Capital grants are unique in the grants world. They are the most time-limited of projects with finite objectives and closed-end Gantt charts. Moreover, opportunities for capital grants are highly competitive. As we speak, I am aware of at least 10 multi-million dollar capital campaigns in progress within 60 miles of my home. That is a lot of capital need to spread around in a small philanthropic community.

With that said, do not be dissuaded from pursuing your capital dreams. According to the Foundation Center, capital grants represented about 21% of all funds awarded to nonprofits in 2011. That’s up by a few percentage points from prior years, suggesting funders see capital projects as a viable way to leverage the outcomes of their philanthropic investments.

Of course, they’re right because capital grants cover a wide range of activities and are often the most high profile of nonprofit endeavors. For example, capital grants support:

- Equipment, furnishing, and other major material purchases
- Renovations, refurbishment, remodeling, rehabilitation, etc. for outdated facilities
- Construction of new facilities
- Land purchases
- Capital campaigns (formal approaches to major construction projects)
- Matching/challenge grants for capital campaigns

Let’s be clear. Grants are not going to be the sole source for your project unless you find a single funder to support a small renovation project or piece of equipment. The larger the capital need, the more types of support you must secure for it. In most cases, you’ll need to align more than one grantor (private or government), more than one sponsor, and more than a few donors to support the full cost of your project.

**Five Essential Elements**

I have worked on capital grants to support projects from mobile health units to IT infrastructure improvements to major new construction projects. The successful ones always contain five essential elements.

1. Grants are part of a larger, phased capital campaign.
2. The capital campaign secures lead donors and board gifts before grant seeking begins.
3. The project offers, potential grant makers, and especially corporate sponsors, volunteer opportunities, large and small.

4. The campaign incorporates regular and authentic public recognition of funders through diverse communication channels.

5. The campaign publication materials include a recognition policy with naming opportunities by giving level.

These five elements reflect a common theme. Capital grants are especially ripe for an integrated approach to grant seeking. What is an integrated approach? It involves incorporating the best practices from fundraising, communications/marketing, and grant seeking in ways that yield a significantly more coordinated approach, more invested funders and donors, and a broader audience of supporters.

For example, the use of naming opportunities is a standard development practice. If that is so, and grant writers are first development professionals, it only makes sense to include naming opportunities in a grant proposal, especially for a capital project. Similarly, getting TV or radio coverage for the campaign is a fantastic venue to recognize your lead funders, sponsors, and donors publicly via mass media. It is also an opportunity for potential funders—perhaps some you have not even solicited—to buy into your project because they see their philanthropic colleagues invested in your work.

**A Deeper Look at Matching & Challenge Grants**

I’m sure some of you are curious, as I once was, about the differences between matching and challenge grants. They sound perfect for capital projects, but what are they? And are they really different?

- **Challenge Grants**—When awarding a challenge grant, a funder agrees to pay an organization a set amount of funds based on meeting a set fundraising challenge (i.e. raise X amount of dollars from only new donors, raise X amount of dollars from any donor in a defined period, raise X amount of dollars from a combination of new and returning donors, etc.). Challenge grants only award funds after an applicant organization meets certain conditions; thus, the amount of money the organization receives could vary widely depending on their fundraising results. For example, the Kresge Foundation used to provide major capital challenge grants whereby the organization was responsible for raising 75% of the total funds needed, and once they did the Kresge Foundation would provide the remainder after some agreed upon stipulations were met.

- **Matching Grants**—When awarding a matching grants, a funder agrees to pay an organization a specific amount of funds to match (i.e. $1 for every $1 raised, $2 for every $1 raised, etc.) what you raise in a defined period. Generally speaking, matching
Grants are not awarded contingent upon any set conditions and are usually awarded for defined amount. For example, PBS commonly uses matching opportunities during their Spring Fundraising Drive. For every $1 that I donate, one of their donors or sponsors will match my gift $1 for $1. Last year my local station had a $3 to $1 opportunity, and it spurred me to call in my returning membership because I knew it leveraged such substantial money from other sources.

The Circle of Service Foundation in Chicago is an excellent case in point. They provide challenge grants based solely on the amount of new, private funds an organization raises during the grant period. They provide $1 for $1 funding for every new dollar raised because they believe challenge grants help nonprofits attract new donors, improve board participation, and re-engage lapsed donors, among other benefits. That’s a ringing endorsement for using matching and challenge grants in any campaign but is especially helpful in major, multi-million dollar capital projects.

In the final analysis, challenge and matching grants are quite similar. The timing is one way to differentiate between the two. If the opportunity is at the beginning or end of the campaign, it is usually a challenge grant (unless they are used to shore up a campaign that is failing). Matching grants are more commonly an ongoing effort throughout the project. You should consider either or both of these grant opportunities for your next capital campaign.

**Bottom line**

There are capital grants available for your project, but they cannot stand-alone. Integrate your grant seeking within the broader development plan, and you will secure more grant funding for your capital project.