

SPNN

| St. Paul |

CREDIT: SPNN

Fueling the impact and effectiveness of nonprofits with guidance, expertise, and capital.

LESSON

Be clear about whether a loan is the right vehicle for both the project and the organization. If so, “good” collateral isn’t critical to make a good loan if the leadership, strategy, and business model are strong.

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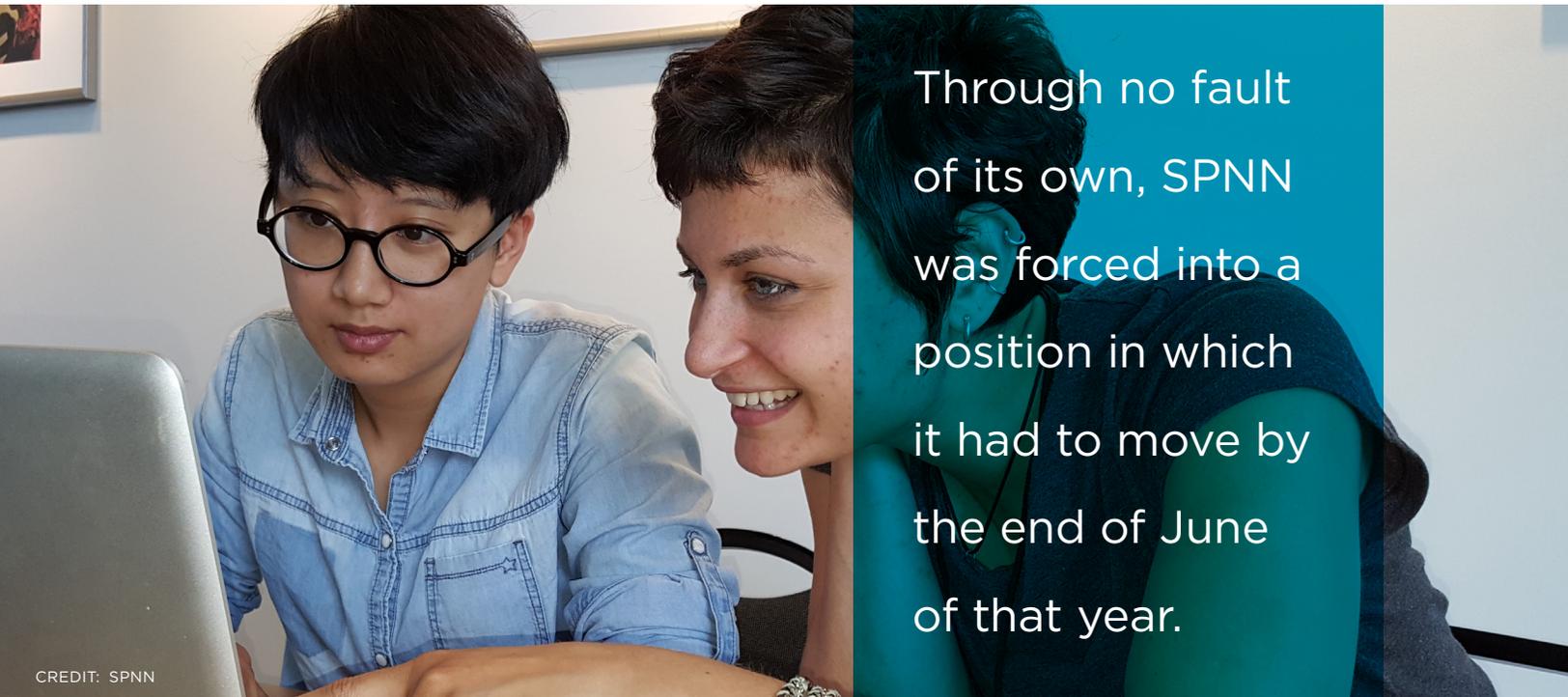
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Saint Paul Neighborhood Network (SPNN) is a nonprofit whose history of more than three decades has straddled some fascinating changes in public media. Founded in 1984 on the model of public access TV as a voice for its city's residents, it has seen major shifts both in St. Paul's demographic makeup and a digital revolution that have permanently altered the use of media to provide access for authentic community voices.

Over the past decade, SPNN has evolved with technology and the needs of the community. This evolution has been influenced by a long-term funding relationship with the City of St. Paul and Comcast. Another central element of SPNN's work, and a distinct source of revenue, has been its AmeriCorps Program Community Technology Empowerment Project (CTEP), with a mission of providing digital communications access (and digital literacy training) to low-income clients and persons with disabilities. Combined, these funding sources created a pathway for SPNN's year-to-year financial reality.

PAYMENTS DEFERRED

Through a franchise agreement with the City of St. Paul, Comcast is obligated to provide public, education, and government channels—a long-term, confirmed funding source for SPNN. This agreement, however beneficial over the long term, hit a snag in March of 2015 when negotiations over the latest agreement of these franchise terms led to SPNN being forced out of the space it had previously occupied. Through no fault of its own, SPNN was put into a position in which it had to move by the end of June of that year.



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“Part of this renegotiation schedule was that Comcast now was paying a percentage of its gross revenues [to SPNN],” says former executive director Chad Johnston. (Chad Johnston departed SPNN in May 2016, after this interview was completed. SPNN hired Martin Ludden as its new Executive Director.)

While Johnston points out that this renegotiated agreement would turn out to be a net positive for the organization, it also pushed back scheduled payments and ended a previous regime in which Comcast picked up the tab for SPNN's rent in a traditional building in downtown St. Paul. SPNN's board had been planning a move for several years, this new confluence of events necessitated more rapid action than most parties had envisioned.

GROWING SERVICES AND IMPACT

Propel Nonprofits worked with SPNN after a new home was identified: an 18,000-square-foot space in St. Paul's Creative Enterprise Zone. A 10-year lease was negotiated that included 12 months of free rent spaced out over four years. In order to fund this move, Propel Nonprofits approved a \$625,000 term loan and a \$100,000 bridge loan to cover the move, operations, and new technological investments.

"The reality, mission-wise, is that SPNN has grown our services and impact," Johnston says, adding that the move saw some resistance from partners who didn't see the need. "We knew that staying in the traditional office space downtown wasn't going to cut it. It was difficult to grow there, and we needed a space that could evolve as quickly as the technology evolves."

As part of this shift, SPNN conducted a deep dive into its business model. With technical and consulting assistance from Propel Nonprofits, spending realignment cut \$220,000 from the organization's operating budget. Still, collateral on the loan was weak, and this was the first time SPNN took on long-term debt. Financial forecasts were put in place that allowed its board to set aside funds for future technological upgrades as its membership needs evolve. Budgets for 2016 and the following year were based on financial discipline, combining cuts in expenses with diversifying revenue (although deferred government payments for CTEP and



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delays in payments from Comcast remain factors outside of SPNN's control).

"The numbers now look pretty good," says Johnston, pointing out that a capital campaign at the time raised \$475,000 as well. "The funding community recognized that this was a unique situation, and if they didn't step up now we might not continue to be around."

LOANS CUSTOMIZED TO THE SITUATION

Because of strength in leadership, strategy, and business model, Propel Nonprofits ascertained that its loan was right for SPNN despite an absence of "good collateral." Part of the appeal of the new space was its location in the Creative Enterprise Zone, a complex of industrial buildings that has become a model of placemaking. SPNN's spacious, technologically vibrant headquarters rubs shoulders with Propel Nonprofits client FilmNorth (for whom Propel Nonprofits also provided financing for leasehold improvements), art studios, a theater company, a brewery, architects, and a marketing agency in a fluid, creatively vibrant environment that is converting

a previously unused space into a hub of commerce and creation.

“Propel Nonprofits saw what I saw when I started with SPNN,” Johnston says. “Which is that the organization is really at a crest. We’ve reached a certain level of maturity as an organization at which we’re poised to make some cool [stuff] happen. We’re being truly Minnesotan—we’re humble and we don’t like to toot our own horns—but the things that are happening here are being recognized all over the U.S.”

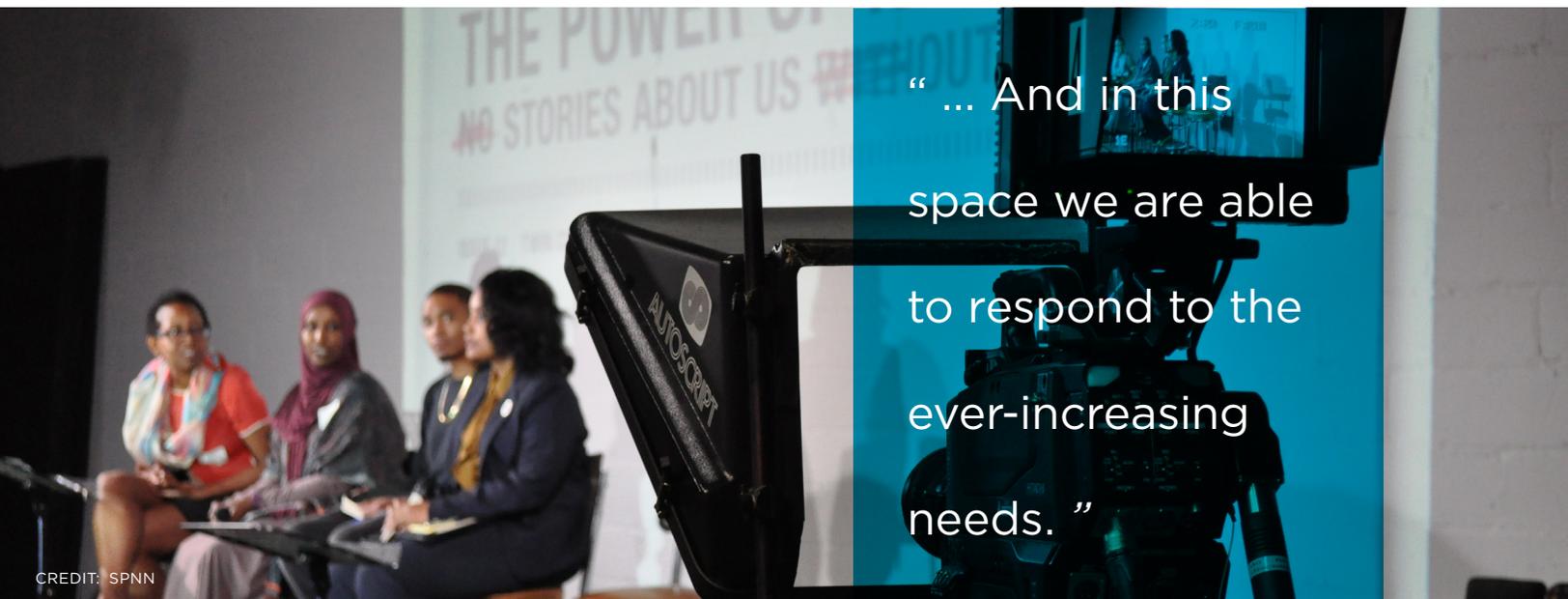
A SPACE TO CALL HOME

These include digital communications initiatives with projects serving Hmong Americans, interfaith outreach organizations, public libraries, adult education, housing initiatives, schools, and workforce centers to utilize SPNN’s technological assets and training resources to facilitate communication using the latest digital video technology. Youth classes and workshops serve young people after school and offer internships. The SPNN Access Department provides resources for community members

to create their own programs to tell their own stories, and classes include specialty workshops on documentary filmmaking as well as for-credit partnerships with Twin Cities colleges.

“One thing we hadn’t had was control over our own destiny in terms of place,” Johnston adds. “We serve people who are scared of technology and need a safe place to learn about it. We have youth who need a physical place to call home and feel connected. The process of making this very ethereal media is what makes it special. This space celebrates and explores that in a very public way, through all of the connections happening all through this physical space.”

With its own unique set of circumstances, SPNN has been able to avail itself of assistance to approach its mission with renewed vigor. “We have this distinct niche in the nonprofit sector,” adds Johnston, “and it becomes more and more relevant as technology increases and the need to communicate increases exponentially. we are able to respond to the ever-increasing needs.”



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LOAN INFORMATION

Relationship Since	2013
Loan Purpose	Leasehold improvements, equipment, furniture and moving costs
Structure	Co-lending with IFF: \$625,000 term loan
Collateral	A total of \$329,000 in collateral
Underwriting Considerations	Flexible term, pro forma projections, lack of collateral
Risk Mitigation	Co-lending with IFF, business model, confirmed grants, strong relationship between SPNN and Propel Nonprofits
Technical Assistance	Monthly meetings and cash flow projection assistance

ORGANIZATION INFORMATION

Budget	\$2,300,000
Number of employees	15
Impact	Programs reach low-income individuals, new immigrants, residents with disabilities and work with them to tell their stories.

Propel Nonprofits' mission is to fuel the impact and effectiveness of nonprofits with guidance, expertise, and capital. Propel Nonprofits was created from the merger of Nonprofits Assistance Fund and MAP for Nonprofits. It serves nonprofit organizations in Minnesota and the adjacent states of Wisconsin, Iowa, North Dakota, and South Dakota.



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