DevelopSpringfield Strategic Analysis

An Interactive Qualifying Project
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Abstract

DevelopSpringfield, a nonprofit brick and mortar economic development agency based in Springfield, Massachusetts, faces numerous financial and operational challenges. Its Board of Directors and senior leadership undertook a strategic review to address these concerns. In that context, we were asked to identify strategic and operational options to support DevelopSpringfield's sustainability. We based our recommendations on academic and business research of comparable economic development organizations and interviews with DevelopSpringfield's stakeholders regarding the firm's business model, finances, and project methodology.

Acknowledgements

Executive Summary

DevelopSpringfield is an economic development and redevelopment nonprofit agency in the City of Springfield, Massachusetts. The firm's mission is to stimulate economic growth in the City of Springfield by replacing blighted and underdeveloped properties with new brick and mortar commercial facilities. The firm was a catalyst for the economic redevelopment of the city following the 2011 tornado, as it helped to restore many of the city's blighted properties and introduce new opportunities for economic development.

In light of recent financial and operational challenges, the firm's Board of Directors formed a Strategic Committee, chaired by the Board's Vice Chair Melinda Phelps. The Strategic Committee held its first meeting on March 11, 2019. During this meeting, DevelopSpringfield established the goals for this student team project.

These goals included:

- Identify possible alternative business/operating models for DevelopSpringfield's modified strategy,
- Develop a set of possible operational guidelines for implementing the organization's future projects (to include methodologies and metrics for evaluating potential projects and current project progress), and
- Recommend other possible operational improvements.

Operating Models

Following initial research of DevelopSpringfield's recent history and a kick-off strategy meeting hosted by the current leadership of DevelopSpringfield, the organization's leadership asked us to evaluate potential operating models for DevelopSpringfield that might address its strategic, financial, and staffing issues. Our analysis considered what the organization needed to do to fill the vacant roles in the company in a cost-effective manner, along with suggestions on to how to reconnect with the community.

After interviewing DevelopSpringfield's leadership as well as performing outside research, we recommended that DevelopSpringfield's operating model should place an emphasis on in-house talent to perform its essential business and marketing strategies. Furthermore, we suggested audiences and strategies that DevelopSpringfield could employ to collaborate more effectively with the community, institutional, and political leaders of Springfield and Western Massachusetts to stimulate economic growth and development in the city.

Project Guidelines

During the kick-off strategy meeting, the leadership asked us to develop a project implementation guideline, which would standardize the organization's process for evaluation, implementation, and completion of projects. This included developing methodologies for cost-benefit analyses (CBAs) and decision matrices useful for determining the potential of a project for DevelopSpringfield.

Despite extensive research, the academic materials we found generally pertained to for-profit developers and developers of non-commercial spaces or other comparable organizations. As such, our conclusions are a result of the compilation of the academic and professional research we were able to gather combined with the feedback we received from interviews and our own extrapolation of for-profit models and other business models to a nonprofit, real estate development firm. Because of the difficulty in finding information that applied to DevelopSpringfield in more than a tangential way, we were unable to develop specific CBA tools. However, we were able to develop a set of questions, and a framework for CBAs and decision matrices that the firm could implement in a next phase of this analysis.

Final Recommendations

Based on our research and analysis, we were able to develop and prioritize a series of recommendations to DevelopSpringfield. Included below are our recommendations in priority order based on urgency, importance, and resource availability.

DevelopSpringfield should:

- **Enhance its marketing and relationship-building efforts with governmental authorities, citizens of Springfield, local higher education institutions, and other key stakeholders.** By targeting these demographics, DevelopSpringfield can create strategies to inform the community of its mission and to inspire the public and government to take action. By collaborating with political and community leaders, DevelopSpringfield can help revitalize the blighted areas of the city and bring new businesses and developers into the city.

- **Develop standardized processes for project evaluation and suspension (if needed).** A standard process for evaluating and suspending (if needed) projects will ensure that the organization has the best possible chance for success from the outset.

- **Pursue numerous sources of funding to stabilize financial situation.** Until the Springfield Innovation Center and Lower Maple Business Park provide consistent streams of revenue, DevelopSpringfield should seek funding from a variety of sources. Some sources to consider include development or community grants and public donations. Effective grant writing and marketing strategies will maximize the results from these efforts.

- **Recruit construction or real-estate development expertise for its Board of Directors.** The leadership will have a better sense of the kinds of questions it should ask when a professional developer is on the board. The organization could also leverage this person to perform project evaluations and perhaps even project management.

- **Update its web presence.** The organization's website will allow the organization to market its work more effectively as it is its business card. Furthermore, an updated website may draw more help from the public or any others interested in helping the organization.

- **Outsource some of its work to local universities.** This will allow the organization to accomplish its outstanding work for less money than hiring in-house or outsourcing to an outside company. This will also allow the organization to make connections with local academia, which the organization could potentially leverage for further research on the topics presented in this report.

- **Implement a variant of our proposed Change Management model.** This will provide the organization a clear process for implementing change in the company while allowing it to address any employee and stakeholder concerns.

Authorship

Jehu de la Rosa, Andrew Duncan, Yifei Jin, James Kenney, Irina Lavryonova, and Hanyang Ru all contributed to the research and writing of this report. The following is a breakdown of the individual contributions to the writing of this report:

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Business Model	Andrew Duncan and Yifei Jin
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Behavioral Human Capital Management	Andrew Duncan
Project Development Guidelines	Irina Lavryonova, Jehu De la Rosa, Hanyang Ru, and James Kenney

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Introduction

DevelopSpringfield is a nonprofit real estate development and redevelopment organization in Springfield, Massachusetts focused on blighted and underdeveloped properties. By developing properties that no other developer would, the organization strives to strengthen the city's economy and hasten the revitalization process.

In its early years, DevelopSpringfield became a critical and highly relevant organization in the community when it cooperated with the Springfield Redevelopment Authority on the Rebuild Springfield Plan, a community-wide redevelopment initiative spurred by the impact the tornado of June 2011. In part due to this public-private partnership, the City of Springfield was able to implement an estimated $2.48 billion in public and private development in the city by 2014 (DevelopSpringfield, 2014).

The Problem Statement

Since the conclusion of the Rebuild Springfield Plan, DevelopSpringfield has faced financial and operational challenges as several of its projects exceeded budgets or faced delays. For example, the Gunn Block required considerable additional investment to stabilize the structure and remove hazardous asbestos from the building. Contributing to the financial challenges, some of the organization's projects failed to generate revenue as they struggled to find tenants. Because of the setbacks, the organization has been operating at a deficit of approximately $300,000/year for a number of years despite fundraising efforts (McKahn, 2019). The combination of too much spending and not enough earning has led to project delays and restricted budgets.

Due to these financial challenges, DevelopSpringfield has reduced staff and consolidated operations in a partnership with the Springfield Business Improvement District. While two to three full-time staff position equivalents would be optimal, the current budget only allows for one. This leaves some important duties unfulfilled. For example, DevelopSpringfield has neither a grant writer nor a community relations manager (Duncan A. and Lavryonova I., 2019). With no one to maintain community relationships, the strong community ties formed following the June 2011 tornado have faded. To some extent, sustained community engagement has diminished because of lack of recognition of DevelopSpringfield's project contributions (M. Phelps, personal communication, March 28, 2019). Even as the organization completes large projects such as the Lower Maple Business Park (LMBP) and Springfield Innovation Center (SIC), the community remains relatively unaware of the organization's work. This decline in awareness by the Springfield community has complicated DevelopSpringfield's efforts to promote economic development in the city.

Figure 1: Architect Model for the Springfield Innovation Center on Bridge Street in Springfield (Courtesy: DevelopSpringfield)

To compensate for the limited staffing, the organization has outsourced some functions to outside firms or agencies; however, even this strains DevelopSpringfield's budget. For example, the groundskeeping for the SIC and LMBP costs the organization roughly $40,000/year (McKahn, 2019). DevelopSpringfield's capacity issue is preventing the organization from escaping its financial deficits.

The WPI Team Mission

Before beginning research and planning, we took notes on the conversations and action items discussed in the DevelopSpringfield Strategic Committee's kick-off meeting. In addition to the members of the Committee, two students from the team, Professor Kevin Sweeney and Susan Grader attended. Ms. Grader was the facilitator of the meeting and acts as a strategic planning consultant to the organization.

At the meeting's conclusion, the committee asked us to identify potential operating models that could improve the organization's financial and capacity outlook. They also asked us to create a project development guideline. This guideline would include CBA tools to help the organization determine the value and feasibility of a project, as well as a series of checks to evaluate the progress of any ongoing projects.

SWOT Analysis

Based on our research, meetings, and interviews, we developed a concise SWOT analysis for DevelopSpringfield. A SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) is an organizational table used to identify the internal and external strengths and weaknesses of an organization. These factors can indicate what an organization does well, along with areas for improvement (Pratt, 2019). The purpose of the SWOT analysis to identify the organization's strengths and weaknesses. This also helped our team identify DevelopSpringfield's external opportunities and threats. This analysis is in Figure 2 below.

Strengths

- Creative approach to development
- Take on undesirable projects
- Excellent connection with the City

Weaknesses

- Lack of subject matter expertise
- Lack of process or structure to projects
- Loss of community connection to citizens

Opportunities

- Downtown has many properties in need of development
- UMASS is a great potential partner
- There are influential developers who could become board members

Threats

- Government funding may disappear
- Future economic factors may make properties undesirable

Figure 2: SWOT Analysis of DevelopSpringfield

Operating Model

Issue Explained

We noted three issues with the organization's current operating model. These issues are the financial challenges facing the organization, the absence of essential in-house skills, and the lack of promotional and financial support from Springfield's government and community. Addressing these issues will help the organization restore its economic stability and place in the community.

DevelopSpringfield faces material financial challenges. At full staffing levels, the organization's operating budget was approximately $450,000/year. This was approximately $300,000 more than the organization was able to fundraise annually. Coupled with this deficit were several project budget overruns and lower than expected project returns (McKahn, 2019). Since these setbacks, the organization advanced major projects, resolved most debt issues, and brought the SIC back on track from delays. However, the organization still relies heavily on a single fundraising event, the Annual Charity Dinner, to fill its budget. While this event raises tens of thousands of dollars, it does not cover the organization's remaining deficits. Until the organization has a sound operating structure, complimented with sufficient funding, it will continue to face delays on its projects or take on more debt to resume progress.

In adapting to the new financial state, the organization has reconfigured and lost key staff. With so few staff, the organization has little capacity for the non-essential yet important tasks. Most notably, the organization does not have anyone responsible for grant writing, fundraising, or managing community relations. These duties are crucial as they can introduce new sources of funding for the organization. While a reduced staff has allowed the company to operate with its current budget, it has also foregone funding opportunities through grants.

In addition to missing key staff, DevelopSpringfield's board lacks membership from a professional developer or labor representative. These are essential skills for a company like DevelopSpringfield as they can guide the company through the development process and its costs. The organization has foregone opportunities for business and project efficiencies while lacking access to these necessary skillsets.

Lastly, DevelopSpringfield has not seen sustained reciprocity from the government or its constituents despite making great contributions to the city's landscape and economy. The city has reaped benefits from the organization's projects, but the city government has rarely contributed to them. The businesses that DevelopSpringfield helped using its Corridor Storefront Improvement Program (CSIP) have neglected to credit the organization. The organization itself does not make it clear which projects it has developed, such as the case with SIC, so community members often are not aware of the organization's involvement. DevelopSpringfield cannot be successful if it cannot attract community members to make donations or offer their services and entice the city government to support the projects it benefits from.

Interview Feedback

We conducted interviews with several members of DevelopSpringfield's staff and leadership, including:

- Nicholas Fyntrilakis (Chair),
- Melinda Phelps (Vice-Chair),
- Chris Russell (Interim CEO & Executive Director of Springfield Business Improvement District), and
- Jeff Daley (former Board member of DevelopSpringfield and a real estate developer).

We asked each member questions about their expertise and roles within the organization, as well as what skills the organization should look for in appointing new board members and what should be done to ensure operational sustainability.

Project Development Goals

The interviewees agreed that a property's economic impact on the surrounding area is of paramount importance. This is because developing a single property can benefit the entire

area by removing blight and increasing foot-traffic. The benefit is especially great if the developed property best serves the needs and desires of the community it is in. This idea is at the center of DevelopSpringfield's mission and the organization's history demonstrates commitment to it (N. Fyntrilakis, telephone interview, March 25, 2019). For example, after tearing down the dilapidated River Inn, a McDonald's franchisee approached DevelopSpringfield with an offer for the property. DevelopSpringfield sought community input and rejected the offer, as it would not serve community needs. The developer of the property is now turning it into a convenience store, along with a community garden and playground on adjacent lots to make the area an enjoyable place for families to gather (H. Ramos, telephone interview, April 16, 2019).

Required Skills

The interviewees' responses fit into two categories: income generating skills and real estate development skills.

The two income generating skills consistently stated by the interviewees were grant writing and tax credit knowledge. These skills were identified as the most important as they would allow DevelopSpringfield to gain more financial capital from governmental programs and lower operational costs.

Regarding the real estate development skills, the interviewees echoed each other in the need for the organization to complement its existing skillsets with real estate development and construction expertise. This will allow the organization to do more analysis and planning for projects in-house (J. Daley, telephone interview, April 3, 2019).

College/University Collaboration

DevelopSpringfield has had college interns in the past, but this has not been an opportunity since. Interviewees indicated interest in pursuing a collaboration with a local higher education institution to fill organizational gaps and work on projects for college credit. Possible immediate tasks that our interviewees identified related to grant writing and identifying sources of funding (M. Phelps, telephone interview, March 28, 2019 and N. Fyntrilakis, telephone interview, March 25, 2019).

Public Relations

When asked about questions pertaining to rebuilding the organization's public relations, the interviewees interpreted the question in two ways: reestablishing a connection with the community and attracting city involvement.

Those who talked about the community identified a need to both engage the community directly and broadly and keep that engagement high through project updates and information. However, they also identified the difficulty of achieving this without a dedicated

PR manager. (C. Russell, telephone interview, March 28, 2019 and N. Fyntrilakis, telephone interview, March 25, 2019).

Those who focused their answer on attracting city involvement stressed that an older city like Springfield should have an organization like DevelopSpringfield in order to attract economic development. Because of this need, the city should support the organization through funding and recognition. Recent history shows that the city has largely dedicated little effort to help DevelopSpringfield in this way. Mrs. Phelps answered this same question in a very different manner, instead choosing to focus on what the government can do to support and promote them (M. Phelps, telephone interview, March 28, 2019).

Research: Similar Organizations

In this section, we discuss DEVCO and The Lowell Plan. These nonprofits are located in the northeastern region of the United States and have similar missions to DevelopSpringfield. We provide a brief overview of both companies, as well as mention the qualities and projects that have led to their success.

Introduction to DEVCO

Richard B. Sellars established the New Brunswick Development Corporation (DEVCO) in 1976 after a long career at Johnson & Johnson. The company's first major project was a $6 million renovation of a Hyatt Regency Hotel backed by Johnson & Johnson. Since 1976, DEVCO has developed a variety of buildings including theaters, offices, hospitals, restaurants, and others (J. Peet, 2010).

Based on our research on DEVCO, we discovered at least two advantages that DevelopSpringfield could adopt or replicate with relatively limited additional resources. These advantages are:

- Partnership with a local academic institution (Rutgers University), and
- Modern website design.

Given the potential differences between New Brunswick and Springfield, we will analyze the advantages of DEVCO and offer recommendations for DevelopSpringfield to consider.

DEVCO and Rutgers University

DEVCO maintains a strong and successful collaboration with Rutgers University. The firm has a history of developing the university's properties and recruiting its alumni for projects. In the past four years, DEVCO completed five projects on Rutgers's campus and recruited at least 16 engineering alumni from the university. This partnership between the firm and the university allows DEVCO to recruit operational support and secure funding from Rutgers. Furthermore, the partnership has connected the university to the city and its stakeholders,

which drifted apart due to changing city demographics in the 1960s (J. Peet, 2010). We will examine the potential benefits of a university collaboration strategy for DevelopSpringfield in the later section of this paper – Research: College Collaboration.

The Lowell Plan

The Lowell Plan is another organization with a somewhat similar mission to DevelopSpringfield. Although its focus is not brick and mortar redevelopment, it is a nonprofit dedicated to the economic sustainability of Lowell, Massachusetts. The organization achieves its mission by working closely with the city and the Lowell Development and Financial Corporation (LDFC) to provide financial capital for new businesses in the city.

The Lowell Plan runs Public Matters: A Program in Civic Engagement (or simply Public Matters), which engages the city's emerging and existing leaders to hone their civic engagement skills and connects them to the program's alumni. This program's mission is "to ensure that the Lowell of tomorrow will be served by inspired stewards of our history, natural resources, social and cultural capital and economic and government institution" (The Lowell Plan, n.d.). Alumni of this program have a history of taking active roles in the community like starting nonprofits and holding public office (A. Lamey and G. Vigeant-Trudel, telephone interview, April 18, 2019).

The Lowell Plan also works with the city to bring businesses and developers to the city. The Lowell Plan does not recruit businesses to come to the city as such, but instead serves a first point of contact for the businesses that the city is courting. A new business can contact the firm to learn about how the firm and the LDFC can fund them, as well as the properties that might be available to them.

Finally, The Lowell Plan is organized as a 501(c)(3). This allows the nonprofit to operate without relying on the government for funding. This financial structure allows the organization to operate without the political pressures that might be associated with government funding. To build its budget, the firm relies on membership dues from board members and the $1,000 fee for the Public Matters program. Local Community Foundation grants sometimes supplement this income (A. Lamey and G. Vigeant-Trudel, telephone interview, April 18, 2009).

Research: Outsourcing and University Collaboration

To address the issues defined by DevelopSpringfield's leadership, we researched various business articles and academic journals relating to the nonprofit sector. Research in this section concerns outsourcing for nonprofits, public relations, and collaborating with universities. We discuss our findings for each of these foci and then provide a brief statement as to how DevelopSpringfield can incorporate these ideas into its new operations model.

Outsourcing

Current State Assessment:

- ***DevelopSpringfield outsources maintenance duties, such as snow removal and property cleanup of SIC and LMBP, which costs approximately $40,000/year, and***
- ***Has not outsourced vacant staff positions, such as grant writing, fundraising, and community relations management since staff performing these tasks left.***

Given the organization's financial challenges, it should reevaluate its outsourcing strategies (M. Phelps, telephone interview, March 28, 2019 and N. Fyntrilakis, personal communication, March 25, 2019). Our research indicates that too much outsourcing can be detrimental to nonprofits due to the high costs charged by the agencies and reduced oversight over spending to vendors (Stanko et al, 2009). DevelopSpringfield has shown this to be the case as it spends roughly $40,000 per year on grounds keeping for LMBP and SIC annually (McKahn, 2019). Instead of outsourcing these duties, nonprofits generally benefit from keeping a staff member on payroll instead. However, as smaller nonprofits like DevelopSpringfield general lack the necessary resources to be effective in areas that require state of the art expertise, some strategic outsourcing can be beneficial. Most common duties outsourced for this reason are fundraising, grant writing, and marketing (Karson and Brown, 2012). The positions fulfilling these duties at DevelopSpringfield are currently vacant. Outsourcing these duties will allow management to focus on mission-related activities. As such, DevelopSpringfield should consider outsourcing the tasks formerly fulfilled by staff, such as grant writing and marketing, and bringing others in-house if it wants to remain cognizant of its budget.

Conclusions

While outsourcing may fill vacant roles in an organization, the cost to outsource often exceeds the contributions it makes to the nonprofit. Nonprofits with financial limitations should avoid outsourcing to such agencies unless it can be particularly cost-effective because their budgets rarely allow for these expenditures.

Recommendations

We recommend that DevelopSpringfield forgo outsourcing its maintenance duties. DevelopSpringfield can reduce the $40,000 per year it spends on these non-essential duties on its major properties by maintain someone on payroll. Positions that DevelopSpringfield should consider outsourcing are any mission-related activities, such as grant writing and marketing, provided this will not strain the budget.

Future Research and Limitations

While we were able to find several useful business articles to supplement with the feedback from DevelopSpringfield's leadership, we think that it would be useful to explore how similar agencies outsource essential roles. Organizations such as The Lowell Plan keep most of their skills in-house and it would be worthwhile exploring how these organizations balance their budgets with maintaining in-house skills.

Public Relations

Current State Assessment:

- ***DevelopSpringfield has had diminished success in garnering public relations recognition for its achievements.***

DevelopSpringfield has lost the strong relations it had with the community following the 2011 tornado. This loss of communication was largely due to issues in maintaining staff responsible for these duties (M. Phelps, telephone interview, March 28, 2019 and N. Fyntrilakis, personal communication, March 25, 2019). This resource issue is common for nonprofits. In a study conducted with 21 nonprofits whose budgets for public relations ranged from $0 to $1.5 million, only the two largest organizations surveyed responded with a two-way symmetrical model (Dyer et al. 2002). This suggests that nonprofits tend to overlook public relations as an essential attribute of running the organization. A proper public relations strategy is capable of forming and developing a relationship with constituents that can transform them into donors. This relationship will enhance any of the organization's other funding strategies (D. Williamson, 2009). Following this research, DevelopSpringfield should make an effort to reconnect with the community as much as current funding allows. Doing this will secure more funding for the organization and restore relations with the community.

In order to restore relations with the community, the organization should identify specific demographics that will comprise its marketing audiences. Nonprofits tend to focus on board audiences, as well as major donors and foundations. This approach seldom works as these audiences are too idiosyncratic and require careful handling with discrete messages. Selecting a few target audiences will allow the organization to motivate a specific audience to action. In order to select the right audiences, an organization must start with its mission and identify the interested group. Next, the organization must determine the messages it would like to convey to these audiences (Williamson, 2009).

For DevelopSpringfield—a nonprofit working to improve the economic well-being of Springfield—the organization could market to the Springfield government and specific demographics of Springfield, such as those living in the lower income areas of the city. The message for the government of Springfield, for example, could remind the city of the public-private partnership it had with DevelopSpringfield following the tornado, which spurred great

economic development in the city. The call to action of this message could be to strengthen the relationship the city has with the organization by allowing the organization to act as a liaison between the city and new businesses, similar to The Lowell Plan. For the messages appealing to Springfield residents, DevelopSpringfield can tout the improvement the organizations developments have brought to the resident's areas. The call to action in this message can be to support the organization by either donating, volunteering, or simply spreading the word.

Conclusions

Most nonprofits neglect essential marketing and public relations positions due to budget and capacity limitations. These positions maintain nonprofits' community connections and they must find ways to establish and preserve these connections. Before deciding to market, nonprofits must determine which audiences can help them achieve their mission. Then nonprofits need to prepare strategies that inspire these audiences to take action and support their efforts promotionally and financially.

Recommendations

From our research, we identified three audiences that can help DevelopSpringfield further its mission: the Springfield government, the community, and a local college or university. DevelopSpringfield should create strategies that appeal to each of these audiences to gain the financial and promotional support from these audiences. To do so, we recommend that DevelopSpringfield tout successful work it has done on the Rebuild Springfield Plan.

Future Research and Limitations

DevelopSpringfield's leadership has provided us great insight into their previous work with the government and community of Springfield. Nonetheless, we think that there should be further research with the ultimate goals of creating a formal marketing plan for the organization. While we have proposed general frameworks, we think that DevelopSpringfield should work to produce a complete strategy. Additionally, we think that following up with The Lowell Plan's could provide us with additional insight into their public-private partnership.

College/University Collaboration

Current State Assessment:

- **DevelopSpringfield does not engage in any collaborative efforts with universities except for WPI's IQP projects, and**
- **Has not had retained interns for many years.**

Collaborations between nonprofits and local universities are possible and both parties can benefit from a joint project. From the student's perspective, the experience yields field experience and promotes professional values. From the nonprofit's perspective, the student can complete work reduced cost. A six-step process exists to establish an affective collaboration partnership with a university (Aschenbrener, 2010):

1. Define need – determine what the organization needs completed and determine the number of student and labor hours this will require,
2. Get student involvement – contact universities with students who have the required skillsets to complete the tasks,
3. Develop an action plan – create with the students list of expectations and deliverables, as well as an agenda for completing the project,
4. Implement the plan – discuss and implement the action plan,
5. Market – celebrate the students' work in order to encourage them and their peers to come back, and
6. Evaluate – determine successes and areas of improvement in the partnership.

The above six-step process must account for the students' interests in order to be successful. A study of 11 nonprofits that performed service-learning projects with graduate students from 2000 to 2003 concluded that students were more committed to projects if they chose from several options (Bushouse, 2005). Therefore, in order to encourage productivity and repeat internships, the organization must either offer the students choice of projects or be willing to restructure the project to suit the interests of the student. Furthermore, in order to prevent time-consuming negotiations and mismatched expectations, the action plan must include a Memorandum of Understanding (MOU) to list the terms and expectations for the project (Bushouse, 2005)

Based on this information, DevelopSpringfield should strongly consider a partnership with a local college or university. If the firm follows the six-step process, it should attract students who could perform the tasks the organization has sidelined due to its financial challenges. This solution could address both the outsourcing and public relations concerns for DevelopSpringfield.

Conclusions

College collaborations and internships can provide in-house talent to nonprofits at the cost of university credits and real-world experience. To establish these connections, nonprofits should begin by identifying the needs of the organization and contacting local universities to find students interested in helping with these needs. Before starting a project, nonprofits and the student(s) should form a Memorandum of Understanding (MOU) that clearly states the expectations and deliverables for the project.

Recommendations

DevelopSpringfield has already defined several vacant roles that could be appropriate for students, such as grant writing, fundraising, and marketing. We recommend that DevelopSpringfield reach out to some of the local colleges in the Pioneer Valley region and Western Massachusetts to fill these roles. By creating internship opportunities with agreed-upon expectations, DevelopSpringfield can bring these necessary skills in-house while providing the student(s) with university credit and hands-on experience in the nonprofit sector.

Future Research and Limitations

We have created a strong outline for DevelopSpringfield to use when establishing a collaboration with local universities, but we have not contacted any local universities to put the outline into practice. Therefore, DevelopSpringfield should investigate whether any universities would be interested in the collaboration. We will provide a short list of potential colleges for DevelopSpringfield to consider in the next section – <u>Potential University or College Partners</u>.

Potential University or College Partners

Based on feedback from DevelopSpringfield's leadership, we focused our research on Bay Path University and Springfield Technical Community College (STCC).

Bay Path University is a private women's university with more than 3,000 students located in Longmeadow, MA. The university offers majors in accounting, marketing, and business development. Many of the university's juniors and seniors work as interns, but the university does not appear to have an established co-operative program to exchange work for college credits (Bay Path University Website, 2019).

Bay Path University also offers a range of graduate degrees on a coeducational basis. These degrees include nonprofit management & philanthropy, accounting, and MBA (Bay Path University Website, 2019). Students with these majors will be able to fulfill some of the vacant roles DevelopSpringfield currently has.

STCC is a polytechnic community college in Springfield, MA, which offers majors such as Computer Science, Civil Engineering and Architecture. The college has an established cooperative program, which allows students to work in their major areas for college credits (Springfield Technical Community College Website, 2019). DevelopSpringfield could take advantage of this program to revitalize its web presence.

Research: Alternative Organizational Structure

Current State Assessment:

- ***DevelopSpringfield is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code (IRC).***

We identified three other possible nonprofit organization structures: 501(c)(2), 501(c)(4), and the Community Development Loan Fund (CDLF). This section provides an overview for each business structure, lists pros and cons of each, and draws conclusions for DevelopSpringfield.

Section 501(c)(3) (Current DevelopSpringfield Organizational Structure)

"501(c)(3) is the portion of the US Internal Revenue Code that allows for federal tax exemption of nonprofit organizations, specifically those that are considered public charities, private foundations or private operating foundations. It is regulated and administered by the US Department of Treasury through the Internal Revenue Service" (Foundation Group, n.d.). DevelopSpringfield currently files under this tax code, as do both DEVCO and The Lowell Plan.

Pros	Cons
Donations are tax-deductible	Lobbying or political intervention is prohibited
State income taxes are deductible	
Exemption from sales taxes	
Exemption from property taxes	
Allows reliance on government funding	

Table 1: Pros and cons of 501(c)(3) for DevelopSpringfield

Section 501(c)(2)

"IRC 501(c)(2) exempts from federal income tax corporations (as defined in IRC 7701(a)(3), "corporations" include associations) organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under IRC 501(a)" (Internal Revenue Service, 1986).

Pros	Cons
Clarity of title	Can't accept any contributions
Accounting simplification	
Enhancement of the organization's ability to borrow	

Section 501(c)(4)

The definition by the IRS of a 501(c)(4) is "A 501(c)(4) organization is a social welfare organization, such as a civic organization or a neighborhood association. An organization is considered by the IRS to be operated exclusively for the promotion of social welfare if it is primarily engaged in promoting the common good and general welfare of the people of the community." (Chick, Henchey, 2019).

Pros	Cons
Could receive politics donations	Donations are not tax-deductible
Federal income taxes are deductible	

Table 3: Pros and cons of 501(c)(4) for DevelopSpringfield

Community Development Loan Fund (CDLF)

A CDLF is a type of Community Development Financial Institution (CDFI). The goal of CDFIs and CDLFs is to expand economic opportunities for underserved communities by supporting a national network of investors, community development leaders, and financial service providers.

CDLFs typically operate as nonprofits run by a Board of Directors that has community representatives (Opportunity Finance Network, 2015). CDLFs operate similar to a bank in that they provide loans to businesses and homeowners and generate revenue by collecting the interest on the loan in regular payments. However, CDLFs focus specifically on businesses and individuals in low income areas who are unable to get loans from a traditional bank.

Pros	Cons
Safe and consistent returns on loan interest	Low rates of return on loans
Funds go to region of interest, ensure mission is met	Need to repay donors for donations submitted in PRI form
	Difficult to acquire grants and to deploy capital

Table 4: Pros and Cons of CDLF for DevelopSpringfield

Conclusions

From the conducted research and response from The Lowell Plan, we conclude that 501(c)(3) is the optimal organizational structure for DevelopSpringfield. The 501(c)(3) model allows for nonprofits to seek multiple streams of funding and grant opportunities and remain eligible for tax breaks on properties. While this structure does not allow lobbying, it does allow nonprofits to avoid governmental assistance by accepting multiple sources of funding, as seen with The Lowell Plan.

Recommendations

Given DevelopSpringfield's current status as a 501(c)(3), we recommend that the organization maintain its current organizational structure.

Future Research and Limitations

We were able to cross-examine various organizational structures and determine how DEVCO and The Lowell Plan were structured. Even so, we think a next phase of this analysis should research other possible models.

Website

Current State Assessment:

- ***DevelopSpringfield's website is dated and could use substantial redesign to modern standards with an enhanced marketing focus, and***
- ***The website does not engage the community in a dialogue about DevelopSpringfield's projects or a call to action for stakeholders to become involved in DevelopSpringfield initiatives.***

DevelopSpringfield should improve its website, because it is the organization's primary vehicle for reaching its stakeholders. DEVCO's website is a particularly good example of an extremely effective homepage for a firm with a comparable mission to DevelopSpringfield. Therefore, we have reviewed DEVCO's website to develop a set of recommendations for redesign opportunities and improvements to the DevelopSpringfield website.

Review of DEVCO's Website

DEVCO's homepage is contemporary, bright, and elegant as seen in Figure 3. In the center of the webpage is the company's motto: "A city is never finished." The continuously switching background images highlight DEVCO's recent projects. At the bottom of the website and in the middle is a link, "Rutgers' future by DEVCO", which we discuss later.
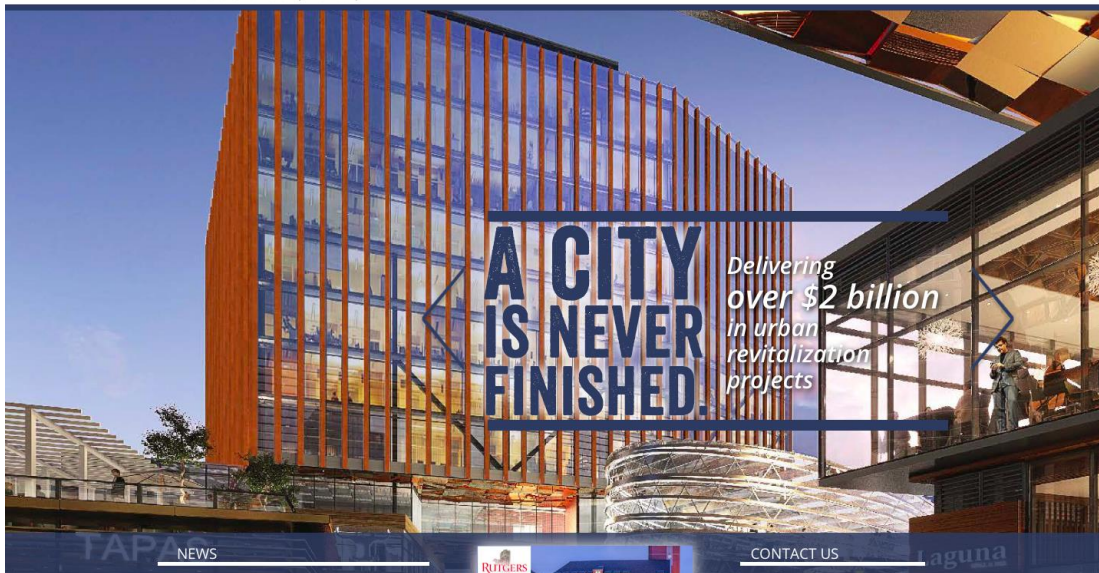
Figure 3: DEVCO homepage, DEVCO website, 2019

DEVCO'S project page is also engaging, seen in Figure 4. It displays the firm's six most recent projects with their names, pictures, and a dynamic design that responds to the user's actions. A click on each item shows related information and pictures of the project, as seen in Figure 5, which makes it easy for users to find the project of their interests.

Figure 4: DEVCO projects page, DEVCO website, 2019

Figure 5: DEVCO projects information page, DEVCO website, 2019

We believe that the best part of DEVCO's web presence is the fact that it maintains dedicated websites for its many projects, including its partnership with Rutgers, shown in Figure 6. A user can navigate either from DEVCO's website to the dedicated project websites, or vice versa. These dedicated project websites provide detailed information such as community environment, project progress, information on project partners, and information on how to get involved. Most importantly, these websites are easily located via a search-engine.
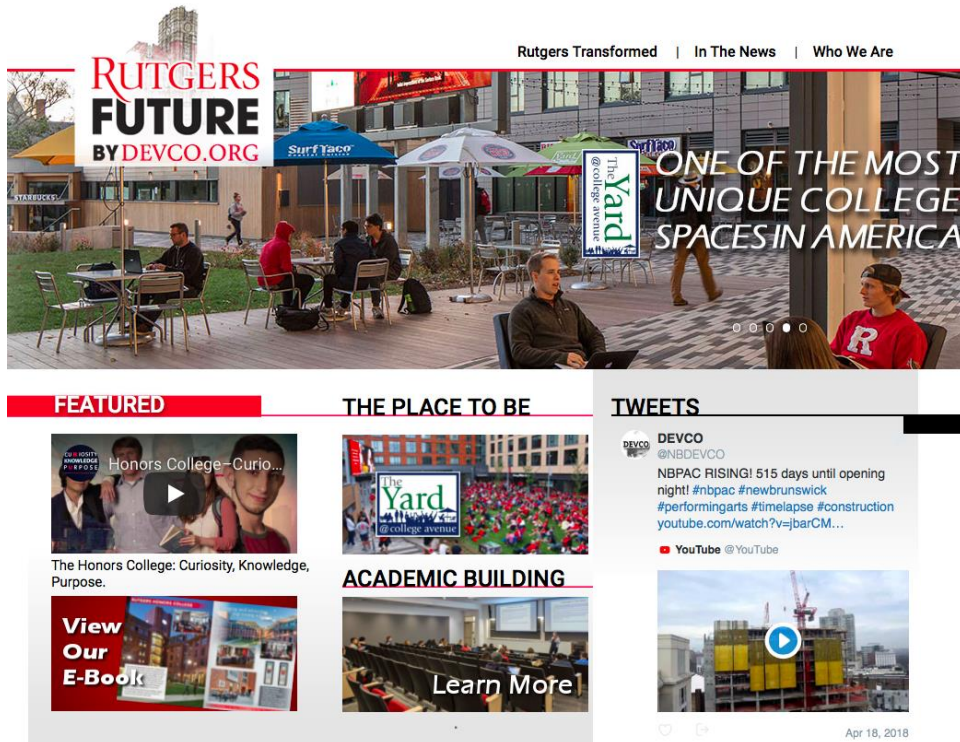
Figure 6: Rutgers collaboration with DEVCO, DEVCO website, 2019

Conclusion

DEVCO's website shows that an effective website can build lasting impressions and serve as a unified source of information. DEVCO's homepage has clear themes and an engaging photo gallery with high quality project photographs. The website follows modern design cues, having dynamic elements such as showing information only when a user hovers over an element of the webpage. Another noteworthy point is that DEVCO has designed independent websites for its projects. This allows someone familiar with one of DEVCO's projects, but not with the firm itself to discover easily the relationship between the project and the firm.

Recommendations

DevelopSpringfield should give special attention to its website, as it defines first impressions and serves as the primary source of information about the company. In addition to updating the information on the website, below are our recommendations as to the style of the website:

- Modernize color-scheme and design,
- Show completed and current projects in a gallery instead of a list,
- Create standalone websites for project details,
- Get professional quality photos of projects, and

- Include ways to donate and ways for community members to get involved.

Behavioral and Human Capital Management (Employees and Other Critical Stakeholders)

Current State Assessment:

- ***DevelopSpringfield currently does not have a process to implement changes to their business model.***
- ***Additionally, DevelopSpringfield does not have a two-way communication structure to address employees' and stakeholders' roles in implementing change in the organization, how changes affect stakeholders and the future of the company.***

Issue Explained

Business restructuring has a behavioral component that can make the changes ineffective. These challenges relate to lackluster participation and a fear of diminished roles from employees, mistrust, or other concerns by key stakeholders like board members, community partners, contributors, or service providers. These challenges also stem from infrequent communication with employees and stakeholders about the nature of the changes and their purpose (R. Carbery and T. N. Garavan, 2005). It is essential to align the behaviors of all employees and stakeholders with the expected process and changes in order for the restructuring to succeed (S. Grader, personal communication, 2019). To do this, we investigated possible strategies for a model of change that DevelopSpringfield could use to implement their changes and inspire employees and other key stakeholders to help the organization reach its goals.

Research: Leadership

Before restructuring can begin, the organization must appoint an individual who will spearhead the change, both in rhetoric and action. Our research indicates that the CEO is one of the most essential members for championing change. The Chair of the Board can also play a vital role in exacting change the board may not otherwise know which decision will promote operational sustainability. Another reason the CEO and Board Chair should work together on leading is the change is their position in the company allows a bird's-eye view of company. This will allow them to identify and gather data required to understand what is driving the change, make good decisions, and educated the board members (Sherman, 2009).

Research: Communication

Effective communication with stakeholders will ensure that the leaders of change can implement it swiftly and painlessly. This is because effective communication promotes

understanding of change's purpose and awareness of its effects and gives time to prepare. This communication should take place in multiple forms including meetings, emails, and training sessions. This will greatly increase the chances that employees receive this information (SHRM, n.d).

Communication should also be two-way. This will allow the employees to ask questions, voice concerns, and make suggestions. The open dialogue will also enable the leaders of change to seek feedback from staff, clearly establish the purpose of the change, and ensure that everyone knows what they should expect to come as a result. In order for this to work effectively, however, the leaders must give adequate time to the employees and stakeholders to process new information and develop questions. This means change cannot be implemented too quickly (SHRM, n.d).

Lastly, through the open communications, leaders should pay attention if employees or stakeholders are confused about the purpose of change. The confused employees may indicate misalignment between the purpose of the change and the goals of the organization. If the leaders cannot clear the employee confusion, they should reevaluate the decision to enact change (SHRM, n.d).

Research: "Change Plan" Research Model

Along with selecting the leaders of change, the organization must create a "Change Plan." This plan will detail how the leaders will implement the changes to the Operating Model effectively and efficiently. This plan should also include strategies that will reinforce the change efforts and illustrate positive progress to employees. These updates can boost employee morale and stakeholder commitment.

In our research, we identified a four-step process used for enacting change (SHRM, n.d):

1. Define – Identify the required changes as well as who will lead their implementation.
2. Plan – Strategize how to incorporate the changes, communicate with employees and stakeholders, and how to deal with any risks, such as employee or stakeholder resistance.
3. Implement – Introduce changes while managing any resistance shown by employees or other key stakeholders.
4. Sustain – Measure impact from the change on the organization and its employees and other key stakeholders and adjust if there are negatives.

Research: Employee/Stakeholder Resistance and Reluctance

One of the most common issues associated with business restructuring is employee resistance caused by fear of their role within the company drastically changing. Employees can also be reluctant to accept change if they have experienced an unsuccessful business restructuring in the past. This can make employees less productive and jeopardize the progress

or restructuring. Leaders of the change should establish a dialogue with these employees to address their concerns. The leaders can also boost the employee's morale by highlighting how vital the employee is to the success of the change (SHRM, n.d).

Identifying and celebrating short-term attainable goals can further boost morale and preempt any resistance. These regular celebrations will show that change is progressing successfully and convince those silently concerned that their work is contributing to the vision of the company (Gleeson, 2018).

Kotter Model from Ms. Grader

To complement our outside research, Ms. Grader provided us with a very useful model for change management. This model, referred to as Kotter's 8-Step Framework and shown in Figure 7, provides an in-depth view to implementing organizational change.

Step 1	Step 2	Step 3	Step 4
Increasing Urgency	**Building Guiding Teams**	**Getting the Vision Right**	**Communicate for Buy-in**
• Determine how the problem is preventing achievement of the MM Mission, Vision, and Strategic Priorities or business specific goals. • Secure a compelling, emotional story which supports the need for change.	• Create a team powerful enough to guide the change, comprised of people with relevant knowledge, credibility, connections, formal authority, influence, and varying social styles, regardless of organizational boundaries. • Ensure the team shares a common understanding of the change goals and their role.	• Create a future state map or visual that is simple enough a message for change vision to be understood and remembered. • Test that people literally "see" the problem and feel it emotionally – solicit feedback and test for understanding.	• Meet face-to-face with those impacted. Include data, compelling & heartfelt stories, and future state vision & strategy. Invite questions. • Test that the majority of those impacted agree there is a problem.

Step 5	Step 6	Step 7	Step 8
Enable Action	**Create Short-term Wins**	**Don't Let Up**	**Make it Stick**
• Expectations and Performance Measurements – Define specifically how the job will change and what success looks like. • Plan for an "early detection" mechanism – catch someone who is struggling so coaching can be offered immediately and catch someone who is excelling to support others and make a role model.	• Plan a visible, unambiguous success as soon as possible to create evidence that change will prevail & to motivate people. • Communicate clearly that everyone can help to win and how – even if they are not yet in the future state.	• Plan for accelerating results once early indications are positive. Press harder and faster after the first successes. • Communicate with stakeholders – promote accountability to maintain the change through informing others of expectations.	• Create incentive and motivation for people who act in a way despite the pull of tradition. • Define accountabilities and enforce them.

Figure 7: The Kotter Model for Change Management

Kotter's Model shares many similarities with the research we conducted. For example, both the Kotter Model and our research place an initial emphasis on determining the leaders who will guide the change. Furthermore, there is a shared importance in expressing the employees' roles in the change plan. Finally, both the research and Kotter's method conclude that there must be an emphasis on identifying and celebrating successes early and often.

While the research we performed is very consistent with this model, we would like to address some differences. To begin, Kotter's Model includes a "future state map" which outlines the goals of the change. We believe this is important in a change model because this

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reminder allows the employees to stay motivated as it gives them goals. Another difference is the four-step model includes a sustain period, during the company should measure the effects of the change and adjust for negatives. We think this is an important step to include, as leader may have overlooked important details in the initial stages. Finally, Kotter's Model suggests that organizations should push their plans further when they achieve early goals. This step encourages continuous improvement, but it could lead an organization to overextend. To address the pros and cons of both models, we will suggest a Hybrid model for DevelopSpringfield to use when implementing change into their Operating Model. We discuss this model in the Recommendations subsection of this section.

Conclusions

Organizations can implement change when leaders lead this change and allow two-way communication between themselves and everyone else at the organization. The leaders should create a plan that clearly outlines themselves, implementation strategies, and resistance mitigations strategies. This will ensure that the change has support from the entire organization and offer the greatest chances that the organization will adopt the changes successfully.

Recommendations

We recommend that Mr. Russell and Mr. Fyntrilakis become the ambassadors for the "Change Plan" in order DevelopSpringfield to restructure successfully. By collaborating with each other, they can determine how the organization can introduce the changes to their current model. Furthermore, they can inspire the rest of the company to help implement change and ensure the organization's sustainability. We also think that DevelopSpringfield should pay special attention to creating a two-way communication structure with their employees and stakeholders. This will allow Mr. Russell and Mr. Fyntrilakis to address any concerns that arise in the company. Finally, we have created a "Change Plan" structure, show in Table 5.

Step 1: Urgency	• Determine the problems existing in the current model and their impacts on the organization's success • Create sense of exigency that inspires need for change
Step 2: Identify	• Identify the leaders of change, such as CEO and Board Chair • Determine what changes need to be implemented
Step 3: Planning	• Determine strategies to implement changes (and in what order they should be implemented) • Identify and create plans to manage risks and resistances from employees • Determine what early successes can be created and celebrated

Step 4: Communicate	• Communicate visions and goals to employees and stakeholders • Allow for feedback, and address concerns, if any • Meet one-on-one with concerned members, ensure their role in the process
Step 5: Implementation	• Start introducing changes to the operating model • Create expectations for members to adhere to • Determine and manage any resistances
Step 6: Progress Check	• Celebrate early successes when they occur • Reaffirm efforts of employees when successes occur
Step 7: Continue Push	• Incentivize and motivate members to continue their efforts • Restate or redefine (if necessary) the roles of each member, and hold them accountable
Step 8: Review and Sustain	• Measure effects of changes on company and employees • Evaluate resources and morale • Continue pushing if sustainable, adjust if there are issues

Table 5: Proposed Hybrid Model for DevelopSpringfield

Future Research and Limitations

While we were able to find a significant amount of research regarding change management with the help of Ms. Grader, we do believe that there is further research available. For example, the team was unable to contact organizations such as DEVCO or The Lowell Plan to learn how they have implemented change in their organizations, along with any difficulties they encountered along the way. We believe that learning how these similar organizations dealt with these issues would be very useful for DevelopSpringfield.

Project Development Guidelines

Current State Assessment:

- ***DevelopSpringfield currently lacks a formalized set of project development guidelines and processes with consistent methodology for site selection, project management and evaluation structure, and processes for suspending projects when necessary.***

Issue Explained

As noted previously, DevelopSpringfield has successfully developed many blighted and undesirable properties in the City of Springfield. However, in the years of its operation,

DevelopSpringfield has not developed a standard process for conducting its revitalization efforts. This has led to a loss of opportunity, commitment to projects that are too difficult, and stagnation towards completion (Duncan A. and Lavryonova I., 2019). We identified three major points of the development process that should be standardized, or at least outlined. These points are methods for site selection, a structure for project management, and a process for backing out of unsuccessful projects.

The primary focus of this standardization effort should be developing a methodology for site selection. The Gunn Block is an example of a project that could have benefitted from a standardized site selection process. While the building serves an important historical role to the City of Springfield, the building is circa 1830s and did not have constant occupancy throughout the years of its existence. DevelopSpringfield acquired the building in April of 2013 but has so far only been able to stabilize it (473-477 STATE STREET - THE GUNN BLOCK, n.d.). The organization currently does not have the means to do any further development on the project. The alternative to further development is to sell the property, but this is also a difficult proposition given the property's inherent challenge to the developer (N. Fyntrilakis, personal communication, March 25, 2019). If DevelopSpringfield had a standardized method for site selection, the organization would have likely seen that the Gunn Block project was beyond its means.

Another focus of this effort should be a structure for project management. As mentioned previously, DevelopSpringfield must operate as a lean organization to avoid running a greater deficit (Duncan A. and Lavryonova I., 2019). Furthermore, those who are involved in the organization have neither professional development nor project management experience (N. Fyntrilakis, personal communication, March 25, 2019). As a result, no dedicated person exists for maintaining oversight over projects. This opens the opportunity for stagnation and unexpected events to occur on the projects without adequate foresight to duly prepare.

Lastly, the organization should develop a process for suspending projects that do not meet the metrics or other criteria set by the guidelines. Continuing the example of the Gunn Block, the project did not have a backup plan when the organization discovered that the project was more difficult than expected. The leadership was able to secure funding and finish stabilizing the project when it discovered that the project was too difficult, but the plan forward from this point is still unclear (N. Fyntrilakis, personal communication, March 25, 2019). The organization could maintain the property until it has the means to develop it further, it could attempt to sell the property, or it could abandon it. All have important financial, political, and community considerations.

Interview Feedback

Based on our interviews with the leadership, staff, and others familiar with DevelopSpringfield, we found that feedback regarding project development fits into the following three categories:

1) Potential property selection and evaluation,
2) Methods used to manage existing projects, and
3) Tendency to undertake difficult projects.

The first category deals with selecting and evaluating potential projects. Typically, either the DevelopSpringfield leadership or the City of Springfield suggests site for DevelopSpringfield to develop (Duncan A. and Lavryonova I., 2019). In the case that multiple sites are available for DevelopSpringfield simultaneously, the organization does not have any criteria it uses to pick one site over another, and the leadership chooses on a case-by-case basis. It appears the two most important criteria are the alignment of the project with the organization's mission, the needs of the community, and the potential returns of the project. Furthermore, the organization has not adequately evaluated projects for feasibility (N. Fyntrilakis, personal communication, March 25, 2019).

The second category deals with the ways in which the organization manages its existing projects. As mentioned previously in this report, board members run the organization from the sides of their desks and the organization does not have the staff to fulfil all of its goals. As such, it is not possible for the organization to adequately manage its projects and make sure they do not stagnate (J. Daley, personal communication, April 3, 2019).

Lastly, the third category focuses on what makes DevelopSpringfield unique as a development organization and what may be at the root of its challenges. The organization, by its nature, tends to take on projects that no other developer would want. However, DevelopSpringfield is not capable of every project and some projects are simply too difficult. Even so, projects do not have any backup plans, so if a project is too difficult, it has the potential to do great damage to the organization (J. Daley, personal communication, April 3, 2019).

Research: Past Projects/Rebuild

Site Selection

We have identified several criteria that the organization should consider when evaluating a potential project. First, DevelopSpringfield must determine whether a project is feasible, given its current funding. If a project will require more funding than available, there should be a plan in place to secure additional funding to close the gap (C. Russel, personal communication, March 25, 2019). Second, DevelopSpringfield should consider the impact of the project and if the project fits with their mission. To determine if a project fits their mission, DevelopSpringfield should evaluate the historical significance of a project and the community impact. The impact of a project on the community includes reducing blight and bringing further development and economic activity to the area. Parallel to completing the project, the organization should work on finding a potential tenant. DevelopSpringfield should also make sure that the community is satisfied with the use of the space, and that the tenant or new owner is committed to the property.

Project Selection Criteria

The mission of DevelopSpringfield is to take underutilized or troubled properties and to revitalize them. All the properties DevelopSpringfield works on are challenging, not only for the organization, but also for the city. Before determining which property to develop, the organization needs to review and grade the financial performance of the location. DevelopSpringfield also needs a clear understanding of the estimated development cost before selecting which projects they undertake. Based on experience, the developer's fee should go before bank contingence.

Another factor to consider is the location of the property. Since economic needs and opportunities vary by area, DevelopSpringfield should determine which properties to develop based on the property's location. For example, downtown provides DevelopSpringfield with opportunities for office space. The organization should consider not only what the costs for different office areas are, but also the rate they can charge for these offices upon completion. Location is also important when considering transportation methods for prospective tenants. If the property is closer to a transportation stop, it will be more attractive to future tenants and customers. DevelopSpringfield can seek higher returns on investment from these properties since their convenient location to transportation areas and downtown is easily accessible. This in turn, will make investors more interested in funding these projects because of the greater returns (J. Daley, telephone interview, April 3, 2019). By determining the potential benefits of a project based on its location, DevelopSpringfield can increase the appeal of its projects to both tenants and investors.

Community reception is an important factor in the development of a project. For this factor, the organization should consider both the history of the property and the desires of the community. For example, DevelopSpringfield carefully considered both qualities when considering developers for the former River Inn property. DevelopSpringfield sought community feedback in selecting the best use for the location. The community indicated that the gas station and convenience store would best address its needs. Along with this need, the developer, Bob Bolduc, is also developing a community garden and playground on adjacent lots (H. Ramos, telephone interview, April 16, 2019). By carefully considering the community reception and feedback, DevelopSpringfield helped replace an eyesore in the community with a development that strengthens the local economy and community of the area.

According to these criteria, DevelopSpringfield can consider developing properties in several areas. To begin, DevelopSpringfield could develop office or retail spaces in the downtown area that are easily accessible to both the property owners and local foot-traffic. There is demand in the downtown area for these projects, so DevelopSpringfield could consider a joint venture with another company to purchase and develop some of these properties. Finally, there is a growing demand on the south side of the downtown area for smaller office spaces. These areas may not generate high revenues, but the area's low cost may offset the lower revenues enough to produce respectable returns for DevelopSpringfield.

Project Funding

This section will focus on the funding methods of projects for DevelopSpringfield. As a nonprofit organization, DevelopSpringfield can rely on annual fundraising to support its operations. However, fundraising alone is not sufficient to meet the operating budget. As was originally hoped, the organization must be able to obtain revenues from developer fees.

DevelopSpringfield can obtain revenue from developer fees by selling finished projects. While the organization can make returns on investment by reselling these properties to developers, the redevelopment costs on these properties often exceed the returns from selling the project. Instead of relying on properties that DevelopSpringfield can only sell at a fixed price, the organization can pursue rental properties that generate consistent revenue on a scheduled basis. Furthermore, since DevelopSpringfield must include the developer and project management fees when determining the amount of funds necessary for projects, they can consider contracting project management, thereby taking this cost off its operating budget. DevelopSpringfield can then use revenue from developer fees to accumulate funds for future projects.

DevelopSpringfield needs to engage a larger proportion of the community directly with its projects (N. Fyntrilakis, telephone interview, March 25, 2019). To achieve this goal, DevelopSpringfield could use a grass-roots approach to outreach to the small businesses in the area. DevelopSpringfield could look to these businesses for future projects or collaborations to generate revenue upon establishing connections and partnerships with them.

Obstacles for Projects

Projects have several obstacles to overcome. The first obstacle is that early projects exceeded projections while returns failed to meet expectations. DevelopSpringfield has suffered substantial losses from previous projects because of these low returns on investment. DevelopSpringfield needs to find ways to decrease the development costs, increase the generated revenue, or do both. While selling finished projects is a potential revenue source, redevelopment costs are much higher than the ultimate sale value of the finished buildings, even accounting for subsidies. Therefore, DevelopSpringfield needs to complete projects with higher final sale value. In the past, the annual budget of the organization projected developer fees to support base operations. However, these developer fees were too unreliable, and often lower than projected. The final problem pertains to basic budgeting—costs and revenues must match projections. The organization should reduce developer fees to absorb overruns when costs and revenues do not align with projections. Instead, the organization should re-budget or take cost-control measures to overcome this problem.

Revenue from Projects

Currently, the organization raises no more than $150,000 for each year, which is not enough for basic operation and for development. If DevelopSpringfield provides the SIC property management services, it will result in $13,000 for each year in revenues (McKahn,

2019). Adding them together, the organization will have sufficient funds for one full-time staff person. In the future, the SIC will produce $20,000 per year in income by year seven. Once 77 Maple Street is complete and leased, the office park should generate $14,000 to $30,000 in revenue per year, with an additional $19,000 in property management fees (McKahn, 2019). Added together, this will provide funding for up to two full-time staff members.

From the example above, we believe that DevelopSpringfield needs to find more ways to generate revenue. For example, DevelopSpringfield could seek developer involvement in projects to decrease the development cost. Additionally, DevelopSpringfield could engage the community to help fund projects.

Suspension of Projects (When Needed)

DevelopSpringfield needs evaluation checks during project progress to back out successfully if necessary. DevelopSpringfield should drop the project if it is determined to be beyond its means. The organization needs a list of criteria that the project must meet before breaking ground. In the initial evaluation, the organization sets a level of investment that would trigger a reevaluation of the project. In addition to this, the organization should identify the funding sources, forecast how invested they are in the project, and when they should back out if necessary. It should do all of this before breaking ground.

If having done these precautionary measures, DevelopSpringfield still must back out, the organization needs a stabilization plan or a predetermined arrangement with the developers. Backing out may generate a negative response from the community or from the prospective developers of the property. As a result, the organization needs to stabilize the project to minimize these potential effects.

Research: Cost Benefit Analysis (CBA)

DevelopSpringfield currently does not have a consistent CBA approach that allows them to determine if a project is a worthwhile investment before proceeding. This section will focus on the creation of an outline for a CBA for potential projects. Most projects arise at the team level (staff), the board level, or from the City of Springfield. One of the problems is identifying why a project does not fit DevelopSpringfield's mission and goals (C. Russell, personal communication, March 28, 2019). A CBA can help identify the best project to pursue.

Based on the material we learned and interviews we conducted, a proper CBA should consider the following categories:

- Project feasibility,
- Project impact,
- What can populate the space,
- Community engagement in projects, and
- Impact on the real estate market in the area.

Project Feasibility

One of the major questions regarding project feasibility is the amount of time available to complete a project. In most cases, the longer a project runs, the more expensive it is to sustain. Another consideration for a project's feasibility may be a time window or project deadline, which would require more planning and affect funding.

This then requires DevelopSpringfield to determine how it will fund this project. Where will the funding come from? What are the costs to maintain the property while DevelopSpringfield secures funding? How long will it be until the property begins to generate revenue? These are the first questions the organization should consider in order to narrow down projects.

Project Impact

When considering the impact a project will have, the organization should consider several factors. What is the historical significance of this project? Is this an important property to preserve? Is this project in line with DS's mission? What sort of revenue can this project bring in? These questions' purpose is to keep the community and preservation of Springfield's historical buildings in mind.

What Can Populate the Space

A number of considerations come into play when finding suitable businesses to occupy completed projects. This is where the community begins to play a role. What is a community-approved use of this space? What is a use that can sustain the company going forward? Are there opportunities to maximize the profits? What can the organization do to ensure tenancy upon completion? Is pre-leasing an option? What type of space could this be (e.g. commercial, residential, etc.)?

Community Engagement in Projects

Involvement of the community has led to success in the past through support and funding. The community members can also give feedback on current projects, what they hope to see, and potentially become more involved in future or current projects. This collaboration could also bring in other companies and improve Springfield's economy.

Impact on the Real Estate Market in the Area

Another goal is to improve the real estate market in the area and make Springfield more attractive. There are several questions to consider. Will this project significantly reduce blight in the area? Is this project likely to promote further development in the area? Could this project bring businesses, customers, and more people to the City?

Other Forms of Cost Analysis

A majority of companies in the construction/restoration industry uses a planning tool Xactimate (S. Grader, personal communication, April 17, 2019). This program allows one to gather information and then sketch out a diagram of the structure to calculate a potential cost. Xactimate features a way to select any related project costs to give a complete estimate (Xactimate website, 2019).

Conclusions

The organization fundamentally lacks two key attributes to operate more effectively:

1. Established processes for development and
2. Professional developers in its ranks.

The organization must establish processes for site selection, site evaluation, project management, and contingencies for unsuccessful projects. Establishing these processes will be easier with an industry expert on the board. This individual could help guide the leadership with the kinds of questions they should be asking.

A process for site selection and evaluation will allow the organization to develop a sense for the kind of project that fits its abilities. It will also help to unify the organization's project portfolio. Finally, if the organization uses an established process for site selection, it will likely gain more experience doing a type of project, making those projects easier and potentially opening opportunities to undertake projects that may have been too difficult before.

A process for project management will allow efficient monitoring of projects while they are completed. The process will enable more timely forecasts of cost overruns and overall allow the project to run in a leaner fashion. This process will also help to avoid many of the expenses the project may collect because of stagnation or missed opportunities.

Finally, developing a contingency plan for every project will safeguard the organization from any projects that passed through the first two nets. These types of projects are unlikely to be successful and have the potential to drag the organization down with it. Consequently, a contingency plan will allow the organization to minimize the impact of a difficult project on itself and any of the other stakeholders.

Recommendations

We recommend that DevelopSpringfield identify an individual with construction or real estate experience who will be willing to join the board. This will clarify the decisions that the organization must take and potentially eliminate the need for some of the other recommendations in this section.

Similarly, the organization should attempt to recruit real estate project management expertise for its Board of Directors. This addition would ideally be someone who would be willing to help with managing the organization's projects, but even if they share their knowledge with the organization's leadership, it will still be quite beneficial.

DevelopSpringfield should always seek professional evaluation from in-house experts or third-party resources of potential sites. This will greatly reduce the chances of projects springing unexpected costs and allow for accurate budgets and funding.

Lastly, the organization should attempt to develop a contingency plan for every project it undertakes in case a project does not meet specific agreed-upon metrics.

Future Research and Limitations

We were able to compile a great number of academic and professional journal entries and articles to complement the feedback we received from those familiar with DevelopSpringfield. However, it was still difficult to find information that pertained directly to the needs of the organization. This is because DevelopSpringfield does not have direct analogues and the companies that resemble the organization in some fashion have not garnered any significant attention from academic and professional research. As such, while we were able to draw conclusions from our findings, the issues discussed in this report still have significant areas that remain unexplored. Future work should include estimating the price of the proposed recommendations, developing a more concrete plan for each of the issues discussed in this section, and possibly contacting any universities with demonstrated interest in researching companies such as DevelopSpringfield for assistance in conducting more directed research.

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