

TOWN BRANCH COMMONS

Fundraising Opportunity Assessment - DRAFT

Prepared for Blue Grass Community Foundation
by Trek Advancement, LLC

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EXECUTIVE SUMMARY

Objective

Blue Grass Community Foundation (Foundation) engaged Trek Advancement, LLC (Counsel) to conduct a Fundraising Opportunity Assessment (Assessment) the results of which are outlined in this report. The objective of this Assessment is to test the viability of a proposed \$50 million capital campaign to build a world-class public park project, Town Branch Commons (Project), in downtown Lexington. Through the Assessment process Counsel worked with Foundation staff to facilitate 86 external interviews (68 personal interviews and 18 online surveys) with a broad cross-section of the community in Lexington and Central Kentucky. The goal of the Assessment is to understand the affinity for the Project and financial capacity of the community to support this ambitious effort.

Opportunity Assessment Highlights

1. The Project has a favorable perception in the community. The majority interviewed indicated they would be financially supportive.
2. A five-year timeline for campaign fundraising will be necessary, with late pledge payments being received in subsequent years.
3. A public-private partnership is highly desired by Assessment participants; overwhelmingly, interviewees felt it necessary for the Project's success.
4. The majority of participants felt the Project was consistent with their vision for Lexington, and many felt the project had significant opportunity to boost economic development.
5. 75% of participants feel the economic outlook for Central Kentucky is "good" to "excellent," and many sense the region is somewhat insulated from national or international instability.
6. 65% believe the \$10 million lead gift is available in this community. However, the Assessment identified two pace-setting gifts of \$3 million.
7. 75% ranked giving to the Project as a "medium" to "high" priority in relation to their personal philanthropic goals.
8. 78% identified a "medium" to "high" likelihood they will financially contribute to the Project.
9. **Assessment revealed an opportunity to raise \$31 million in private philanthropy.** During the Assessment, \$12,311,000 in potential gifts was directly identified from participants. Applying standard best practices for

campaign goal setting, the number of potential gifts identified should make up 40 percent of the total campaign.

Keys to Success

Successful campaigns are made in the planning. It will be important for the Foundation and the City to focus attention in these early planning stages to make sure the groundwork is laid for success. Committing adequate financial and staffing resources to the campaign is critical. The typical costs to execute a campaign should be 5 to 15 percent of the dollar goal to be raised. Because this is a new project and the Foundation is incubating a new nonprofit, there is currently no built-in constituency to support the Project. All new donors will have to be acquired. The Foundation should plan for the donor acquisition cost to be the high side of the average. The Foundation and the City must also be disciplined and focus on high-value activities (e.g. one-on-one interactions with donors) that promote the highest return on investment.

Leadership will be critical to the success of the Project. It will be important to determine the fundraising volunteers (Advisory Board) for the Town Branch Fund residing at the Blue Grass Community Foundation and have these volunteers in place as soon as the Task Force completes the MOU/MOA process. Individuals solicited for these positions by the Foundation must be willing to and capable of dedicating time and committing personal financial resources to the effort. Additionally, these volunteers must possess an understanding and passion for how the Project will affect catalytic and generational change for Lexington. Leaders will be required to leverage their networks for peer-to-peer solicitations. Members of the Advisory Board should accept their volunteer positions with the understanding that 100 percent financial participation from the Advisory Board will be a requirement for campaign success.

Participants also believed in the necessity for a public-private partnership to build the Town Branch Commons. The majority indicated that this approach was the only way the Project can be realized. It is also important to work out the details required for a successful public-private partnership. The Assessment showed participants believe all parties involved need to commit to the success of the Project and be willing to work together to get the Project completed.

Project Perception

The perception of the project was very positive with participants. 92 percent indicated they believed the impact of the project would be “good” to “excellent.” Assessment participants indicated they want to see Lexington be a “welcoming city” with a vibrant downtown that offers opportunity and quality of life for all citizens. The Assessment confirmed that people believe this is the kind of project the City should be engaging in to improve downtown, stimulate infill development and attract business.

However, there were concerns about the homeless population who rely on Salvation Army services, which are rendered on the adjacent property.

Timeline

There must be a realistic timeline incorporating regular “reality checks” throughout each phase. The campaign plan and timeline can be adjusted along the way, as necessary.

Counsel recommends a five-year timeline for this campaign effort. See page 14 for suggested campaign timeline. Please note: timing will depend on how the Foundation and Advisory Board pace toward milestones and the ability to ramp up staff and volunteers in the early stages.

INTRODUCTION

Project Scope

World-class cities have world-class parks. Parks raise a city's profile, stimulate development, increase property values, attract tourists and improve the quality of life for citizens. Well-designed open space has become a must-have for cities striving to be considered *world-class*.¹

Lexington is a mid-sized city located in the famed Bluegrass Region of Kentucky. It offers a good quality of life and a pastoral setting not replicated anywhere in the world. The connection to the rural land and the Thoroughbred industry makes Lexington unique. Lexington aspires to have a world-class city that matches its landscape. In order to do this, the urban environment must offer amenities that attract talent, retain local capital, foster entrepreneurial growth and economic investment.

Urban parks and bike/pedestrian trails prove to be attractive and profitable amenities. One example close to home, the Indianapolis Cultural Trail, has been transformational. Envisioned in 2001 and completed in 2013 at a cost of \$63 million, the project, a public-private partnership, comprised of \$35.5 million in federal funding and \$27.5 million in private philanthropic support. To date, the estimated economic impact has been \$864.5 million.

Town Branch Commons is Lexington's ambitious vision to create an urban park by transforming what is now known as the Manchester Street lot (formerly the Cox Street lot) into a point of civic pride and a catalyst for economic growth. This signature park along with a 2.5 mile linear green space follows the historic path of the Town Branch Creek – the founding water source for early Lexington. Reimagining underutilized rights-of-way, surface parking lots, water infrastructure and existing parks, it will connect 22 miles of countywide trail systems, clean and manage storm water and provide protected bike and pedestrian paths through the heart of the city.

A project of this scale will require the community to work together in a way it has not previously done. This Assessment outlines conclusions and recommendations based on the findings from individual interviews with, and on-line survey responses from, a select group of residents and business leaders. A summary of responses to interview questions can be found in the Appendix, section 1. Conclusions are based on trends emerging from the data collected and applying best practice rules for campaign success. This report also provides recommendations on the broad next steps for implementation of a comprehensive multi-year fundraising campaign.

¹ <http://www.planetizen.com/node/73355/big-park-great-city>

Summary of Methodology

Counsel worked closely with Foundation staff to execute this Assessment. As part of its design, a preliminary campaign case for support was developed. Counsel also provided criteria for the selection of interviewees based on input from volunteer leadership and Foundation staff.

Invitations were extended for one-on-one interviews with Foundation and Trek professionals - 68 interviews were conducted from May - August 2016. Of the 68 interviews, three were conducted with multiple individuals representing a single entity. All but two interviews were conducted in-person. All participants were provided the case for support and asked the same set of questions. In-person interviews averaged 60 minutes. All were ensured anonymity of responses.

Campaign Goals Tested

The following fundraising goals were tested in this Assessment:

Proposed Campaign Goals	Amount
Town Branch Park (construction costs)	\$30,000,000.00
New Entity Operating Expenses (first five years)	\$8,000,000.00
Endowment (on-going operations)	\$12,000,000.00
Campaign Total	\$50,000,000.00

Project Perceptions and Economic Context

Strikingly, all Assessment participants have a favorable perception of the Project. The majority believes it will have a positive impact on Lexington and Central Kentucky. Overwhelmingly, participants want to see Lexington be a “welcoming city” with a vibrant downtown that offers opportunity and quality of life for all citizens. The Assessment confirmed people believe this is the type of investment the City should pursue to improve downtown, stimulate infill development and attract business.

The Assessment identified a desire to see Lexington grow in a smart, creative way that focuses on downtown and preserves the signature landscape that makes Lexington unique. Participants confirmed the Project as a step toward the vision they want to see for Lexington. Ninety-one percent of the participants believe the Project will have a “good” to “excellent” impact on the City, and will be a positive economic driver for the community.

It’s a good time to move on this bold project! The Assessment shows the vast majority of participants feel the timing is good. This Project has the potential to unite the City’s civic vision with the vision of its citizens. With positive momentum happening downtown and use of the funds from the TIGER grant and other public

monies to build the infrastructure there will be excitement to propel the Project forward.

There are, however, lingering concerns about the status of the CentrePointe project and implications for the Project. Some expressed concern about the Rupp Arena project and how it is connected to both Lexington Convention Center and Town Branch Commons.

Participants cited the economic outlook for Central Kentucky as being “good” to “excellent.” Responses articulated how Central Kentucky is somewhat insulated from the highs and lows of the overall economy. However, it was noted that local highs are not as high and local lows are not as low as the rest of the country.

One notable challenge identified by multiple interviewees is a perception that Lexington lacks a healthy culture of philanthropy. Participants believe Lexington possesses a comparatively low amount of civic engagement and financial support for the social sector. Several participants expressed that the only way this project will be completed is with the help of corporate giving; however, this perception is not consistent with the reality of national philanthropic trends.²

Now is the time to cultivate a philanthropic culture in Lexington! We are at the beginning of the largest transfer of wealth in history. Americans are estimated to transfer \$50 trillion over the next 50 years - the estimated transfer of wealth for the Bluegrass Region of Kentucky is \$141 billion.³ Tremendous capacity will be available to transform the region via philanthropic investment.

² According to *Giving USA*, 2015 was the most generous year ever in the United States. Nationally, charitable donations hit record levels for the second year in a row, with an estimated \$373.25 billion donated to charity last year. 95 percent of philanthropic support is driven by individuals and foundations (often an extension of individuals and families) with only five percent coming from corporations.

³ According to the *Transfer of Wealth Kentucky Study* completed by the Kentucky Philanthropy Initiative in 2010

CONCLUSIONS

The Assessment revealed an opportunity to raise \$31 million in private philanthropy to build and support the Project. The success of a fundraising campaign, as with all campaigns, will hinge on the ability of the Foundation and the City to involve and inspire prospects capable of making the level of gifts necessary to reach this aggressive goal.

Leadership

First, it must be clear that this Project is a top civic priority. Communicating unwavering support for the Project, its partners and its successes at every stage of the campaign will play a critical role in buoying the efforts of leadership and propelling the momentum of the Project.

Second, this effort will require a volunteer Advisory Board. This group must be comprised of individuals who will be solicited by the Foundation and should be willing to make pacesetting gifts and conduct peer-to-peer fundraising for the Town Branch Fund held at Blue Grass Community Foundation. Advisory Board members' key responsibility will be to raise funds and actively advocate for the Project.

Public-Private Partnership

The Project must be done as a public-private partnership. 67 of the 68 participants said they approve of this tactic for funding, with many believing it is the only way the Project will happen.

This partnership must exist between multiple local government agencies (i.e. City) and the Foundation as the nonprofit incubator. The objective of this partnership will be to fund, build and operate the Project. A harmonious, purposeful partnership will demonstrate discipline to potential donors - a Lexington capable of working together with the City, business, the nonprofit sector and individual citizens to advance the community for the benefit of all.

A challenge, expressed in the Assessment, is Lexington's inadequate culture of philanthropy, which results in a narrow collective vision of the community. Counsel believes that this Project is an opportunity to show Lexingtonians what is possible and that all citizens can be philanthropists via this catalytic project. Town Branch Commons has the potential to be the standard bearer for philanthropy in the community and the region—a role that must be filled for real change to occur—and Blue Grass Community Foundation has shown its dedication to and willingness to lead this philanthropic effort.

Financial Support

Total potential gifts identified from participants totaled \$12,311,000. Therefore, Counsel recommends the Foundation and the City move forward with an amended campaign goal of \$31 million. Best practice projections recommend the total amount of potential gifts identified (\$12,311,000) in the Assessment process should represent 40 percent⁴ of the campaign goal. Therefore, the dollar goal is based on the total indications being 40 percent of what is potentially available to be raised.

Gift Levels Identified	# of Gifts Identified	Gift Totals
\$3,000,000	2	\$6,000,000
\$1,000,000	3	\$3,000,000
\$600,000	1	\$600,000
\$500,000	1	\$500,000
\$400,000	1	\$400,000
\$250,000	3	\$750,000
\$100,000	3	\$300,000
\$50,000	5	\$250,000
\$36,000	1	\$36,000
\$25,000	13	\$325,000
\$10,000	14	\$140,000
<\$10,000	5	\$10,000
Total Identified	52	\$12,311,000

Note: The above chart does not reflect the potential gift amount of one participant who would only say their gift would be significant.

Assessment participants responded favorably regarding the availability of a \$10 million lead gift in this community. However, counsel was unable to identify a gift at the \$10 million level through the Assessment. Two potential gifts of \$3 million were identified.

According to national data⁵, the majority of charitable gifts made in the United States (96 percent) come from individuals, foundations and bequests; a trend that is likely to extend to this campaign effort. Having a robust pool of individual prospects for any campaign is critical. Campaigns are also governed by the 80-20 rule⁶ where 80 percent of the campaign goal will come from 20 percent of the available donors in the pool. In this environment, some campaigns even go as far as to require a 90-10

⁴ 40 percent is mostly a function of the size of the organization relative to the size of the goal, and is considered best a practice in the field. *The Fundraising Feasibility Study: It's Not About the Money*, John Wiley & Sons, Inc., Edited by Martin L. Novom, CFRE

⁵ *Giving USA 2015*

⁶ Otherwise known as the Pareto Principle, which states that for many events, roughly 80% of the effects come from 20% of the causes.

rule. Because of this concentration of opportunity within the top tier of the prospect pool, the Advisory Board must focus its early investment of time, energy and resources on the top 20 percent of potential donors. In other words, significant effort must be put into qualifying approximately 566 prospects in order to secure roughly 136 gifts to bring in 80 percent of the dollar goal. The Assessment process has already qualified 68 prospects with gifting potential ranging from \$100 to \$3,000,000, with 52 individuals indicating gift capacity of \$10,000 or more over a five-year period.

RECOMMENDATIONS

Proceed with Campaign

Counsel recommends Blue Grass Community Foundation pursue a fundraising campaign with a proposed goal of \$31 million. However, this effort must be paced with firm milestones (i.e. participation and dollar goals) at each phase of the campaign.

The phases of the campaign are as follows:

Planning

Milestone: Complete the following steps

- ✓ Finalize campaign plan, budget and timeline
- ✓ Establish Advisory Board
- ✓ Create prospect portfolios
- ✓ Update campaign case for support
- ✓ Determine gift acceptance guidelines
- ✓ Establish naming levels and donor recognition
- ✓ Begin key leadership solicitations

Phase 1 – Advisory Board Solicitation

Milestone: 100% Participation

- ✓ Cultivate and solicit all members of the newly appointed Advisory Board
- ✓ Consider strategy for soliciting other affiliated boards
- ✓ Begin cultivation for non-board prospects in the Top 50
- ✓ Communicate and celebrate success

Phase 2 – Quiet Phase Leadership Gifts

Milestone Goal: Raise 60% of Goal (\$18,600,000)

- ✓ Cultivate and solicit the remaining top prospects and qualify a total of 566 individual and entity prospects (e.g. top individuals, families, foundations and corporations)
- ✓ Celebrate successes (make a lot of noise in the quiet phase!)

Phase 3 – Public Phase

Milestone Goal: Raise remaining 40% of Goal (\$12,400,000)

- ✓ Complete marketing and PR strategy including campaign collateral
- ✓ Cultivate and solicit high capacity but lower affinity prospects
- ✓ Implement grassroots level campaign strategy
- ✓ Celebrate success

Leadership Gives First

Members of the Advisory Board will need to quickly demonstrate this Project is a priority and their commitment to making it a reality via a stretch financial contribution. Leaders will be required to leverage networks for peer-to-peer solicitations. 100 percent financial participation from all members of the Advisory Board will be required as a threshold in launching any campaign effort.

Committee volunteers will be critical for the identification, qualification, cultivation, solicitation and stewardship of donors. There is no pre-existing or built-in constituency associated with this Project where donor affinity or engagement can be inferred. It will be vital that volunteers carry the vision of Town Branch Commons into the community and regularly communicate with staff regarding donor prospects they uncover.

Hands-on training and on-going management will be required. Volunteer solicitation training will be tailored to the skills specific to key solicitors, and a formal training program will begin with the first official meeting of the Advisory Board. As lead volunteers and staff move through the initial phase of solicitations, it will become evident if volunteers are truly “on board,” or if additional cultivation is required. Counsel will help tailor strategies and next steps in real time as circumstances dictate.

Build a Budget to Support Campaign Efforts

A typical campaign budget is 5 to 15⁷ percent of the total dollar goal of the campaign. In this case, plan for the higher end of associated costs. As referenced earlier in this report, there is not a built-in constituency for this Project, so all donors will have to be newly acquired. The cost to acquire a donor is often as much as 10 to 20 times that of renewing an existing donor. Campaign leadership must be willing to spend money to raise money. There must also be a disciplined effort to focus on high value activities (e.g. one-on-one interactions with donors). The budget should reflect this time and staff intensive commitment and include the cost of staff, outside counsel, training, travel, support materials and services, publications and promotions, meeting expenses, events and contingencies. Attempting a campaign of this scale without adequate financial resources to support the work is a non-starter.

Timeline

The public announcement of the campaign happens only when three milestones are reached: 1) full completion of planning functions; 2) 100 percent Advisory Board participation; and 3) 60 percent of the dollar goal is obtained. It is acknowledged that there already exists a certain amount of public interest in the Project. In this case, the use of the term “public phase” of the campaign refers to an orchestrated effort

⁷ IUPUI - https://philanthropy.iupui.edu/files/course_resources/capital_campaigns_pierpont.pdf

to draw public attention to the Project and actively solicit donations from any and all interested parties.

There must be a realistic timeline incorporating regular “reality checks” throughout each phase. The campaign plan and timeline can be adjusted along the way, as necessary.

Counsel recommends a five-year timeline for this campaign effort with the following preliminary timeline suggested for the next five years and beyond. Please note: timing will depend on how the Foundation and Advisory Board pace toward milestones and the ability to ramp up staff and volunteers in the early stages.

Through End of 2016

- Finalize campaign plan, budget and timeline
- Recruit and train Advisory Board
- Create prospect portfolios
- Revise campaign case for support
- Establish naming levels and donor recognition and stewardship protocols
- Begin key leadership solicitations

2017

- Secure 100% financial participation from Advisory Board
- Begin cultivation for non-Board prospects in the top 50

2018

- Cultivate and solicit top prospects and qualify a total of 566 individual and entity prospects

2019

- Continue to cultivate and solicit top prospects and qualify a total of 566 individual and entity prospects
- Reach milestone fundraising goal: 60% of campaign total (\$18,600,000)

2020

- Launch public phase of campaign (potential for campaign launch event)
- Complete marketing and PR strategy including campaign collateral
- Cultivate and solicit high capacity but lower affinity prospects
- Implement grassroots level campaign strategy

2021

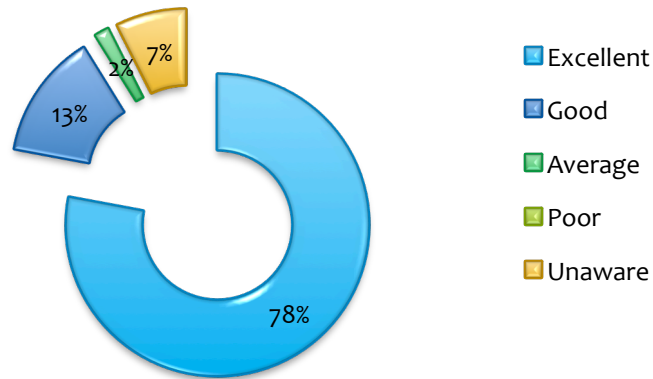
- Reach milestone fundraising goal: remaining 40% of campaign total (\$12,400,000) to complete campaign!
- Celebrate success!

APPENDIX

Summary of Assessment Interview Responses

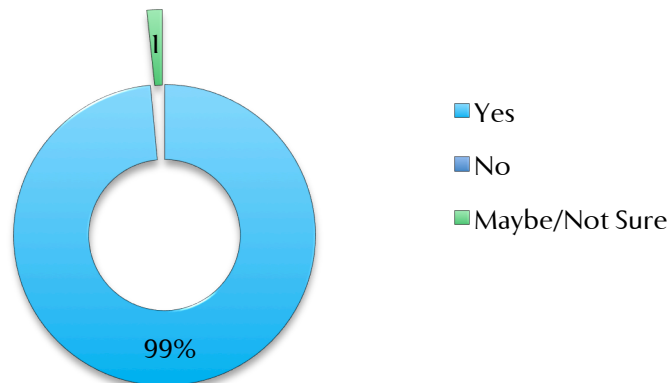
How would you rate the impact of this Project on Lexington?

Rate the Impact of TBC on Lexington



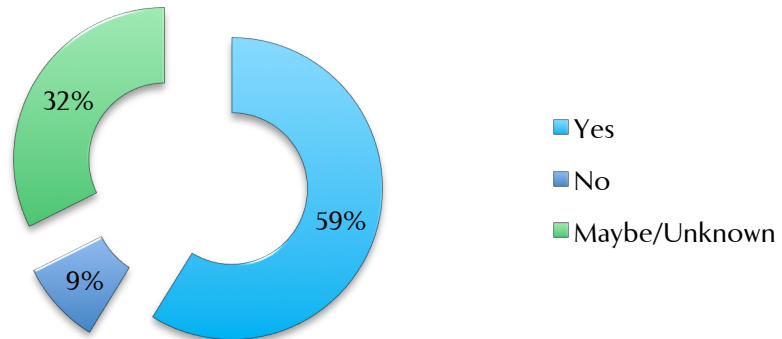
Do you approve of a public-private partnership to build the Town Branch Commons in downtown Lexington?

Approve of Public Private Partnership



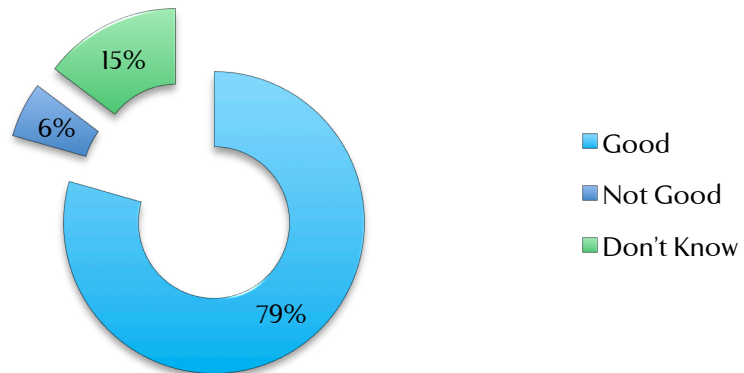
Is this goal attainable?

Is \$50 million Goal Attainable?



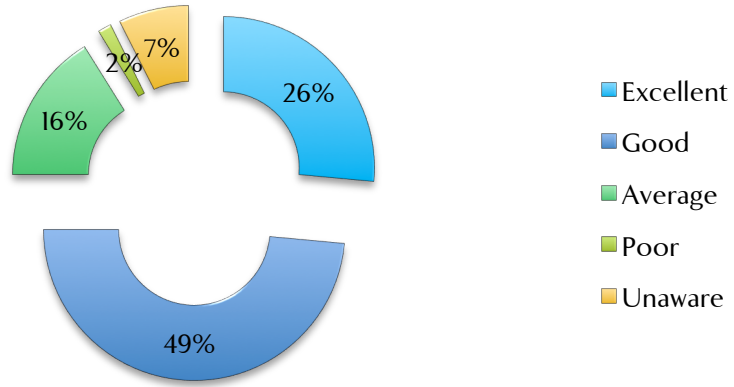
Timing of this initiative:

Timing of this Initiative



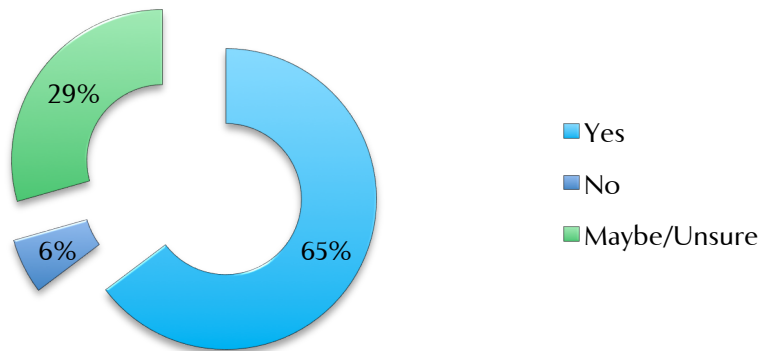
How would you rate the economic outlook for Central Kentucky?

Rate the Economic Outlook for Central Kentucky



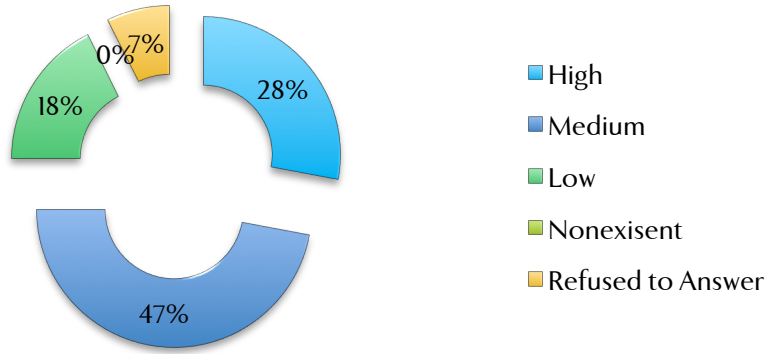
Is a \$10 million lead gift attainable?

Is a \$10 million Lead Gift Attainable?



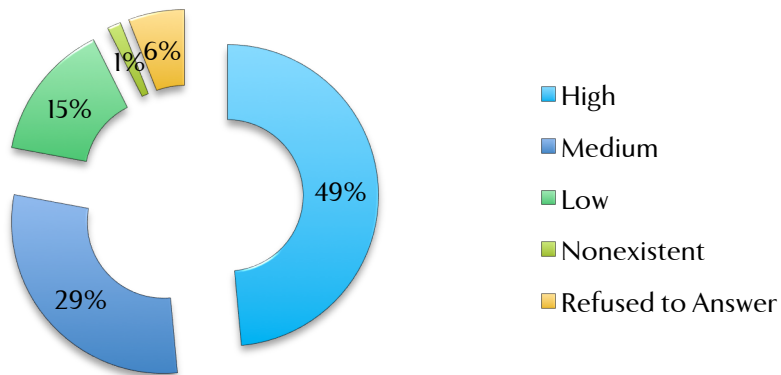
What is the priority of this campaign in relationship to your personal philanthropic goals?

Priority of Campaign in Relationship to Personal Philanthropic Goals?

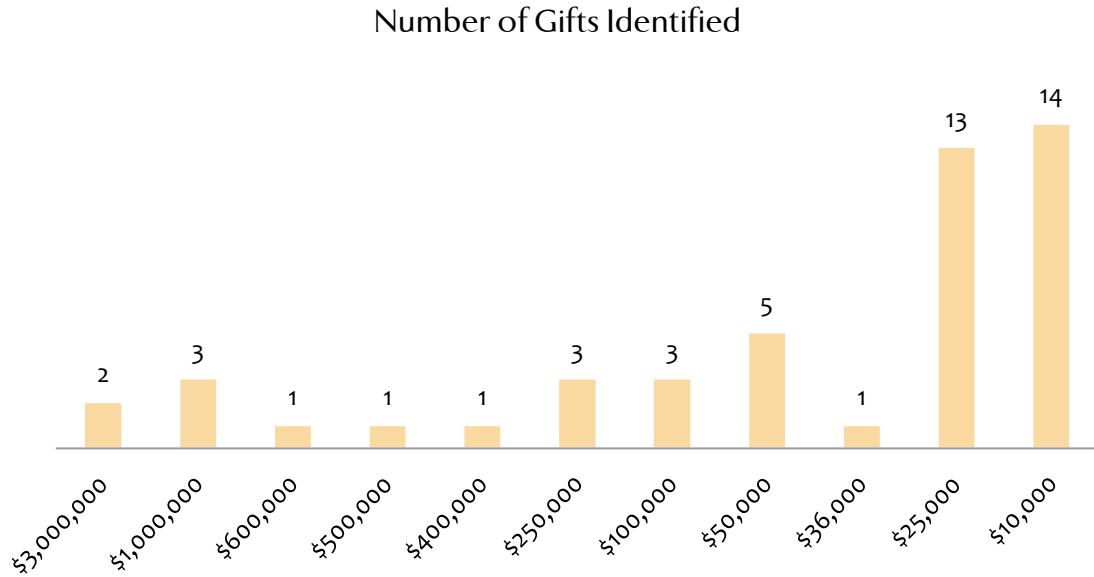


What is the likelihood of you making a gift to the campaign?

Likelihood of Making a Gift

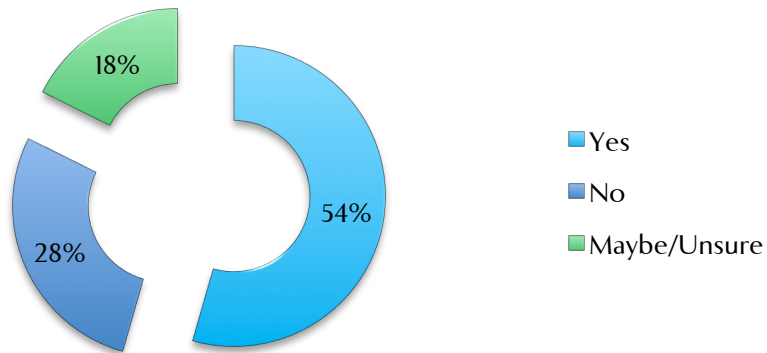


Where might your personal gift fall on the chart?



Would you consider taking a volunteer leadership role in this Project to ensure its success?

Consider Taking a Leadership Role?



Would you be willing to support the Memorandum Of Understanding to LFUCG's City Council either in person or via a letter?

Willing to Support MOU?

