

Assembling Capacity to Select and Negotiate a Joint Venture

Community development organizations are charged with orchestrating both people-centered and place-based solutions to complex forces at work in their neighborhoods. And more commonly than not, nonprofit organizations must accomplish this mission in an environment of less than optimal number of paid staff and funding streams.

In response to the ceaseless interruption in the continuity of resources, intentional joint ventures – both with other nonprofits and/or for-profit developers – have surfaced over time as a viable path for community-based organizations to advance difficult and highly sophisticated projects. Joint ventures produce success when there is a thorough vetting of each's entities track record and negotiated with care, openness, trust, and ideally, expert and proper legal support.

Nonprofit Executive Directors and Board of Directors have found that assembling additional capacity on a deal-by-deal basis can be useful to the organization as each project typically requires unique counsel, funding streams, tenants, pro formas and in general, present unique and exciting challenges for civic engagement and the organization. One example of how an organization might consider garnering capacity to select and negotiate a joint venture, particularly with a for-profit developer, is by assembling a timebound, provisional/ad hoc advisory committee. Below is an example of how community development organizations in LISC communities have mobilized to position strong joint venture opportunities.

Convene an Advisory Committee

Select and invite a well-rounded/committed group of individuals that include community-based leaders and board members, supplemented with seasoned finance and real estate professionals based on the deal makeup. The committee is then charged with providing expert content to the partner selection and negotiation process. Members must be committed to the organization and be equipped to work collaboratively within an atmosphere of community complexity.

When assembling a high-level expert panel, consider making the engagement a commitment that is doable, timebound, clear, and based on the particular needs of the project at hand. Committees serve during the lead up/launch of a project and commonly disband thereafter, allowing the organization's leadership and board to run with the monitoring from there. The committee agrees to advise the organization in vetting developer/development partnerships which often involve helping to issue a Request for Proposals (RFP) process. The committee helps the organization vet/review applicants, conduct informed interviews and make recommendations to the organization as they negotiate the outcomes, rules of engagement, lease arrangements with tenants, and overall return for the community and organization. Consider engaging or submitting a real estate pro bono request to an area law firm for an appointment of a qualified lawyer to serve on the committee as a part of their community obligations. In turn, they may just get to also close the deal in the end so there is a double bottom line for the any firm to engage.

As a starting point, below is a sample scope and timeline utilized by LISC communities:

Sample Scope for Advisory Committee Engagement

- 1) Serve a distinct amount of meetings from start to end (set timeframe and dates at beginning)
- 2) Serve as outreach and content expert throughout that timeframe

- 3) Bring best knowledge of the market, financing, community and partnerships to the process
- 4) Maintain strict confidentiality
- 5) Disclose any conflicts of interest

Overall, you are asking each participant to contribute their best thinking and expertise to make this a win for the community while being rooted in the execution of a doable project. It is ideal and advisable to screen for any potential conflicts of interest before finalizing the makeup and to seek 100% participation from participants. Full participation in this instance is a reachable goal since it is a timebound request. It is imperative to communicate that sticking with the committee through the entire process is important as the interactions and due diligence are iterative and build from one step to the next.

Sample Timeline

Month 1

Set timelines and scope of work for committee
Present to Board
Gather Joint Venture Best Practice Docs from LISC's Institute website

Month 2

Invite and Solidify Committee Members
Convene first meeting to introduce one another to the project and the charge
Set Expectations
Finalize scope and timelines for RFP or Partner Selection Process
Meet late in the month to review draft of RFP

Month 3

Develop outreach plan, mailing list and potential partner candidates
Let an RFP with no less than a four-week inquiry period
Prepare inquiry response document and release to respondents
Host Bidders Conference and Tours

Month 4

Build rubric to guide selection process
Proposals due
Distribute Packets to Committee
Score

Month 5

Committee meets to debrief, make initial scoring decisions and invite interviews
Host presentations
Make final selection

Month 6

Finalize Negotiations by signing on a binding MOU or document that outline roles, costs, fees, expectations, timeline and community benefits; engage corporate counsel in this process
As negotiations ensue, be sure to discuss levers that may disrupt best laid plans and how the partners will address items as they arise that need deliberation. Also discuss how the project unwinds at the end

of the joint venture or how the partners will determine the makeup of the joint venture when refinancing occurs

Month 7

Announce partnership

Finalize pro forma with development partners

Begin to assemble sources, financing and funding

Month X

Permitting/Zoning

Month X

Construction begins