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Status of Bay Area Nonprofit Space & Facilities

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community research

Contents

Background	2
Highlights	5
Who responded to the survey?	7
How concerned are Bay Area nonprofits about the future?	12
Do Bay Area nonprofits anticipate having to relocate?	17
How many Bay Area nonprofits have already relocated?	22
Where do we go from here?	27
Additional notes	30

Background

In recent years, the San Francisco Bay Area has experienced a rapid and dramatic increase in commercial real estate costs.

The national real estate firm CBRE recently reported that average rent for San Francisco office space has increased every quarter since mid-2010 and is now 122% higher than five years ago.¹ In a separate report, it found that “several years of fast growing, tech-dominated demand overwhelmed supply pipelines and resulted in all Bay Area markets becoming among the tightest in the nation.”²

In this challenging market, many Bay Area nonprofits have faced difficult decisions about whether and how to remain in their spaces.

According to the National Center on Charitable Statistics, slightly more than 34,000 nonprofit organizations are registered in the Bay Area counties of Alameda, Contra Costa, Marin, San Francisco, San Mateo, and Santa Clara.³ These organizations range from major healthcare, academic, and religious institutions to small community-based groups. In recent years, many of these organizations—large and small—have expressed concern that space is becoming more difficult to obtain or stay in.⁴

¹ CBRE Research, “Marketview San Francisco Office, Q2 2015.” Accessed February 2016: www.cbre.com/research-and-reports.

² CBRE Research, “Marketview San Francisco Office, Q3 2015.” Accessed February 2016: www.cbre.com/research-and-reports.

³ National Center for Charitable Statistics. Database search conducted February 2016: nccsweb.urban.org.

⁴ ABC 7 News. “San Francisco non-profits face financial crises due to skyrocketing rents.” Reported November 10, 2015. Accessed February 2016: abc7news.com/news/sf-non-profits-face-financial-crises-due-to-skyrocketing-rents/1078465/

In response to concerns about nonprofit space, a task force of public and private funders began meeting in August 2014 to share information and identify opportunities for action.

In late 2015, the task force determined that, in order to better understand the scope of the issue, a survey should be conducted among the grantees of task force members and other interested foundations.⁵

Harder+Company Community Research was engaged to design and conduct a survey that examined the recent and anticipated relocations among Bay Area nonprofits; whether certain nonprofits have been or will be more greatly affected by this issue; and the potential threat of this issue to Bay Area nonprofits' financial sustainability.

The survey was sent to 1,683 nonprofit organizations in Alameda, Contra Costa, Marin, San Francisco, San Mateo, and Santa Clara Counties in December 2015. All of these organizations received grant funding from at least one task force partner or partnering funder.

A total of 497 nonprofits responded to the survey. Together, they operate 846 unique locations in the Bay Area.

These organizations vary greatly in budget, staff size, and number of years in operation. Because the original survey sample is comprised of task force member grantees, the survey findings can be considered reflective—but not necessarily representative—of the overall nonprofit sector in the San Francisco Bay Area.

⁵ Task force members include the City and County of San Francisco, Community Development division at the Mayor's Office of Housing and Community Development; the San Francisco Arts Commission; The San Francisco Foundation; and Northern California Grantmakers. Other partnering funders include the Common Counsel Foundation; East Bay Community Foundation; San Francisco Controller's Office; San Francisco Grants for the Arts; Silicon Valley Community Foundation; Walter & Elise Haas Fund; William and Flora Hewlett Foundation; and Y & H Soda Foundation.

The vast majority of respondents have serious concerns about how the real estate market will affect their futures.

Most respondents (82%) are concerned about the negative impact of the real estate market on their long-term financial sustainability. Affordability appears to be affecting nonprofits similarly across areas of focus, size, and geography.

But nonprofits serving communities of color and low-income communities show an especially high level of concern for the future.

A majority of respondents (68%) think they will have to make a decision about moving in the next five years.

Most of those organizations (76%) cite affordability as a reason for such a move. More than half (57%) think that a move would lead to a decrease in the quality of their space. Roughly half (48%) think a move would lead to a decrease in revenue. A third (33%) of them think they would have to move to another city.

More than a third of respondents (38%) have already moved at least once in the last five years.

Of these, two-thirds (67%) say cost was a factor in their reason for moving. A notable proportion reported decreases in the quality of their space (30%) and a negative effect on their mission (20%).

Respondents identified ownership of their spaces and working in spaces designated for nonprofits as crucial options for weathering a challenging real estate market.

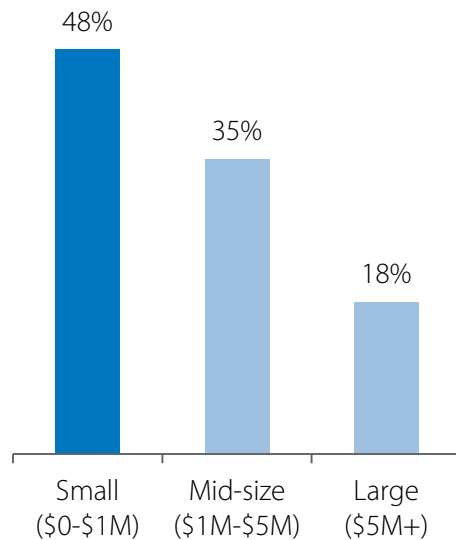
Who responded
to the survey?

Who responded?

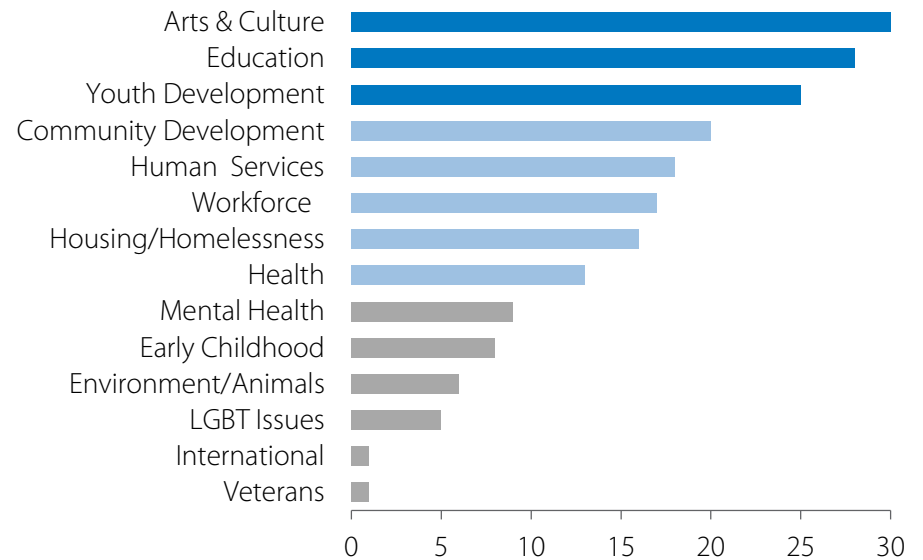
497 Bay Area nonprofits responded to the survey.

- All organizations were 2015 grantees of participating task force members.
- All respondents have locations in the six Bay Area counties identified by the task force: Alameda, Contra Costa, Marin, San Francisco, San Mateo, and Santa Clara.

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

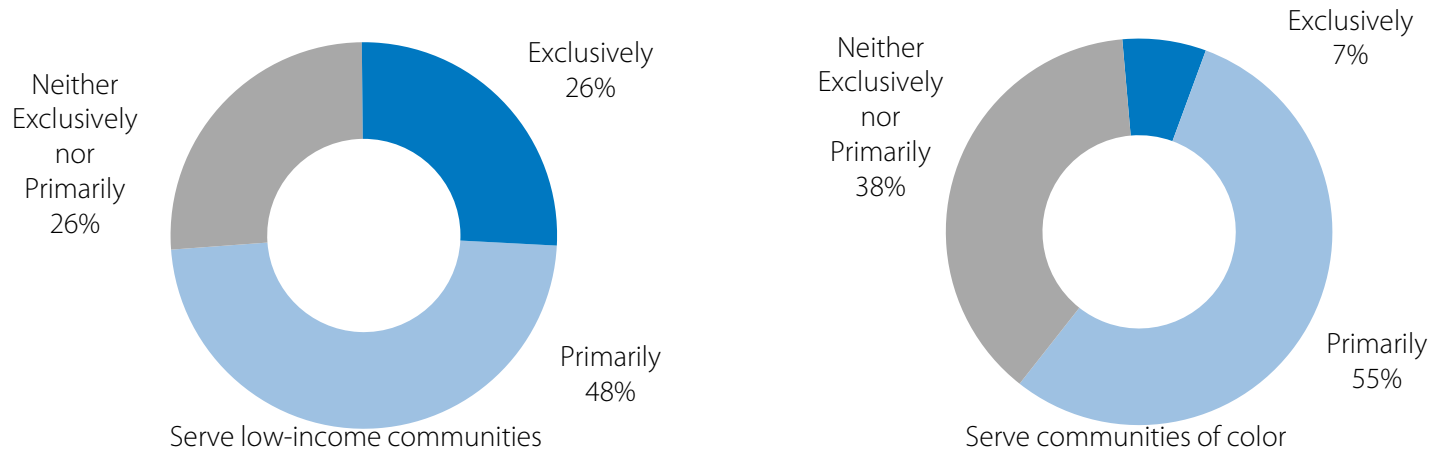


Respondents work in a wide range of issues areas.



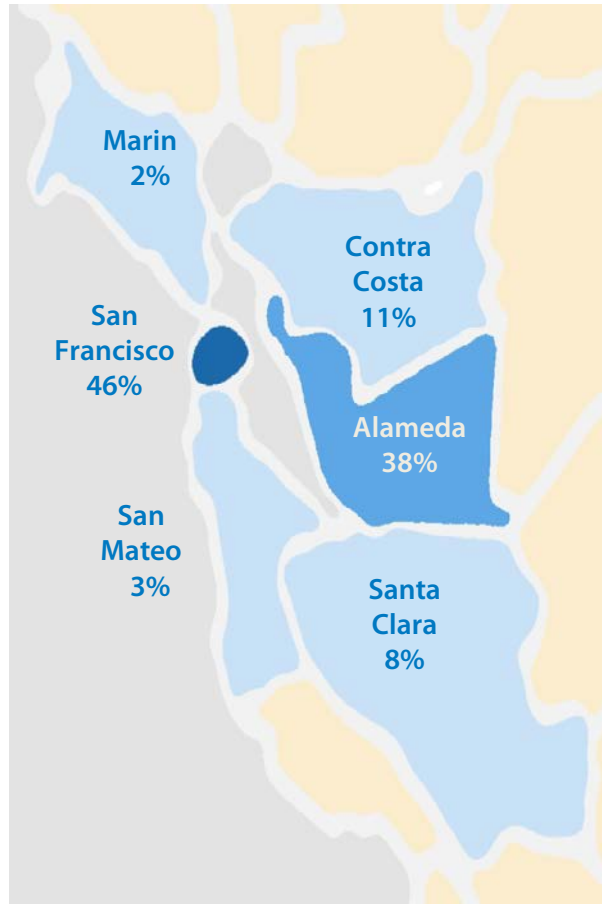
Who responded?

Many respondents exclusively or primarily serve low-income communities and communities of color.

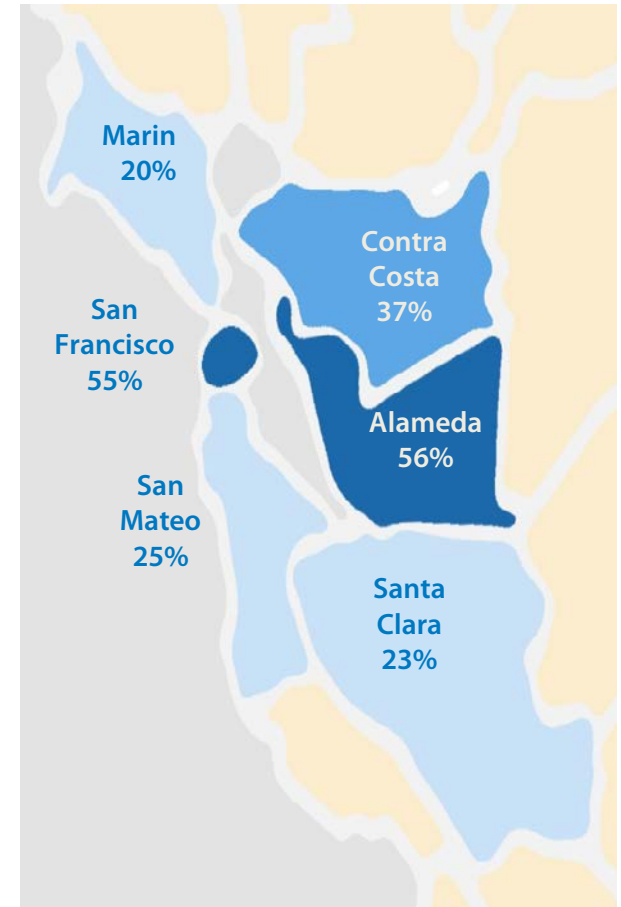


Who responded?

The proportion of respondents with locations in San Francisco County (46%) and Alameda County (38%) is higher than those with locations in other counties (Map 1). But many respondents serve counties where they do not have locations (Map 2).



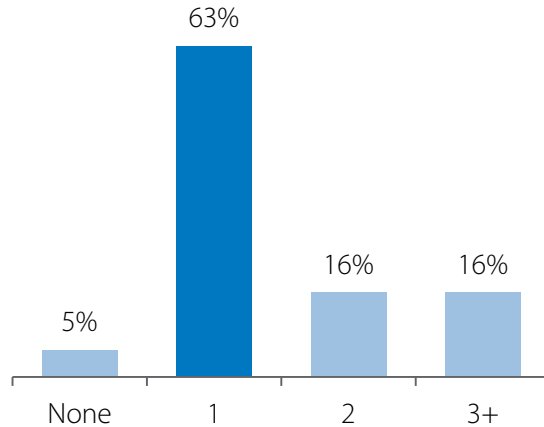
Proportion of organizations with at least one location in each county



Proportion of organizations serving each county

Who responded?

Most respondents have only one location.

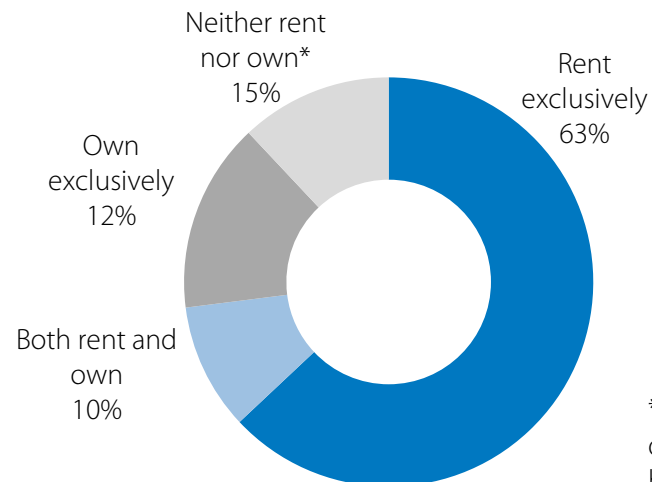


Respondents vary greatly by amount of space and amount paid for that space.

Median square footage occupied by respondents: **3,485 sq. ft.**

Median price per square foot paid by respondents: **\$1.47/sq. ft**

Most respondents exclusively rent their spaces.

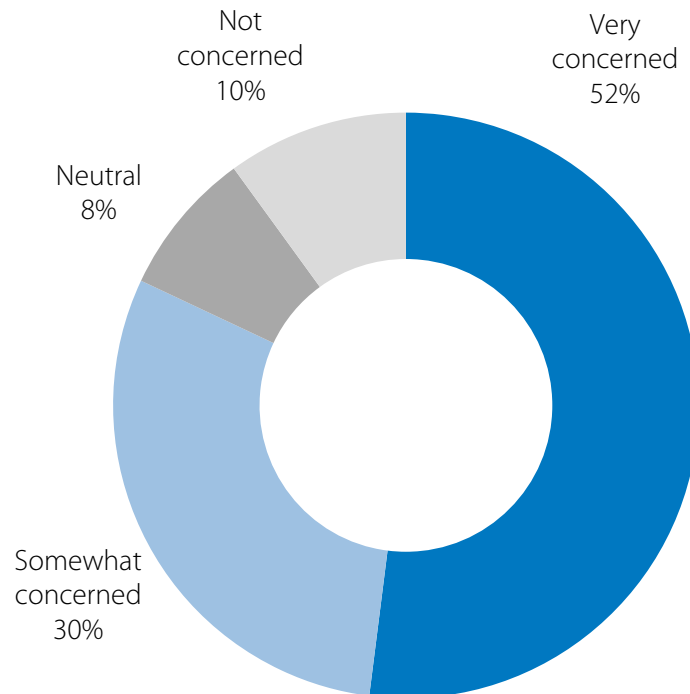


* Organizations that work in donated spaces or that do not have any permanent spaces.

How concerned are Bay
Area nonprofits about
the future?

Concerns for the future

A very large majority of respondents (82%) are concerned about the real estate market's effect on their long-term financial sustainability.

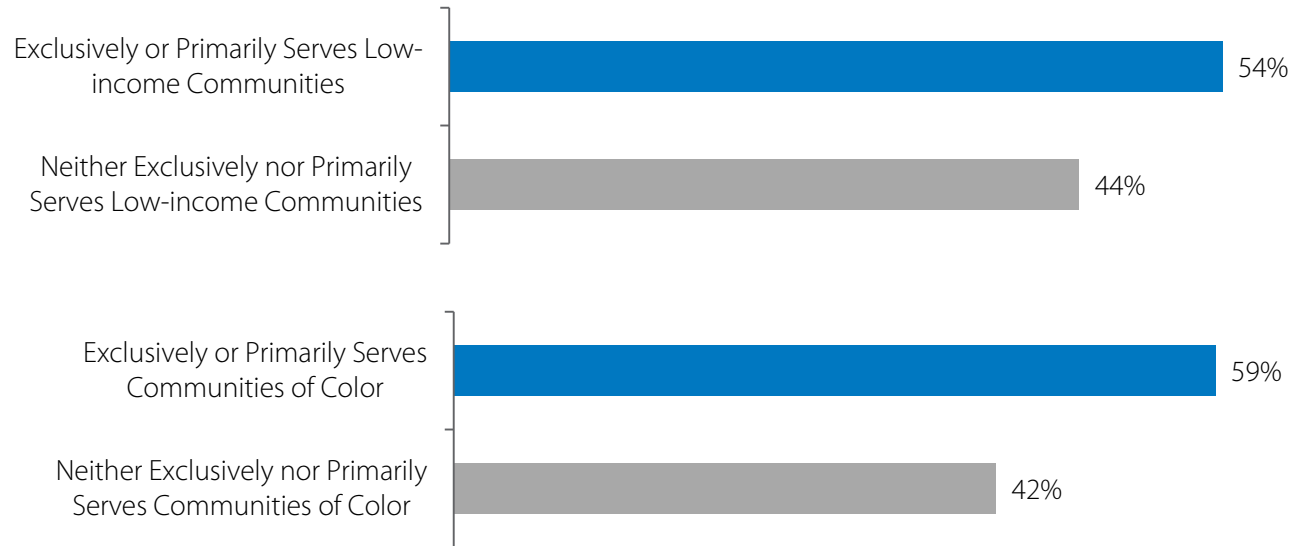


"It is extremely difficult to adequately plan for our future as a critical nonprofit—playing a key role in the lives of so many of our members and leaders—in the midst of the rising displacement in the Bay Area."

- Survey Respondent

Concerns for the future

Respondents serving low-income communities and communities of color are especially concerned about the real estate market having a negative impact on their futures.



Many respondents also stated concern about the the impact of the real estate market on their clients and constituents.

“The cost of housing drives our clients farther and farther away, which makes mental health and case management service delivery more challenging.”

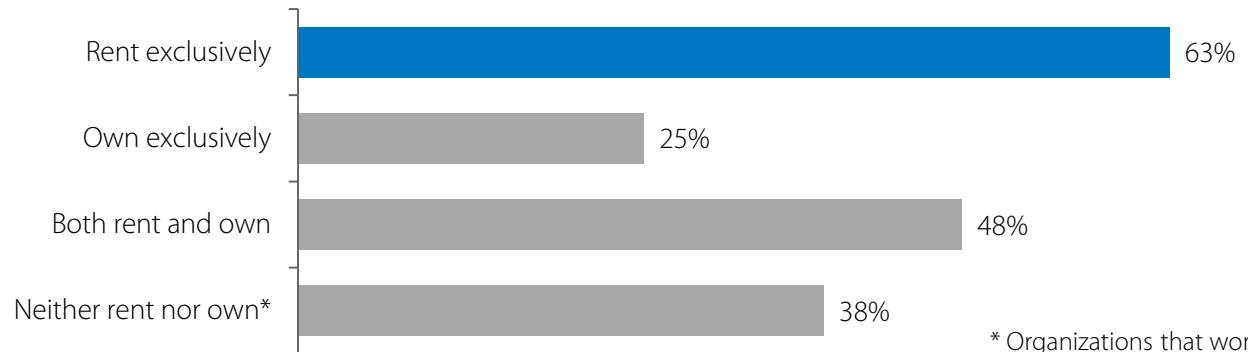
- Survey Respondent

“The market affects our organization’s sustainability, but more importantly it affects the families we serve—putting extra pressure on already stressed low-income families.”

- Survey Respondent

Concerns for the future

Respondents that exclusively rent their spaces are most likely to be very concerned that the Bay Area real estate market will have a negative impact on their futures.



* Organizations that work in donated spaces or that do not have any permanent spaces.

“This is a scary time. We have been fortunate thus far, but we know that our landlord could decide at any time to increase our rent to market rate. [...] Moving would have a HUGE impact on our capacity to continue serving the same constituents we have served year after year.”

- Survey Respondent

“Our building has recently sold. One potential buyer was under contract and absolutely stated he wanted us out ASAP in order to tear down the building in order to build a high-rise. The eventual buyer is ‘tolerating’ us but [...] he has absolutely stated our lease will not be renewed.”

- Survey Respondent

Concerns for the future

Organizations with at least one location in San Francisco are more likely to be very concerned about the real estate market having a negative impact on their futures.



"The concern is not just about us losing our space, but also of our constituents losing their space and no longer being in San Francisco to attend our events."

- Survey Respondent

"It would greatly impact our future if we had to move from San Francisco as 30% of our operating budget comes from city grants, and [we] would likely be ineligible for a new city grant."

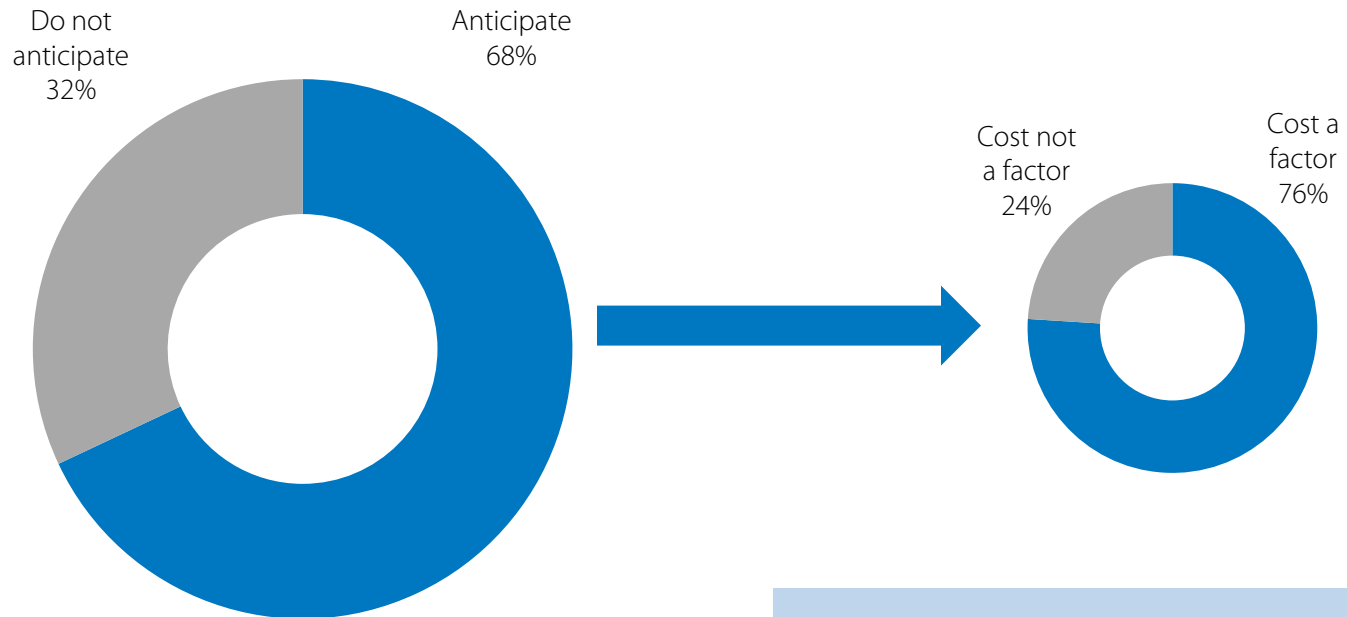
- Survey Respondent

Do Bay Area nonprofits
anticipate having to
relocate?

Anticipated relocations

More than 2/3 of respondents (68%) anticipate that they may have to relocate in the next 5 years.

Of those who anticipate a relocation, a large majority (76%) say cost would be a factor in their reason for moving.



"Currently, [we] will have to move by the end of February 2016. Our current landlord, who has provided us space since 2004, wants us out to build luxury housing."

- Survey Respondent

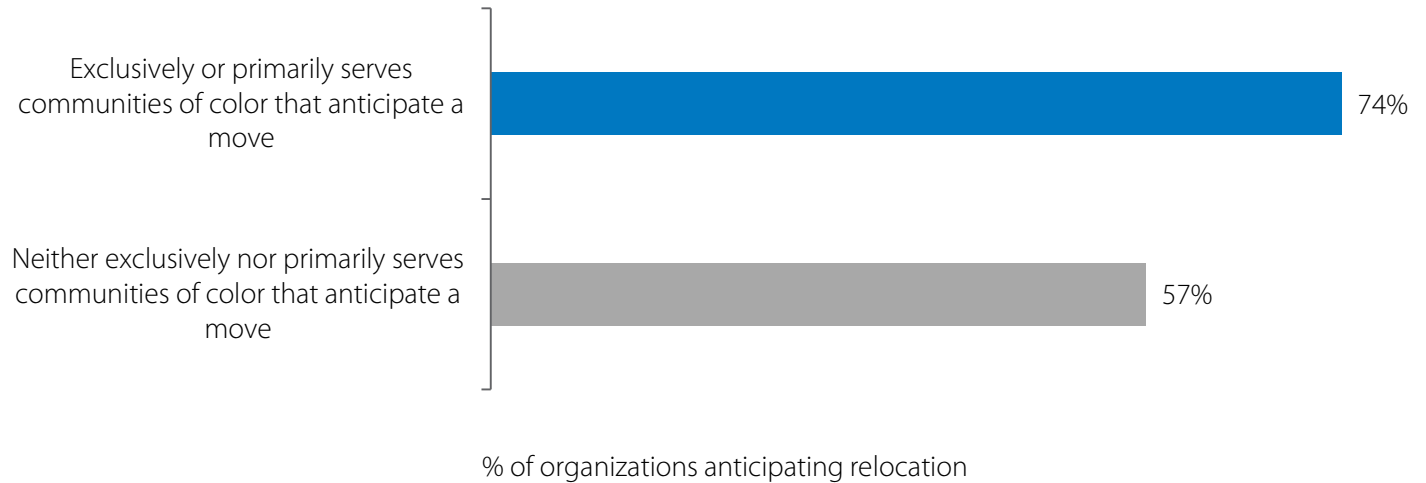
Anticipated relocations

The 68% of respondents anticipating relocation have many concerns about the effects of such a move.



Anticipated relocations

Nonprofits serving communities of color are more likely to anticipate making a decision about relocation.



“It is very difficult for African American agency leaders in Alameda County to get access to financial institution loans or real estate loans. [...] As is traditional for many African Americans that lack wealth, we could not qualify for a real estate or even a working capital loan. [...] The lack of access to working capital makes sustaining rent and rent increases almost impossible.”

- Survey Respondent

Anticipated relocations

Respondents with at least one location in San Francisco are more likely to have to make a decision about relocation.



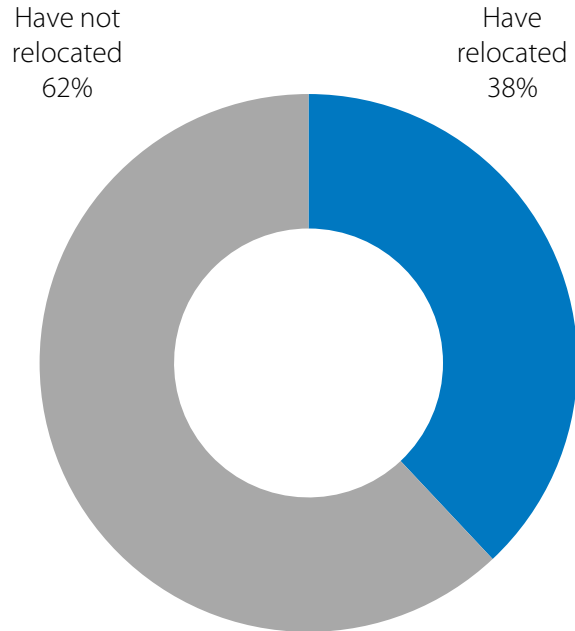
For each of their locations, respondents identified what year they anticipate having to make a decision about relocating.

70% of locations will require a decision about relocation by the end of 2017.

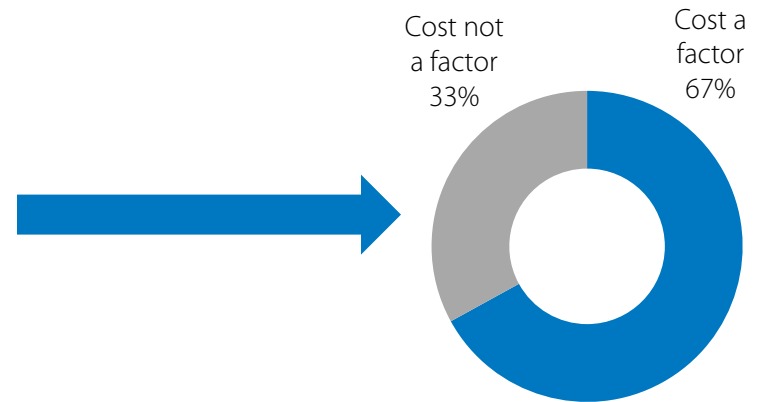
How many Bay Area
nonprofits have already
relocated?

Recent relocations

More than a third of respondents (38%) have relocated at least once in the last five years.



Of those who relocated, two-thirds (67%) say cost was a factor in their reason for moving.

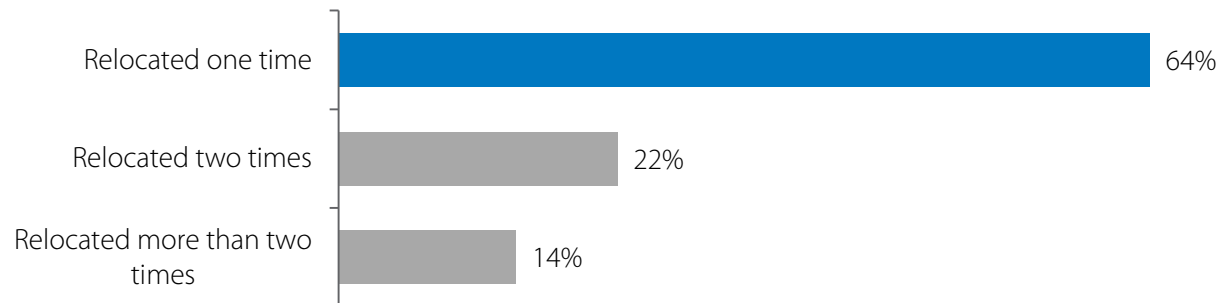


"We moved to avoid a doubling of our rent in the original location. The new location has affordable rent though it is not as well situated for public transit. This impacts clients, but also staff."

- Survey Respondent

Recent relocations

Most of the nonprofits (64%) that undertook relocations in the last five years only did so once.



Many respondents described the negative impact relocating has had on their work.

“The lack of quality office space resulted in a decreased staff capacity and quality in delivering programs and services. We did not have a home base anymore for staff to work together and for participants to come to.”

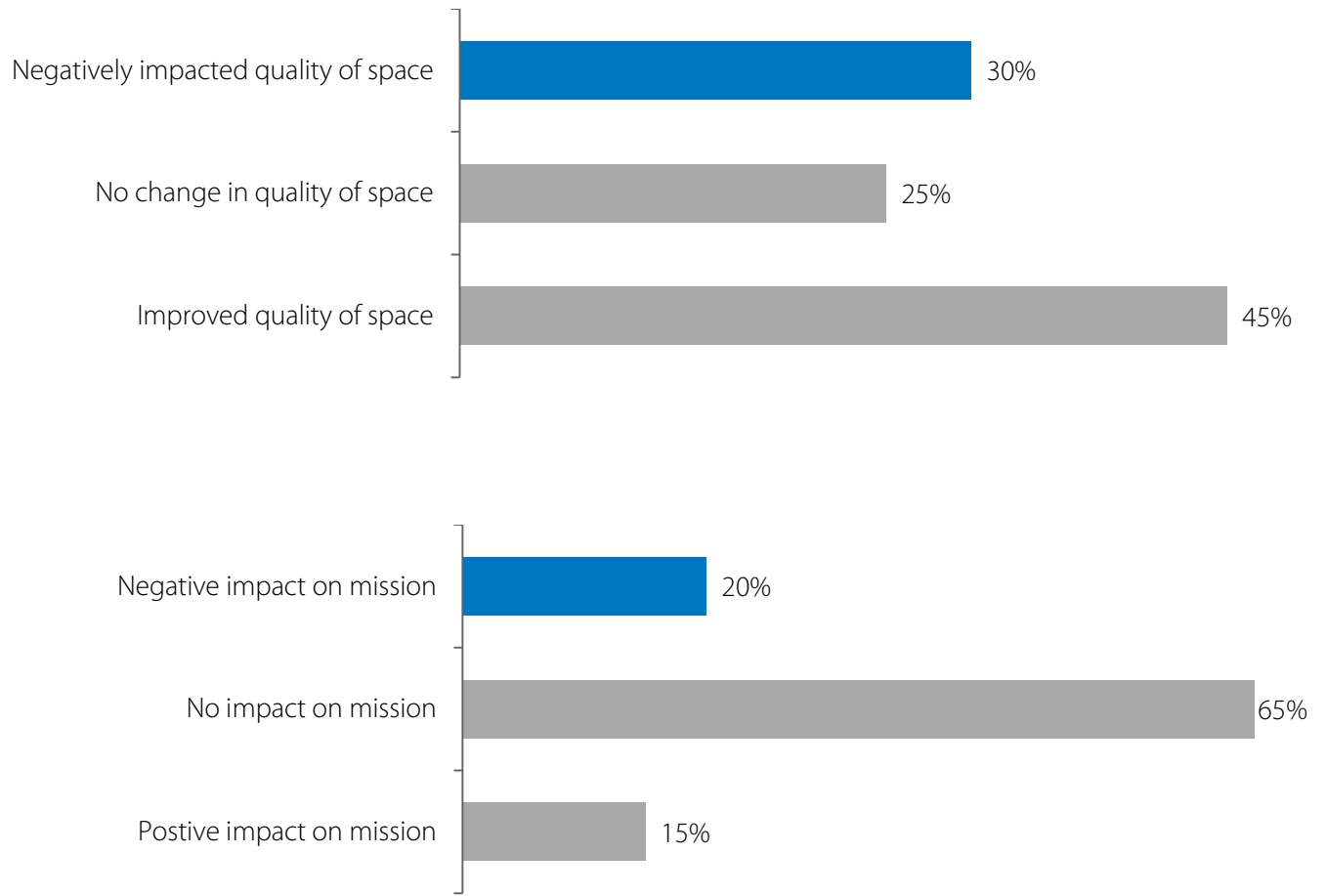
- Survey Respondent

“We serve youth from all over the city. Finding a space for them to come to where they can safely do so, from all parts of the city, is incredibly hard. Moving every year also makes it harder for youth to find us.”

- Survey Respondent

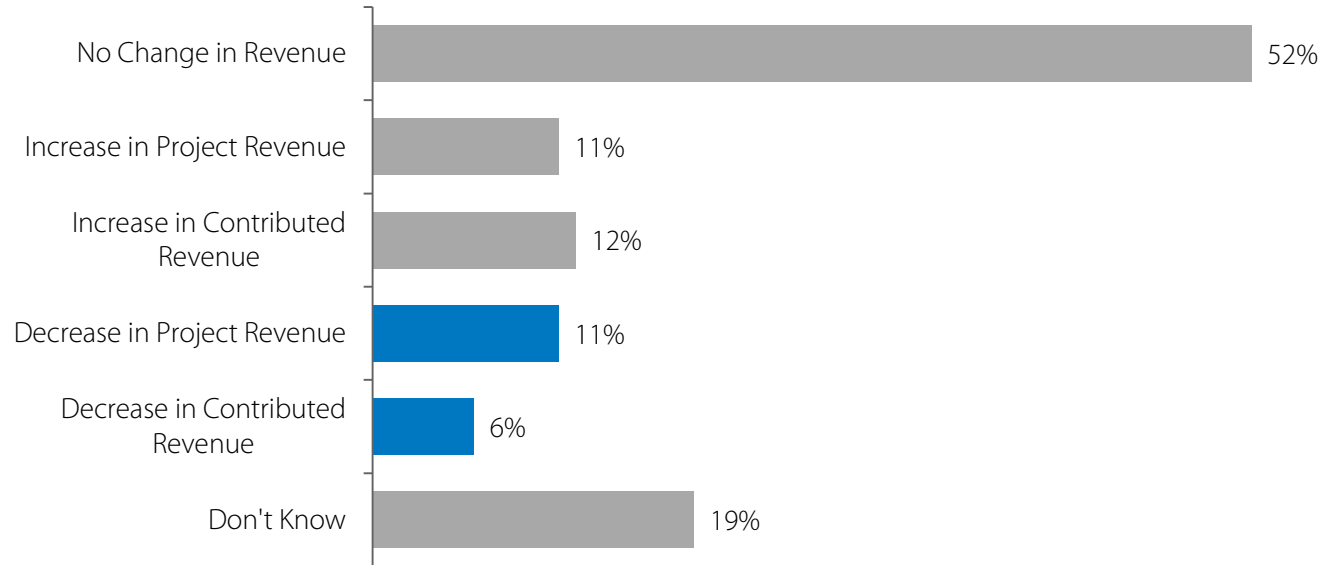
Recent relocations

Respondents undertook 285 separate relocations in the last five years. Roughly one in three moves (30%) led to a negative impact on quality of space. One in five (20%) led to a negative impact on the respondent's mission.



Recent relocations

Of the 285 relocations that took place in the last 5 years, a small proportion led to decreases in revenue.



“The lack of quality office space resulted in a decreased staff capacity and quality in delivering programs and services. We did not have a home base anymore for staff to work together and for participants to come to.”

- Survey Respondent

Where do we
go from here?

Where do we go from here?

Respondents have identified ownership of their spaces and working in spaces specially dedicated to nonprofits as crucial to weathering the challenges of the Bay Area real estate market.

Buying property, while difficult for many nonprofits, has provided stability to the respondents who were able to do so.

"[My organization] purchased our building in 2013 and now is in the silent phase of a capital campaign in order to renovate the building. If we did not purchase the building when we did, our future in our current location would be questionable."

"Our organization has been fortunate to own property for many years. [...] I would be very concerned about our financial health and ability to stay in the City if we were not in this situation."

Working in spaces dedicated to nonprofits has provided relief to some respondents.

"Being part of the 9th Street Consortium [in San Francisco] has made all the difference for us. [...] If we didn't have the 9th Street building I suspect we would be in trouble."

"We were extremely lucky to be offered space in the Sobrato Center for Nonprofits [in Santa Clara County]. If we were renting on the private market, space cost would be a huge burden and concern."

"More than 10 arts organizations now make their home at the Flight Deck [in Oakland] and we are starting to outgrow our facility. [...] Sharing is the only way any of this is possible."

Where do we go from here?

Task Force members have identified four key categories of possible solutions and responses to this issues.

Policy and Legislation

- Using zoning to create nonprofit space.
- Leveraging publicly owned property.
- Including nonprofit space in affordable housing developments.
- Creating developer and community benefits agreements.

Technical Assistance

- Providing financial and space planning.
- Identifying and evaluating potential spaces.
- Negotiating leases or purchase agreements.

Communications

- Raising the visibility of nonprofit displacement.
- Sharing and distributing research.

Funding Investments

- Supporting mitigation and acquisitions through grants, donor-designated funds, and PRIs (land and building purchases, rental subsidies, loan guarantees).
- Supporting nonprofit centers.

Additional Notes

Additional Notes

Level of Concern and Anticipated Relocation

Harder+Company Community Research conducted a number of additional analyses to identify any trends in level of concern or anticipated relocation based on geographic location of the nonprofit; whether or not the nonprofit occupies a permanent space; or whether the organization serves one or multiple counties. These analyses found that:

- The proportion of nonprofits expressing concern about the housing market and the proportion anticipating relocation does not vary greatly by whether or not the nonprofit occupies a permanent space or whether the nonprofit serves one or multiple counties.
- With the exception of San Francisco, the proportion of nonprofits expressing concern about the real estate market or anticipating relocation does not vary greatly by the geographic location of the nonprofit.
- For nonprofits with at least one location in San Francisco, 61 percent are very concerned about the effect of the real estate market on their financial sustainability compared with only 45 percent of nonprofits with no San Francisco location. Similarly, 72 percent of nonprofits with at least one San Francisco location anticipate having to make a decision about relocation in the next five years compared with 63 percent of nonprofits with no San Francisco location.

Additional Notes

Recent Relocations

The research team also found the following trends in the data on recent relocations:

- The vast majority of relocations reported in the survey took place within the same county—i.e., if an organization left a space in Alameda County, it likely relocated to another space in Alameda County. This was true for all six Bay Area counties.
- The proportion of respondents indicating that they have undertaken at least one relocation does not vary greatly by county (defined as whether they had at least one location in a given county).
- The number of relocations reported by respondents increased between 2011 and 2015. But over that five-year period, a clear upward trend has not emerged.
- Organizations with annual budgets smaller than \$1 million are more likely to state that relocation had a negative effect on the quality of their space.

This research was made possible thanks to the generous resources contributed by the following partners:

- City and County of San Francisco, Community Development division at the Mayor's Office of Housing and Community Development
- Common Counsel Foundation
- East Bay Community Foundation
- San Francisco Arts Commission
- Silicon Valley Community Foundation
- The San Francisco Foundation
- Walter and Elise Haas Fund
- William and Flora Hewlett Foundation
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- Northern California Grantmakers