



Real Estate Projects and the Role of the Nonprofit Board

By Brian Keenan, Director and President, Build with Purpose

Over the last ten years, **Build with Purpose** has developed over 20 large real estate projects for other nonprofits. We have learned that functional boards and teams are often what make for a successful project. Understanding the role of the board versus that of management and the various project consultants is key to that success. To this end, Build with Purpose has listed the top ten responsibilities of a nonprofit board with regard to a real estate development project:

- 1) **Determine and clearly state the purpose, goals and objectives of the real estate project.** For example, “to secure a permanent home for our organization that is both affordable and meets our operating needs.”
- 2) **Ensure the organization has the necessary talent and knowledge to develop the project.** Will the project be managed and/or developed by current staff or by an outside consultant or developer?
- 3) **Ensure effective planning.** The board must participate in the planning of the proposed project. This does not mean the board members themselves are responsible for the creation of the real estate plan but rather that a plan is completed. Ideally the board would work *with* management, consultants, etc. to prepare the plan. It is management’s job to ensure the plan meets the operational needs of the organization and the real estate consultant’s job to ensure it is feasible within the context of the real estate markets. It is the board’s job to ensure the plan meets the stated goals outlined in item 1 above.
- 4) **Support and evaluate management’s work as well as that of project consultants.** The board should ensure that management and the project consultants have the encouragement and professional support they need to further the real estate goals of the organization.
- 5) **The board MUST ensure proper oversight of the project to ensure it is developed on time and in budget.** This does not mean that the board must be actively involved in the project details. The board, along with management and the project consultants, should create an effective project reporting system so that the board can quickly and easily ascertain the status of the project. At Build with Purpose, we provide our clients with updated projected vs. actual budgets and current project schedule vs. projections on a regular basis so that boards have the information and resources they need to effectively monitor the project.
- 6) **Ensure the project has adequate resources.** Real estate finance can be complicated but it fundamentally boils down to revenue and expense. The board needs to ensure, through the

advice of consultants and staff, that not only is there enough money to pay for all the project costs but that the sources of that money are attainable. All projects will require some level of equity contribution. The board must determine if it can afford the required level of equity. Furthermore, the board must determine if the other sources of project revenue are realistic, affordable and attainable. One way a board can ensure this is to ask management and or the project consultant for market comparables.

- 7) **Ensure the organization's current assets (financial and otherwise) are not unduly put at risk.** Organizations will often only think of assets as monetary assets but the truth is that often, the greatest assets are its staff and reputation. It is the board's responsibility to ensure that these assets are not overburdened during the development of a project. In most cases, staff and board already have their hands full running the organization and taking on a real estate project takes time and energy. The board must make sure that they and management have allotted sufficient time to the project so that it can be developed effectively without negatively affecting the organization's mission.
- 8) **Build a competent board.** We, at Build with Purpose, are often asked if nonprofit boards should have a person with a background in real estate development or architecture as a trustee/member to ensure the project's success. Our position on this is simple. In order to be effective, nonprofit boards need to have committed members who support management and understand governance. It is the obligation of management to ensure the organization is staffed (directly or indirectly through consultants) with the appropriate talent to ensure a project's success. It is not the board's obligation to understand the details of real estate development but rather to ensure the project is developing as planned and within budget. We, at Build with Purpose, do not believe this requires real estate expertise. Rather we believe this requires good governance. So if a board finds a member with knowledge and experience in board governance this should be all the organization needs to be successful. If, however, this person also has a background in real estate development, all the better.
- 9) **Ensure legal and ethical integrity.** All real estate projects require a knowledgeable attorney but not all attorneys are the same. Ensure your organization has access to a knowledgeable REAL ESTATE attorney.
- 10) **Build good public relations.** The board is the public face of an organization and a real estate project is a public project, meaning it is literally visible to the public. A board must make sure the organization's project gets the needed municipal and community support.