



***“Just a Thought....”***

## ***Naming a Building***

There are a number of things to consider when a nonprofit institution seeks or is offered an opportunity to “name” a new or existing building in return for a donor’s generous gift commitment.

A key consideration is that a naming gift does not represent a donor’s ownership interest in the building, new or existing, but rather provides the institution a distinctive opportunity to honor the donor/donor family in a special way.

### **Institutional Considerations**

#### ***Gift Level***

Many large institutions set a naming gift level at 50% of the cost of a building as a guideline for discussions with potential donors. While institutions may establish a lesser gift level, often based on their judged potential to secure large gifts, these levels tend to set the standard as well as donor expectations for other prominent recognition opportunities.

#### ***Cash Commitment***

For building construction or major renovation, the availability of cash to pay related bills is an important consideration. The less cash available in a timely manner from a naming gift commitment can result in higher interest costs for external financing or operating budget pressures resulting from internal borrowings.

#### ***Pledged Commitment***

Generally, a three- to five-year pledge is sought for a naming gift commitment. Obviously, pledge terms are based on thoughtful discussions taking into consideration a donor’s charitable intentions and financial circumstances.

While a 10-year cash pledge to name a building may be a thoughtful gift commitment, it is likely to put the institution in a difficult cash position as described above.

### ***“Packaged” Gift Commitments***

Sometimes a donor will offer a gift commitment to name a building consisting of a cash pledge with initial cash payment along with an irrevocable estate planned gift, and in some instances another valued asset such as real estate. In cases of a proffered “packaged gift” commitment, an institution’s clearly articulated gift acceptance policies are essential in judging both acceptability and intrinsic value of such a gift.

## **Consideration of the Details**

Well-intentioned gift commitments to name a building received in good faith by an institution can become problematic over time as a result of inattention to details during gift negotiations. For example:

### ***Defining Recognition***

Some considerations a donor may have expected, but the institution may have overlooked!

- Size and placement of donor name on building wall
- Named building incorporated into the institution’s published programs and materials
- Formal dedication reception honoring the donor
- Donor approval of gift announcement and press release

### ***Permanence of Recognition***

Understanding that if in the future – for example after 35 years - should the building require major renovation or removal for new construction, the donor name will be honored with a permanent plaque at the site, or the donor/donor family will be given the opportunity to renew a financial commitment to name the new or renovated building.

### ***Privileges and Perquisites***

Often special ticketing, seating and parking privileges and other such perquisites distinctive to the institution are nearly as important to a wealthy donor and family as is naming of the building.

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Given these considerations as well as others you likely have or will experience, the most important considerations arise in thoughtful discussions, and perhaps earnest negotiations, with donors over specific terms and conditions of their naming gift commitment.