Status of Silicon Valley Nonprofit Space & Facilities

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Background

The Bay Area economic boom is having dramatic, tectonic effects: deepening income and opportunity disparities are placing nonprofit and arts institutions at higher risk for displacement, further threatening to undermine the unique, vibrant character and culture that have been the legacy of our region for generations. While the real estate boom generates revenue and opportunity for the Bay Area, it places additional stress on nonprofits and the communities they serve who are struggling to remain in their neighborhoods. The kind of pressure the housing crunch is putting on individuals, is also being placed on nonprofits looking for affordable space. This has left many Bay Area nonprofits concerned about sustaining their work in the face of rising office space costs in the region.

Effective solutions require the public sector, philanthropy, financial institutions, and nonprofits to all be at the table. Northern California Grantmakers’ Nonprofit Displacement Project, which brings together Bay Area partners from these sectors, was formed in response to the ongoing threat to nonprofit sustainability posed by an unstable and increasingly expensive real estate market. The project seeks to support the long-term sustainability and capacity of nonprofit organizations in the San Francisco Bay Area by creating and preserving affordable, local space in fluctuating real estate markets.

The Nonprofit Displacement Project released the initial Regional Nonprofit Displacement Report in 2015, which looked at how nonprofits across 6 Bay Area counties were coping with rising competition for commercial real estate and the size of the threat to all kinds of services from food banks to social services to the arts. This report aided in gauging the severity of the inaccessibility of affordable space in San Francisco and the East Bay, however there were a limited number of survey responses received from Silicon Valley.

In order to gain a deeper understanding of the impact of the real estate market on nonprofits in Silicon Valley and their concerns about the future, NCG conducted a survey in May 2018 of nonprofits in San Mateo County and Santa Clara County. The findings of this survey will inform the Nonprofit Displacement Project as it develops responses to the issue, and will be used to engage local partners in advancing solutions.
Highlights

74% of respondents are concerned about the negative impact of the real estate market on their long-term financial sustainability.

A slightly higher percentage of organizations that serve low-income communities, communities of color, and those in Santa Clara County expressed concern about the future.

1/3 of the organizations have already had to relocate in the last five years.

44% of small organizations with annual budgets of $250,000 - $500,000 have had to relocate. 57% of the organizations report that cost was a factor in their reason for moving. 79% of organizations that relocated were able to stay close to the community they serve, however 40% reported an increase in their rent or mortgage after moving.

Over 1/3 of the respondents anticipate having to make a decision about relocation, with an even higher number of organizations that serve low-income communities and communities of color anticipating relocation.

Among organizations with annual budgets of $250,000 - $500,000, half anticipate relocation. 52% of the organizations consider cost as a reason for possible relocation, and 28% consider it likely that they will have to relocate outside of their current city or county. Nearly 2/3 of the organizations that serve low-income and communities of color think a move would lead to a decrease in the quality of their space.

Co-location is an important option for weathering the challenging real estate market.

29% of organizations already share space with other nonprofits, with another third expressing interest in co-locating in the future. Nonprofits identified the Sobrato Centers as a model for other real estate developers to emulate.
Who responded to the survey?

Breaking down the 180 surveyed organizations in Silicon Valley.

- **12%** do not have permanent offices.
- **59%** rent their space.
- **29%** share their space with other nonprofits.
- **34%** would be interested in co-locating in the future.
- **43%** have annual budgets of less than $1 million.
- **13%** have annual budgets of more than $1 million.
- **50%** report having 15 employees or less.

Respondents vary greatly by the amount of space and amount paid for that space. The median amount of space occupied is 1,425 square feet, and the median amount paid for rent or mortgage is $2,565. 19% of organizations reported paying no rent or mortgage, with a number of these organizations stating that they use space in the Sobrato Centers or that their space has been provided by a sponsor.
The vast majority of respondents are concerned about the negative impact of the real estate market on their long-term financial sustainability, with a slightly higher percentage of organizations in Santa Clara County expressing concern. A higher percentage of organizations that serve low-income communities, communities of color, and those that focus on housing and homelessness are concerned about the future.
Do Silicon Valley nonprofits anticipate having to relocate?

Over 1/3 of the respondents anticipate having to make a decision about relocation in the next five years, and 28% of the organizations that reported lease information have leases expiring by 2020. 93% of these organizations will be entering into new leases for space, with 7% looking to purchase property. 43% of organizations that serve low-income communities and communities of color are concerned about relocation, and half of the smaller organizations with annual budgets of $250,000 - $500,000 anticipate that they will have to relocate. 50% of nonprofits focused on health, housing and homelessness, and 56% focused on mental health also expressed concern about relocation. There is greater concern among those who rent (48%) than those who own (20%), and concern is also greater in Santa Clara County (41%) than in San Mateo County (33%).

Among the respondents that anticipate relocation, 28% consider it likely that they will have to relocate outside of their current city or county.

Overall, 47% of the organizations that anticipate relocation expect that moving is likely to cause a decrease in the quality of the space they occupy. This concern is higher (56%) among nonprofits that serve low income and communities of color.

“If we have to relocate outside the downtown area when our lease expires, we will see a large increase in our costs to reimburse attorneys for travel and parking when going to court, and it will make it harder for us to help clients with legal emergencies.”
– Survey Respondent
What happened to the Silicon Valley nonprofits that have relocated?

Over the last five years, nearly a third of organizations have had to relocate their offices with over half (57%) citing cost as a factor for their move. A significant majority (79%) were able to stay close to the community they serve.

“The cost for a new lease was too expensive for us to remain in the space we had occupied for almost 10 years. Our new space is less than half the size, so staff no longer have private areas for interviews, confidential calls with clients, and we can no longer hold workshops for the community in our space. In addition, the move itself was costly.” – Survey Respondent

“I experienced a lack of available, suitable office/program space in my desired service area (East San Jose) at any rental rate. This will impact what type of funding I can apply for and what types of services I can provide.” – Survey Respondent

The relocations resulted in improved quality of space for many nonprofits, but nearly a third saw a decrease. Many organizations reported moving into smaller spaces that limited their ability to conduct their programmatic work, or created less desirable working conditions for staff.

Relocation also resulted in higher costs for nonprofits, with 40% reporting an increase in rent or mortgage. However, the vast majority of organizations did not see an increase in their revenue to cover these higher costs. 70% of the organizations that relocated reported either a decrease or no shift in their revenue.
Additional Notes

The Silicon Valley real estate market is also having a significant impact on nonprofit staff and clientele. Over half of the organizations have seen increases in staffing and clientele in the past three years. Many of the organizations that lost staff or clientele attribute it to the lack of affordable housing.

Several shared that they have been able to find affordable office or program space by negotiating favorable leases with government and for-profit developers, using churches’ spaces, or co-locating with other nonprofits. However, the difficulty in attracting and retaining staff who can afford housing in the Bay Area on a nonprofit salary is an additional challenge to solve.

The real estate market impacts nonprofits through their employees and clientele.

Possible Solutions

- **Co-location**
  A number of nonprofits (28%) are currently sharing space with other nonprofits, and an additional 34% indicated that they would be interested in co-locating in the future. However, very few organizations reported having extra space to sublet to other nonprofits.

- **Partnering with for-profit companies**
  A number of organizations suggested engaging the tech sector and other for-profit companies to donate or share office, program, or meeting space with nonprofits.

- **Policy changes**
  nonprofits suggested pursuing policy changes such as commercial rent control for nonprofit spaces, or including nonprofit space in community benefit agreements.

"The talent that we do have is moving out of the area for more affordable housing, increasing commute times and affecting the relationship to the community we serve." – Survey Respondent

"It is very hard to hire and retain people because our non-profit salaries cannot begin to compete with the tech giants, our foundation grants have remained the same for the past decade, and at best the city grants have modest CPI increases.” – Survey Respondent

"It would be great to have a co-located “WeWork” like space for NPOs. An added bonus would be a shared bookkeeper, and the ability to buy into shared benefits.”