AIA Best Practices:
Roles of the architect in nonprofit development

Contributed by Louis B. Smith Jr., AIA

Summary

Nonprofit development and for-profit development differ in three distinct ways and often have different goals. Community development corporations (CDCs) often commission nonprofit development projects, but nonprofit organizations are also developers. A client's business experience (or the lack thereof) can have a significant impact on key aspects of a project, including funding acquisition and expectations regarding an architect's compensation. Consequently, architects find it helpful to educate their nonprofit developer partners about a project's technical, legal, and financial aspects.

Understanding the playing field

Nonprofit development differs from commercial (for-profit) development in three ways: the sources of capital, the metrics of success, and often the sophistication or business acumen of the client.

Nonprofit developers have goals other than profit. That may seem obvious, but it is important to know the intended goal, usually a social benefit, for every project. For example, a nonprofit development corporation might develop marginal building sites in a dense urban area.

Such sites might present challenges that make them unattractive as commercial ventures, but their development might support the social goal of using urban space in the best way to combat suburban sprawl. Because architects are trained to recognize problems as opportunities to apply creative problem-solving skills, they are ideally suited to serve as team leaders for nonprofit development.

Nonprofit developers may seek commercial financing for their projects but invariably obtain some or all of their capital from noncommercial sources such as government or charitable foundation grants; contributions from the public; or in-kind contributions of building materials, equipment, labor, and even professional services.

A nonprofit developer might be a nonprofit organization founded for a broader social purpose, but, increasingly, nonprofit developers are CDCs organized specifically for nonprofit real estate development.

A group of local businesses, a social service agency, or a homeowners or community association might found a CDC. Often a federation of such groups found a CDC, all of whom might be represented on the CDC's board of directors.

In the mid-1980s, the Hubbard-Richard Community Council in Southwest Detroit obtained a business development grant from the U.S. Department of Health, Education and Welfare. The grant was to create jobs by funding the startup of a home construction company, using timber framing and stressed-skin panel technology. If successful, the company would build much-needed homes in the area, which was underserved by commercial homebuilders. The grant covered the acquisition of tools, training for the participants, and a material subsidy on the first few homes. The community council was required to raise an additional $8,000 in matching funds from local businesses and residents, and it did so easily.

Over a period of seven years, more than 40 homes and a 95-unit apartment building for senior citizens were built in this inner-city area, and development continues. Most nonprofit development efforts involve a number of development entities and funding sources at various stages of development. The eventual funding mechanisms for rebuilding the community of Southwest Detroit included mortgage subsidies by area banks, grants, contributions from local businesses, public monies from federal block grants obtained through the city of Detroit, and in-kind contributions from residents.

What the architect can expect

Nonprofit development almost invariably takes much longer than for-profit development. The complexity of financing is a principal cause, but the lack of sophistication (professional or business experience) of the nonprofit sponsors is also a factor. It can often take two to four years to achieve consensus on a development plan, secure the necessary funding, and begin construction. As in for-profit development, the financial risks are always greater in the early stages of the project, declining rapidly as the project nears completion and permanent sources of income or financing become apparent.

CDCs with prior construction experience understand that professional design services consist of a substantial time commitment and that design professionals—architects and engineers—must be compensated for their services.

Less sophisticated nonprofit developers may expect you to perform all of your services pro bono. Decide in advance, and clarify with the CDC client which services you are willing to provide free of charge and which services you will provide for a fee. You may decide to donate your personal time for planning activities but to charge for design and documentation services.

Alternatively, if the actual design and documentation is limited to a small residential structure, charge for planning and development services, and donate the design services.

Most development grants include professional services—such as planning, design, accounting, or legal services—as legitimate expenses that grant funds may cover. Check the terms of the grant in advance to determine whether the development corporation is adequately funded for professional services.

Your personal relationship to the project will figure prominently in your decision to donate or to charge for services. If you are a member of the community group that is sponsoring the project, you will probably be more willing to donate a larger share of your services and probably will be asked to do so. On the other hand, if you are contacted in a professional capacity to design the project, the development corporation should not expect you to donate your services. If the project is in your own community, you might weigh additional

factors such as the desirable effect the project will have on your future business prospects in a more economically vibrant community or on the real property value of your business or home.

Because of the organizational complexity of nonprofit development corporations and nonprofit development financing, it is advisable to learn as much as possible about the social, political, cultural, and organizational factors that may affect the success of a project.

Regardless of the client organization's experience or sophistication, nonprofit development projects often require architects to spend far more time educating the community or membership of the nonprofit organization about technical, legal, and financial aspects of the project. You may need to teach a workshop on life cycle cost analysis or urban planning. You may need to alter your design process to build consensus through community participation.

Each community is different and has unique fears, strengths, and demographics. What may work on one street or one neighborhood may not work in an adjoining neighborhood. Adapt your strategies to meet the needs of the community in which you are working.

About the contributor

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