Northern California Grantmakers

COVID-19 Impacts on Nonprofit Real Estate

January 2021
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Background
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Nonprofits in the San Francisco Bay Area have long struggled to find and keep affordable space in the region’s red-hot real estate market. A 2016 survey of Bay Area nonprofits found the vast majority respondents had serious concerns about the negative impact of the real estate market on their long-term financial sustainability.¹ Since then, Northern California Grantmakers’ (NCG) Nonprofit Displacement Project has brought together nonprofits, funders, philanthropy, and private interests to advance solutions to the problems of affordable space for nonprofits. This wide-ranging work has addressed displacement through a variety of avenues - identifying and creating affordable space, technical assistance and capacity building to support nonprofits securing space, policy, and changes to funding practices to include the “real cost” of operating.²

The COVID-19 pandemic has brought a new array of space challenges for nonprofits. Nonprofits now face new challenges - renegotiating leases, shedding unused space, adapting spaces to meet physical distancing requirements, even expanding to meet increased demand for services. Even without the staggering economic consequences of the pandemic, the future of nonprofit workspace is in flux as many nonprofits have moved to remote working arrangements and are considering alternatives to the future of workspace.³

² https://ncg.org/nonprofit-displacement-project
In late 2020, in collaboration with Community Vision and the Nonprofit Displacement Project, NCG commissioned a survey to better understand how COVID-19 has impacted the operations and workspace needs of Bay Area nonprofits. NCG engaged Harder+Company Community Research to design and conduct the survey, which explored 3 core areas: how the pandemic has impacted Bay Area nonprofits’ programming and operations; impending eviction and financial concerns; and nonprofits’ future workspace plans. These findings will inform NCG and their partners as they develop strategies to support nonprofits in their current and future workspace needs.

The survey was distributed in December 2020 to 1,963 nonprofit organizations in the nine county Bay Area through e-mail lists shared by NCG and their partners, and a list purchased from Charity Navigator. NCG, Community Vision, and their partners promoted the survey through social media, and survey respondents were invited to share the survey link with fellow nonprofit organizations in the Bay Area.

A total of 294 nonprofits responded to the survey. While most respondents are headquartered in San Francisco and Alameda counties, they vary greatly in organization size, mission, and communities served. Because the survey sample is comprised primarily of nonprofits connected to the Nonprofit Displacement project partners, the survey responses should not be considered a statistically representative sample of nonprofits in the San Francisco Bay Area. Rather, the findings are reflective of the diversity of issues that nonprofits in the region are facing due to the pandemic.
Highlights
Highlights

The COVID-19 pandemic has had a disproportionate impact on Bay Area nonprofits, with some types of nonprofits more impacted than others. Nearly half (48%) of respondents have reduced their programs and services or stopped them altogether, and nearly a quarter (22%) have had to lay off or furlough staff. Arts and culture organizations, many of whom are small and rely on revenue from in-person activities, have been particularly hard hit in this regard. Other organizations, such as those doing direct service or policy / advocacy work, have expanded programs and services to meet a growing need.

Many respondents are working remotely, but still paying their rent or mortgage in full. Virtually all (97%) respondents took at least some of their programs and services online, yet the majority (75%) are still fully paying their rent / mortgage on their unused workspace. Of those who are not fully paying, 41% owe a back amount. These organizations are primarily arts and culture or education and research nonprofits headquartered in San Francisco and the East Bay. While most respondents (86%) do not have immediate eviction concerns, they cited financial support as the most helpful type of assistance in supporting their workspace needs. Other common types of support requested included assistance with negotiating leases, reopening strategies, and longer-term facilities planning.

The shift to remote work has prompted respondents to reconsider the future of nonprofit workspace. In the near term, 82% of respondents anticipate needing at least the same amount of workspace. However, nearly two-thirds (64%) anticipate moving to a hybrid work environment once the pandemic has abated, with at least some work remaining online. Respondents headquartered in the East Bay (54%), San Francisco (47%) and the Peninsula (47%) have a considerable appetite to share spaces.
Who responded to the survey?
Who responded to the survey?

Bay Area nonprofits responded to the survey.

About half of respondents have annual budgets under $1 million.

- Small ($0 to $1M): 48%
- Mid-size ($1M to $5M): 36%
- Large ($5M or more): 15%

Respondents work in a variety of subsectors.

- Arts and culture: 39%
- Direct / human service: 27%
- Policy / advocacy: 13%
- Economic / workforce / community development: 9%
- Education / research: 8%
- Philanthropy / intermediary / capacity builder: 3%
Who responded to the survey?

Respondents are mainly located in San Francisco and Alameda counties.

However, many serve constituents in counties throughout the Bay Area* **.

* 11% of organizations indicated that they do not have a specific geographic focus.
** Respondents could choose more than one option; thus, the total percentage is over 100%.
***Other includes: Los Angeles, Stanislaus County, Santa Cruz, and Monterey.
### Who responded to the survey?

39% of respondents are led by Black, Indigenous, or other people of color (BIPOC).

<table>
<thead>
<tr>
<th>Identity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American or Black</td>
<td>8%</td>
</tr>
<tr>
<td>American Indian or Alaska Native</td>
<td>1%</td>
</tr>
<tr>
<td>Asian American or Asian</td>
<td>16%</td>
</tr>
<tr>
<td>Hispanic or Latino/a/x</td>
<td>7%</td>
</tr>
<tr>
<td>Middle Eastern</td>
<td>1%</td>
</tr>
<tr>
<td>Mixed Race</td>
<td>3%</td>
</tr>
<tr>
<td>Native Hawaiian or Other Pacific Islander</td>
<td>1%</td>
</tr>
<tr>
<td>White (non-Hispanic)</td>
<td>61%</td>
</tr>
<tr>
<td>An identity not listed*</td>
<td>1%</td>
</tr>
</tbody>
</table>

*Identities not listed include: Jewish.
Who responded to the survey?

Respondents serve a diverse set of communities, with many exclusively serving Black, Latino, and other communities of color who have been disproportionately impacted by the pandemic.3

- **13 %** Serve communities of color exclusively
- **65 %** Majority served are communities of color
- **22 %** Communities served are neither exclusively nor primarily communities of color

“The public health and economic crises have had a disproportionate negative impact on organizations rooted in poor and working-class communities of color, so it is critical to prioritize these organizations rather than the predominantly white ones that have been prioritized historically. Otherwise, groups rooted in communities of color like ours might not survive.”

“The Black community was suffering before COVID. COVID just made it worse. Getting on our feet as a Black-led organization feels impossible. We keep going because of the important impact we are having on the community.”

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Who responded to the survey?

Most respondents occupy a single workspace.

- 6% None
- 53% 1
- 22% 2
- 19% 3+

About two-thirds of respondents rent their spaces.

- We rent our space(s) (include shared workspaces): 68%
- We have a mix of rentals and owned spaces: 13%
- We own our space(s): 9%
- Other *: 6%

*Other includes: Donated or in-kind space, vacated lease, etc.

Respondents vary greatly by amount of space they occupy, and the amount paid for that space.

Total square footage occupied

- Percentile: 25%
  - 800 sq.ft.
- Percentile: 50%
  - 2,100 sq.ft.
- Percentile: 75%
  - 6,000 sq.ft.

Average price per square foot*: $34.17

*Rent prices vary widely across markets and building types.

“It has been very costly to pay rent and utilities at a place where the staff don’t work while gearing staff up to be able to work from home”
How has COVID-19 impacted nonprofits’ operations and programming?
The pandemic has disproportionately impacted some nonprofits’ programming and services. Arts and culture and education and research nonprofits have reduced programs / services, while nonprofits in other sectors have sustained or expanded their offerings to meet an increased need.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Stopped or reduced</th>
<th>Same level</th>
<th>Expanded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts and culture</td>
<td>77%</td>
<td>5%</td>
<td>17%</td>
</tr>
<tr>
<td>Education / research</td>
<td>54%</td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>Economic / workforce / community develop</td>
<td>33%</td>
<td>30%</td>
<td>37%</td>
</tr>
<tr>
<td>Direct / human service</td>
<td>29%</td>
<td>33%</td>
<td>38%</td>
</tr>
<tr>
<td>Policy / advocacy</td>
<td>13%</td>
<td>41%</td>
<td>46%</td>
</tr>
<tr>
<td>Philanthropy / intermediary / capacity</td>
<td>20%</td>
<td>20%</td>
<td>60%</td>
</tr>
<tr>
<td>Total</td>
<td>48%</td>
<td>21%</td>
<td>31%</td>
</tr>
</tbody>
</table>

“We have greatly increased our services because of the need. It’s been a huge stretch for staff.”
How has COVID-19 impacted nonprofits’ operations and programming?

While most organizations have been able to maintain their staff size through the pandemic, respondents who had to reduce programs / services also had to lay off or furlough staff.

We are hiring additional staff because of COVID. 18%
We have maintained the size of our staff during COVID. 60%
We have had to lay off or furlough staff because of COVID. 22%

Most likely to lay off / furlough staff:
- Arts and culture: 32%
- Education and research: 38%

Most likely to hire:
- Economic / workforce / community development: 33%
- Policy / advocacy: 31%
- Direct service: 30%

“We haven’t fired or furloughed anyone but we are taking other austerity measures like slow backfills of positions which impacts our overall capacity to serve clients.”
How has COVID-19 impacted nonprofits’ operations and programming?

Nearly all respondents have taken their programs / services online. The shift has been harder for smaller organizations.

- We’ve taken all programs and services online: 47%
- We’ve taken some programs and services online: 50%
- All programs and services are still delivered in person or stopped: 3%

How has your organization navigated moving programming and services online? (show as % within category)

<table>
<thead>
<tr>
<th></th>
<th>Great! All administration and programs that can work online have successfully transitioned.</th>
<th>Getting there. We’ve shifted what we can online and are still working out the bugs.</th>
<th>Facing challenges. We’ve moved a little online, but need more tech support or money for tech investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Small ($0 to $1M)</strong></td>
<td>35%</td>
<td>45%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Mid-size ($1M to $5M)</strong></td>
<td>50%</td>
<td>43%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Large ($5M or more)</strong></td>
<td>62%</td>
<td>31%</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>45%</td>
<td>42%</td>
<td>13%</td>
</tr>
</tbody>
</table>
How has COVID-19 impacted nonprofits’ operations and programming?

And, some respondents raised concerns about their ability to reach their constituents virtually.

“While we have moved all staff and programming to 100% online, **it has been difficult** especially for our youth programs in regards to **keeping their attention and avoiding zoom burn-out**, and outreach for new participants.”

“We need grantors to understand that although we quickly pivoted almost all our programs on-line [...] many of the people we serve do not even have computers, internet, or available minutes on their phones [...]. We need help reaching the vulnerable populations we serve.”
What impending financial concerns do nonprofits face?
What impending financial concerns do nonprofits face?

Many respondents are working remotely, but still paying their rent / mortgage in full.

Overall, 75% are fully paying their rent / mortgage.
What impending financial concerns do nonprofits face?

While some renters have been able to negotiate with their landlord and secure a rent reduction or other new terms, others have struggled.

- We negotiated new terms with our landlord: 25%
- We recently ended our lease: 4%
- We are trying to break / end our lease early: 6%
- No changes: 51%
- Other*: 13%

* Other includes: Trying to negotiate with landlord, rent on as-needed basis, downsized space, etc.

“We asked for a rent suspension or reduction in April since we are hardly using the space, but were denied. (We were offered a rent delay but that does nothing.) So we are still paying full rent on a 5 year lease which began in 2019.”

“Our landlord has been completely inflexible to our desire to renegotiate our rent. She only offered to release us from our lease several years early (which is not what we want).”
What impending financial concerns do nonprofits face?

Of those not paying their full rent/mortgage payment, 41% owe a back amount.

Nonprofits led by BIPOC owe back amounts at the same rate as white-led nonprofits; however, BIPOC-led organizations are less likely to have that back amount be forgivable.

Percent forgivable for those paying less than full amount:

- 20% BIPOC-led organizations
- 48% Non-BIPOC-led organizations

Nearly all (88%) of the respondents owing a back amount are arts and culture or education and research nonprofits headquartered in San Francisco and the East Bay.

Median amount owed: $16,000
What impending financial concerns do nonprofits face?

Most respondents who rent their space (86%) do not have concerns that they will be evicted once the eviction moratorium is lifted. However, BIPOC-led organizations are more likely to be concerned than white-led ones. And eviction aside, some worry about how long they can retain their space.

“While our organization remains in decent condition, short-term, current circumstances are unsustainable. Additionally, our musicians are truly suffering, as their source of income has largely disappeared.”

“We will need to consider closing by the end of summer as our funds are running out [...] Even if we could resume operations as they were before COVID-19, we would not be able to make up the funds we have lost.”
What is the future of nonprofit workspace?
What is the future of nonprofit workspace?

Respondents are divided in whether they anticipate making changes to their physical space in the next 12-18 months due to COVID.

- Yes, 47%
- No, 53%

Of those who anticipate making tenant improvements, estimated expenses vary widely.

**Estimated expenses**

- 25%: $13K
- 50% (median): $35K
- 75%: $243K
What is the future of nonprofit workspace?

In the near term, most respondents anticipate needing the same amount of space — or more.

- Less: 18%
- Same: 56%
- More: 26%

“Over the past nine months, we have learned that we can still be productive as an organization while not being physically together.”

However, nearly two-thirds (64%) anticipate moving to a hybrid work environment once the pandemic has abated. Arts and culture organizations are the most likely to return to in-person work.

- Arts and culture: 42% Less, 57% Same, 1% More
- Education / research: 29% Less, 71% Same
- Economic / workforce / community development: 12% Less, 85% Same, 4% More
- Direct / human service: 29% Less, 69% Same, 1% More
- Policy / advocacy: 37% Less, 51% Same, 11% More
- Philanthropy / intermediary / capacity builder: 30% Less, 70% Same
- Total: 33% Less, 64% Same, 3% More

- We will return to having most or all our work being in person
- We will move to a hybrid environment with some work online and some in person
- Most or all our work will stay online
What is the future of nonprofit workspace?

Many respondents in San Francisco, the Peninsula, and the East Bay are interested in sharing space in the future.

“We are able to do more work remotely than we thought. We are very interested in sharing work space with other small non profits. Sharing more than space is possible as well [for example]- sharing back office positions such as HR, accounting, grant writer, etc.”
Where do we go from here?
Where do we go from here?

Respondents shared the types of assistance they would find helpful in supporting their workspace needs.

$ 46% Financial assistance

“We [...] anticipate needing financial assistance to close the gap created by capacity limits at public events when live public events are safe to resume again.”

46%

19% Assistance negotiating lease terms and rates

“It would be amazing if there were pro bono attorneys to help negotiate a discount on rent.”

19%

21% Assistance with space improvements

“[We need] space improvements for distancing and HVAC improvement for aerosol filtering.”

21%
Where do we go from here?

Respondents shared the types of assistance they would find helpful in supporting their workspace needs.

19% Space and facilities planning

“If someone could serve as a clearinghouse for all of the orgs that are hoping to downsize or upsize once we’re back in the office, that would be helpful”

“Our ideal situation would be to have a pro bono consultant who could hold our hand or help with some of the leg work in finding a new space versus just pointing us to resources.”

19% Assistance with reopening strategies

“There’s a possibility that our team won’t want to move back to a full-time office, but we will absolutely have a need for meeting space, gathering/event space, etc. that is flexible and affordable. Ideas and support from philanthropy to help us transition into the new normal would be hugely beneficial.”
Nonprofits have been resilient in maintaining services and supports to communities hard hit by the pandemic. But as Bay Area city governments face tough spending choices amid massive budget deficits, the nonprofit community needs support to navigate the uncertain future ahead.

“It has created a huge question mark as to what to do in the future...Uncertainty haunts us at every turn. And is forcing us to go into new directions with very little knowledge of how to do that and to wonder why we are trying to hold on to a past that may be an irrelevant way of operating in the future!”

Harder+Company Community Research works with public- and social-sector organizations across the United States to learn about their impact and sharpen their strategies to advance social change. Since 1986, our data-driven, culturally-responsive approach has helped hundreds of organizations contribute to positive social impact for vulnerable communities. Learn more at www.harderco.com.