

Making Space for the Nonprofit Sector

By China Brotsky

“At a certain point we realized that we were pouring program dollars into organizations that were severely hampered by not having decent facilities to work in or by having to move repeatedly. At the same time if we co-located organizations serving similar clients, they would be more effective at serving the community and the client population. That’s when we started our Buildings Program.”

—Michael Groza,
Marin Community Foundation

The Marin Community Foundation has purchased three buildings—one for youth programs, one for children and family services and one focused on justice. The foundation has supported the creation of MarinSpace, a local nonprofit, to operate the buildings and educate Marin nonprofits about facility issues. And the foundation is not alone. Across the country and even internationally, foundations are playing a leading role in creating quality, affordable, mission-enhancing workspaces for nonprofits.

These multi-tenant nonprofit centers (MTNCs) come in all shapes and sizes and serve many different kinds of nonprofit organizations. Their purpose is to provide affordable, stable work environments, to build capacity for the nonprofit sector, to support the missions of its tenant organizations and to provide much needed community meeting and performance space. They are composed of multiple, primarily not-for-profit, tenant organizations in one or more buildings. Often the space is shared with retail for-profit commercial facilities or housing.

This innovative model is emerging in response to challenges the nonprofit and philanthropic sectors are confronting in securing and maintaining quality, mission-enhancing work environments. These challenges include:

- spiraling rents and displacement, most serious during boom economic times;
- operating in low-quality, outdated facilities

inaccessible to clients who rely on public transportation; and

- isolation from colleagues and lack of visibility for important programs.

The executive director of a well-respected California program for at-risk youth, in telling his story of moving his program four times between 1999 and 2003, explained: “How can I bring stability to the lives of the kids we serve, the very thing they need most, if I can’t even create it for my staff or program?”

Multi-tenant Nonprofit Centers

As nonprofits look for cost-effective ways to build quality infrastructure, MTNCs make increasing sense. Core benefits include:

- stable and affordable rents;
- highly visible facilities that enhance the mission of their tenant organizations;
- cost efficiencies through shared services and back-office infrastructure; and
- the potential for cross-organizational programmatic collaboration.

But the benefits of MTNCs also flow directly to the community. Recent experience across the country has shown that place-based centers can become dynamic hubs for the community to meet and organize. MTNCs also facilitate more effective delivery of services by organizations sharing space in one building. As an example, the Fairhill Center in Cleveland is combining the social service agencies in their building with a “Kinship Village”—housing for elders raising children. MTNCs can serve as catalysts for community economic development—a rural North Carolina MTNC added for-profit tenants who offered apprenticeships to clients served after tenants collaboratively analyzed the county’s economic situation. The Foundation Incubator in Silicon Valley, for example, provides education services to its resident foundations as well as other small funds

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in the area.

Cross-sector focus is one of the key strengths of MTNCs. Recent educational conferences have included presenters from the nonprofit, philanthropic, government, and for-profit real estate and financial sectors. Rather than nonprofits and foundations reinventing the wheel of real estate expertise, in many cases MTNCs have partnered with real estate professionals supportive of the needs of the nonprofit sector. Federal and local officials have also explored the model of MTNCs in furthering government program objectives.

Philanthropic institutions have been in the forefront of developing this innovative model, finding it an effective new way to support existing program initiatives. In Detroit, the Hannan Foundation converted a former hotel into a center housing organizations serving the low-income aging population. In Dallas, the Meadows Foundation renovated a decaying and abandoned historic neighborhood and filled the buildings with organizations working on nonprofit capacity building, a key program area for the foundation statewide. In New York City, the Tides Foundation is working to create a center for human rights organizations that would house its grantees.

This growing trend has special applicability for foundations interested in community economic development, social justice organizing, nonprofit organizational effectiveness, and environmental sustainability and advocacy. By helping to create centers with a focus in the foundation's program area, philanthropy is creating the infrastructure to support movements as well as

individual organizations.

The Opportunity of Nonprofit Real Estate

Very few foundations think about investing in real estate capacity for nonprofits. Many exclude capital expenditures in their guidelines. But more and more are realizing the enormous leverage such funding can create and how a relatively small investment can have a disproportionate positive impact. The leverage stems from the realities of both nonprofit operation and the real estate market.

Almost every nonprofit organization larger than one staff person needs space to operate and spends rent dollars for its operation. This money most often goes into the for-profit real estate market. The concept behind MTNCs is that with (affordable) rent dollars going to pay off the debt in a nonprofit facility, nonprofit resources are leveraged for the long term to increase capacity in the sector. Rather than repeatedly being used for rent subsidies or getting caught up in the debate between program and operations support, foundation funding, with the methods described below, can make the acquisition of that building affordable. The result is long-term infrastructure cost savings, more dollars available for programs in nonprofit budgets and programmatic benefits from increased collaboration. This kind of operating support leads directly to the services and advocacy that are needed by communities seeking positive social change.

The Role of Philanthropy

Because of their mission and structure, MTNCs can provide a unique opportunity to

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The Tides Foundation's Thoreau Center for Sustainability in San Francisco's Presidio National Park currently houses more than 50 organizations working in the areas of social, environmental and economic sustainability and is itself entirely self-sufficient because of the rents it receives

Resources

The Under One Roof Project at the University of Michigan has a current directory of MTNCs. www.ssw.umich.edu/underoneroof/.

The NonprofitCenters Network's Online Resource Center is at www.nonprofitcenters.org.

Brody, Weiser, Burns has many resources on program-related investments on its Web site as well as information on working directly with client foundations. www.brodyweiser.com.

Michael Groza from the Marin Community Foundation is glad to answer questions at mgroza@marincf.org.

See information on the Thoreau Center for Sustainability at www.thoreau.org.

Calvert Social Investment Foundation is an intermediary facility that works with foundations to enable program-related investment into nonprofits. www.CalvertFoundation.org. E-mail: foundation@calvert.com.

combine philanthropic capital with traditional capital campaigns, community loan funds and commercial bank financing. Besides directly owning and operating centers, philanthropy can play a variety of important roles in contributing to the development of this growing field:

- Program-related investments, defined as below-market, low-interest loans, can be combined in innovative ways with commercial mechanisms like traditional bank financing and tax credits to keep the carrying costs of buildings low and the rents affordable. Program-related investments, currently being used extensively in the areas of job creation and low-income housing, could be an important funding source for nonprofit facilities while meeting the payout requirements of the foundations involved.

With grants and program-related investments, the George Gund Foundation, as part of its environmental grantmaking, supported the creation of the Cleveland Environmental Building to house local organizations in a building renovated using green design.

- Loan guarantees are another option. The San Francisco Foundation has recently begun a loan guarantee program for its grantees, a technique also used successfully by the David and Lucile Packard Foundation.
- Seed money grants like the Kresge Foundation's Green Building Initiative provide needed start-up funding to make these projects possible.
- Loans and grants to community loan funds in a foundation's local area can also result in

important support for community facilities. For example foundation and city funding made possible the Nonprofit Space Capital Fund of the Northern California Community Loan Fund.

- Direct grants can be leveraged to support capital campaigns and to improve grantees' ability to borrow by improving organizational debt-to-equity ratios.
- Support for organizations like The NonprofitCenters Network (described below) or the Nonprofit Facilities Fund provides unique information and peer advisory resources specific to nonprofit real estate issues.

In the past, only the largest foundations have used these financing vehicles, but the development of professional advisers to structure loan and program-related investment programs is making such options available to all sizes of foundations.

The Tides Foundation experience employs many of these elements. The Thoreau Center for Sustainability was conceived in 1994 as a multi-tenant center carrying out the mission of the Presidio National Park in San Francisco to be a global center for the solution of major world problems. It was an early example of combining green design with historic rehabilitation, as Tides conceived a building where tenants could "walk our talk" on the environment. Thoreau currently houses more than 50 organizations working in the areas of social, environmental and economic sustainability and is itself entirely self-sufficient because of the rents it receives. During the dot-com boom, as rents (and displacement) skyrocketed for Bay Area social change nonprofits, rents at the Thoreau Center stayed as much as

\$20 per square foot a year below the top rates being charged by the market.

Financing came originally from an innovative mix of commercial debt, historic tax credits and program-related investments from several foundations, including the Irvine Foundation and Tides. The center has now been refinanced using nonprofit tax-exempt bonds that guarantees its use as a nonprofit center for at least 30 years. The Thoreau Center contains both an organic restaurant and a small art gallery, and a full-time program coordinator carries out education and community-building among the tenants.

The Challenge of Nonprofit Real Estate

Even when individual nonprofits take on their real estate needs head-on, the lack of real estate expertise in the sector, the difficulties of leveraging capital resources, and the complexity of capital campaigns and managing real estate professionals create daunting challenges. Many nonprofit organizations continue to reinvent the wheel in developing the knowledge and resources they need to solve those challenges. The good news is that in the last few years practitioners of multi-tenant centers, along with their philanthropic and for-profit partners, have come together to create The NonprofitCenters Network to carry out education on how to create and operate an MTNC. Operating as part of the real estate initiative of

the Tides Family of Organizations, the network has held national conferences and created an online resource center (www.nonprofitcenters.org). A regional gathering in Cleveland will take place May 6-7, 2004. With the support of the network, a growing movement of entrepreneurial nonprofits and foundations are building strength through collaboration.

The network has documented more than 120 MTNCs across the nation. They serve a diverse array of clients, include a wide variety of facilities, and are located in many different types of communities. They house direct services and advocacy, and offer affordable meeting, gallery and performance space. As different as they may seem, they are all realizing a future in which every public benefit organization provides high-quality, cost-effective community services without the fear, programmatic disruption and financial burden of being displaced. While nonprofit real estate challenges can be daunting, foundations have a real opportunity to contribute to long-term solutions to nonprofit sustainability. ☺

China Brotsky is vice president of special projects for the Tides Family of Organizations and leads Tides' real estate initiative, including the Thoreau Center for Sustainability and The NonprofitCenters Network. She can be contacted at china@tides.org.

New NCRP Reports Offer Solutions to Improve Philanthropy



Prospects for a New Model of Workplace Giving in Miami-Dade, released in March 2004 by NCRP and the National Alliance for Choice in Giving, documents interviews with more than 60 local nonprofit, public and private sector leaders to test the possibilities for a new alternative fund in the Miami-Dade region. This publication is available for free.



Community-Based Public Foundations: Small Beacons for Big Ideas, released in January 2004 and underwritten by a grant from Changemakers, looks into a subsector within philanthropy committed to funding grassroots social-change organizations and promoting long-term social change. The report studied 192 community-based public foundations that raised more the \$202 million and gave out more than \$94 million in grants and assistance in fiscal year 2001.

To obtain more information, to make a membership contribution, to view these publications online or to order a printed copy using a credit card (Visa or MasterCard), please visit NCRP on the Web at www.ncrp.org. Publications cost \$25 per copy (\$12.50 for NCRP members) unless otherwise noted. NCRP also accepts checks. Mail checks to NCRP at 2001 S Street, NW, Suite 620, Washington, DC 20009. Kindly include your name, organizational affiliation (if any), mailing address, phone number and e-mail address—and specify which publication(s) you are requesting and the quantity, to ensure you will receive your order.