BCNC would own our new facility and the title to our lot. **The lesson here: nonprofits need to understand the full value of their assets and leverage them accordingly. BCNC was presented with many options during the negotiation with the BRA and the developer, from leasing to owning. Throughout, we were clear on one thing: we were coming to the negotiating table owning our own facility, and we were determined to leave the table with our balance sheet intact.**

Covering New Ground

After we secured our new home, we needed to make sure that the interior of our facility was outfitted to our specifications. This is where it gets tricky, because we had no project management experience and everyone on staff was stretched to the limit. At first, BCNC's senior staff performed this function. We educated ourselves on construction terms, building codes, and interior design so that we could interface with the developer, architect, and contractors. About one-third of the way through the project, we hired a project manager to relieve the staff of their dual roles. **I encourage all nonprofits considering a facility project to interview several project managers early in the process and hire one that you feel will be your advocate and advisor. Embarking on a large-scale project that will stretch the organization in ways it didn't anticipate is not the time to develop new competency. It's quite simple: hire an expert and devote your energies to what you know.**

While we did not pay for the shell of our new facility, we did conduct a capital campaign to fund the interior fit-out. We were awarded a capital grant from a local anonymous foundation. This same funder



also offered us a planning grant to determine the feasibility of LEED (U.S. Green Building Council's Leadership in Energy and Environmental Design) certification followed by a challenge grant to become LEED certified. Intrigued, our Board accepted the first grant to work with a consultant to determine the feasibility of integrating green systems and materials into our new home. Motivated by the potential to reduce operating costs while also improving our clients' experience in the building, the Board chose to "go green" for our interior fit-out.

In my opinion, organizations should not seek LEED Certification just because it seems socially correct. LEED certification can add cost and time to your project, so take the time to examine all of the pros and cons. In Chinatown, we have a very high rate of childhood asthma and very little green space so we felt that our new building should incorporate natural materials and promote healthy lifestyles. LEED certification gave us another way to fulfill our mission of promoting the wellbeing of our community.

A Rocky Transition

In the months leading up to our move into the new facility, we were busier than ever. We were so concentrated on the new building (which had a leaking ceiling and broken elevator) that we weren't focused on our actual mission work! We were heavily engaged in a \$2.3 million capital campaign and finalizing the layout of our administrative and program spaces. If I could go back to those months, I would address two things: one, our organization had a recent history of operating deficits, and proceeding with a project of this scale without having our financial house in order was risky; and two, we were so focused on getting through each project meeting that we missed the opportunity to educate our staff and clients about why our new building was LEED certified and how it fit our mission. We were about to open this stunning facility, but on the inside we were still the same organization with the same financial and communication challenges. **It's important to remember that capital projects don't miraculously "fix" an organization; if anything, they expose your weaknesses and show the world your underbelly.**

You'll remember that we were excited by going green partly because of the prospect for lower operating costs. After we moved to our new facility, energy costs soared! Because of this and the structural deficits, BCNC ran six-figure deficits in 2005 and 2006 and had to dip into cash reserves. To determine why our building and finances weren't performing according to specifications, we began working with the Nonprofit Finance Fund (NFF) in 2007. NFF conducted a Nonprofit Business Analysis (NBA) for BCNC, analyzing five years of our financial statements to help us understand the dynamics of our financial model. NFF then performed a Systems Replacement Plan (SRP) to quantify the investments we would need to make in our facilities over the next twenty years. Finally, NFF conducted an Energy Review to identify opportunities for improved building operating efficiency.

Through this work, it became clear our staff and our "smart" HVAC and lighting systems were battling one another: individuals were using space heaters and window air conditioners to adjust the temperature in certain spaces, which then caused the HVAC system to overcompensate in others. Also, overhead lights would either stay on all night or not come on at all as staff members overrode the motion sensors. This systems battle was negating any cost savings. Considering we hadn't done much staff training around the facility, we were saddened but not surprised by these findings. Fortunately, NFF's advisory services provided much of the groundwork for developing a corrective action plan going forward.



Leveling Out

Now in 2008, BCNC has made great strides towards stabilizing. We have rebuilt our cash reserve, nearly eliminated our structural deficits, and brought operating costs in line with our pro forma budgets. I am committed to further infusing green practices into our operations, culture, and image. We are operating a successful recycling program, growing two organic gardens with our childcare programs, and offering more programs focused on the environment and its connection to our lives. In addition, we are working with graduate students from a local college to create a more intentional plan to integrate sustainability into the image we project to our staff and the broader community.

I am immensely proud of where BCNC is today. We moved from a series of disjointed spaces into two central facilities: our new building, which achieved LEED certification, and a shared facility in a public school. But, we certainly learned a lot during our journey. I hope our experiences assist you as you plan for the future of your own organization.

Sincerely,

Elaine Ng

Accumulated Knowledge: Lessons Learned

Despite a contentious land dispute and lack of expertise in project management, BCNC traded its accumulation of sub-par buildings for a home in a new Chinatown development and just one satellite space. What mindsets and understandings allowed this change to transpire? How could BCNC have saved themselves frustration and inefficiency? Here are some important lessons that NFF has distilled from BCNC's experiences.

1. **Understand Your Leverage Points.** When it comes to negotiation, don't let yourself be bullied just because nonprofits are supposed to be "warm and fuzzy." Understand and "own" your financial picture to build credibility.
2. **Know What You Don't Know.** Unless you have the expertise to manage a construction or renovation process, hire a project manager as soon as possible. Spend your time and energy working on what you do know and outsource everything else.
3. **Link Money to Mission.** Understand how your facility project will ultimately help you fulfill your organization's mission and goals so you can articulate your case internally and externally.
4. **Take Stock before You Act.** Take the time to address deep-rooted organizational challenges such as structural deficits before you begin your facility project. Work diligently to eliminate your weaknesses before entering a new phase of your organization's history.

For more information about how Nonprofit Finance Fund works to create a strong, well-capitalized, and durable nonprofit sector that connects money to mission effectively, please visit us at nonprofitfinancefund.org.