



Share|Starter

How to Start a Lending Library

Frequently Asked Questions

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Lending Libraries: Frequently Asked Questions



Structure

Do I need to be a 501c3?

If you're a non-profit, you probably want to consider either seeking 501c3 status or working with a 501c3 as your fiscal sponsor. You can also operate under any of the other structures outlined in the general guidelines.

How do I find a fiscal sponsor?

You should look for organizations whose mission may echo your own and approach them about becoming your fiscal sponsor. Essentially, you're asking to become a project of that organization and so not all organizations will be open to that. Considering that they usually receive a fee, however, some organizations serve as fiscal sponsor to a number of projects.

How much will a fiscal sponsor charge?

Fiscal sponsors generally charge between 5-12% of all funding they process. But you might get lucky and find an organization that prefers to just take you on as an essential program and requests no fiscal sponsor fee at all.

What's the difference between a tool library, a tool bank, and a tool rental shop?

Depends who you ask, and isn't really that important anyhow so feel free to call yourself whichever sounds best.



Funding

How much does it cost to start a tool library?

Tool Libraries can definitely be started on the cheap through volunteer labor, donated tools, and a generous landlord. A well supported tool library, however, could cost between \$10-20K in the first year. Inevitably, most of the cost will depend on whether you decide to have employees and how often you plan to be open.

How do I find the initial funding?

There have been as many different sources for tool library funding as there are tool libraries. Government funding through public grants, however, seems to be the most popular. Other tool libraries have raised initial funds through sponsorships, private loans, and such tactics as offering lifetime memberships to generous donors.

How does a tool library become sustainable?

There are a number of common revenue streams that can easily support a tool library as it grows and develops. These include membership donations, tool sales, business sponsorships, class fees, late fees, and more. In addition to these forms of self-financing, tool libraries frequently also pursue a variety of grants, both public and private.



Staffing, Steering Committee, & Volunteers

How many employees will I need?

Some tool libraries operate with an all volunteer crew while others have two full time employees. Much of your decision will depend on your open hours, the dedication and availability of your supporters, and the size of your operation. By following some of the guidelines in the Staffing section, you should be able to come up with a decent understanding of your needs.

What the difference between an employee and a contractor?

It may vary a little by state, but basically an employee is someone who works with set hours, has a list of job responsibilities, and is instructed on how to complete those responsibilities. A contractor, on the other hand, is simply given deliverables that they must complete by a set deadline. It's rather common for small projects and organizations to categorize all workers as contractors, since it's much easier and the projects don't have to cover payroll taxes. Usually, though, this is stretching the rules a bit, if not breaking them entirely.

Could the projects' steering committee or board of directors be held liable should an accident occur?

Anyone can sue you for anything at any time, even if they're wrong. That'll always be true but it doesn't mean they'll always win the case. In this instance, it's important that the steering committee and board of directors are properly indemnified in the parent organization's articles of incorporation. If your tool library is simply a project of a larger organization, be sure to check with that parent organization to make sure that this is clearly stated in their articles. Obviously, in addition, you also want to make sure everyone signs waivers and be certain that you're properly insured. If you have access to legal advice, use it. We've never heard of a tool library being sued, but that's no reason to take this subject lightly. The risk is definitely there.

Can I trust volunteers to handle cash donations?

Nevermind the money. You shouldn't have any volunteers involved with your project who you don't trust. That said, you can always request that volunteers consent to a background check before handling any of the financial aspects. Additionally, you should definitely incorporate internal controls that ensure no one person is processing and overseeing all financial donations, especially cash donations.

Insurance

Where can I find insurance for a tool library?

Sometimes a tool library program can simply find insurance through its parent organization or fiscal sponsor. If that's not possible, it might be best to find a good insurance broker who can walk you through the process and find an insurance company that's right for you. See the insurance section above for some recommendations.

How much will insurance cost?

Depending on how you set it up, insurance for a modest sized program can cost between \$500-\$2,000. A lot of this will depend on how much business you conduct and if you're working with a larger organization.

Am I liable if someone hurts themselves with tools I've lent them?

If you avoid intentional negligence and have your members sign waiver forms, you probably can't be held liable. As part of your startup process, though, you should definitely consult a lawyer, especially as laws vary from state to state.

Inventory Management

How do I track the tools?

There are a couple really great inventory services that were specifically built for tool libraries. [Local Tools](#) has been around a couple years and has a ton of features. The second, [Tool Librarian](#), is relatively new but still seems to have enough built into it to get the job done. For a better description, see the comparison in the Inventory section of the Guidelines.

How long should I lend tools out for?

Some tool libraries lend by the day and some for a week at a time. Others just say to bring it back when you're done. Unless you're planning to be open 5-7 days a week, you should probably consider making the rental period a standard week.

Should I expect tools to come back broken?

You should always expect it, but it doesn't happen nearly as often as you might fear it would. Most libraries report that members often either get the tool repaired themselves or are fully ready and willing to compensate the tool library for damages.

What do I do when a tool isn't returned?

Whether or not you enforce it, it's a good policy to have set late fees as well as conditions that the borrowers may face if they don't return the tool on time. All of this should be in the Borrowers Agreement that members sign when they join. You should also make it a standard practice to track any delinquencies and consistently remind borrowers when their items are overdue. Some inventory services can do this for you automatically. If a tool still isn't returned after an extended period, you should consider the tool lost and write it off your books. Whether you choose to bring the member to small claims court to recover the value is a whole separate matter. Either way, you need to then revoke that members use of the collection at least until the matter is settled.

The Sharing Economy

Won't local rental shops and hardware stores be worried about a tool library?

Probably at first. And who would blame them? There are a number of ways that you can establish productive relationships with local businesses to ensure that the tool library's benefits aren't just limited to your members. Since tool libraries generally motivate an entirely new market of potential customers for these local businesses, innovative business owners will immediately see the opportunity. Other owners might need to see the program in action first.

How can I connect the tool library into the local economy?

Tool drives, business groups, sponsorships, & community programming are all great avenues for community connection.

Mentorship & Networking

Is there anyone who can answer more specific questions?

Share Starter has begun to set up a network of seasoned mentors from tool libraries that have been around for two years or more. We hope to match up these mentors with younger lending libraries that best match the mentor's experiences. As you've probably noticed from these guidelines and FAQs, the answers to a lot of these questions really depend on the characteristics of your unique program. There's no better way to get the exact answers you need than from someone who has succeeded with a program quite similar to your own. To request a mentor, please simply write to info@sharestarter.org with a description of your program, and we'll do our best to connect you.

Is there any sort of trade group or peer support network?

The best thing out there at the moment is The National Tool Library Google Group, which now has over a hundred members. It's a great resource for answers to your questions and also just to chat with other tool libraries.

Additionally, you should connect with other community networks even if they aren't exclusively focused on tool libraries or sharing. While these networks probably can't tell you which tools to acquire, they might be able to provide excellent community feedback, insight, and opportunities for marketing and outreach.

We're hoping to gradually develop a combination of these two so that best practices for lending libraries can be addressed in the same space as community needs. With any luck, that will allow for the best of the past to pave the way for those who have yet to even considered lending libraries.