

Concept Paper: A Multi-Tenant Center for Boston-area Nonprofits and Community Organizations

Summary

Around the country, many organizations, foundations and other stakeholders have come together to establish multi-tenant nonprofit centers. By leveraging resources across groups and sectors, nonprofit centers ensure affordable space, long-term security and cost effective organizational infrastructure. However, while the impetus is often financial, the objectives focus on capacity building. As defined in a recent study, a multi-tenant nonprofit center is “a building or defined area in which primarily nonprofit organizations are located in proximity to one another with an expectation of some mutual cooperation.”¹ In other words, in contrast to buildings where low rents have led to a cluster of nonprofit organizations, nonprofit centers consciously embrace and implement strategies aimed at building a community of nonprofits.

Third Sector New England (TSNE) proposes to develop a multi-tenant center for Boston area nonprofits and community organizations. The mission of the Center is to strengthen strategic collaboration, improve organizational effectiveness and further build the power of Boston-based third sector organizations committed to social and economic change. We envision a Center that will provide secure, affordable office space, shared office infrastructure, high-quality training and educational space, and access to management and administrative services. In addition, the Center will facilitate events aimed at building community among tenant organizations and promoting linkages across the third sector and with the government and business sectors.

Background

In the competitive world of securing high quality affordable office space, nonprofits often remain at the bottom of the food chain. Many lack the financial resources to pay commercial office rates, nor do nonprofits have the legal expertise and access to leverage and secure favorable leases. Increasingly, in Boston and around the country, organizations employ a range of strategies to survive – piling staff into small shared workspaces, making do with poorly managed and maintained offices, and relocating further away from convenient, central downtown locations. For some organizations, keeping the doors open consumes more time and resources than working towards the mission for which they were created. The implications of this situation are daunting: underserved constituents will lose key services and important advocates; the scale and scope of nonprofit organizations will shrink; and the third sector, and its role in promoting active democracy, will lose critical visibility and power.

Multi-tenant nonprofit centers have proven to be an effective strategy to help address the needs of nonprofits to have secure, affordable, and desirable workspaces. In May 2001, over 100 practitioners from the nonprofit, finance and real estate communities – including Jonathan Spack and LoriAnn Girvan of TSNE

- came together at the first ever conference on multi-tenant nonprofit centers. Held at one such center, the Fort Mason Center in San Francisco, the conference brought together participants for two days to exchange information and lessons on the creation and management of these centers. A strong conclusion emerged: with careful planning and partnering, multi-tenant centers build capacity and reduce operating costs. One key indicator – all reported nearly 100% occupancy.²

Potential Benefits of Multi-Tenant Nonprofit Centers

Formal evaluations and qualitative feedback suggest that depending on their mission, location and structure, nonprofit centers have achieved the following benefits:

Increased financial stability of tenant organizations through:

- affordable rents that are stable and predictable
- space security and consistency of location
- low/no-cost access to resources such as conference rooms, training facilities, communications infrastructure and information resources
- reduced cost due to service-sharing, bulk supplies, shared copying and printing

Increased effectiveness of organizations through:

- cross-organization collaboration and synergy
- higher worker retention due to supportive work environment
- enhanced professionalism
- reduced duplication
- low cost, more convenient access to management and consulting support
- informal coaching, mentoring and problem solving
- formal staff development and mutual learning opportunities

Greater visibility and diversity of the sector and the work of organizations through:

- greater community visibility
- increased government awareness
- increased funder awareness
- more coverage by media
- incubation of and support to small unincorporated community organizations and nonprofits providing needed services and/or piloting innovative programs

Socio-economic development of neighborhoods and communities through:

- Economic impact of workers
- Tax revenues (for those held by for profit entities)
- Attracting other community development and investment
- Improved security and safety of former underutilized areas
- Development of buildings that are environmentally appropriate (“green”) and/or provide universal access.

Local Context: Why Boston, Why Now

Since 1996, Third Sector New England has explored the possibility of establishing a multi-tenant center in Boston. A study we commissioned at that time showed that, although the majority of nonprofits felt they paid reasonable rents, they supported the idea of a nonprofit center. In particular, they said that the quality of their space was poor, the terms of their leases were insecure, and they desired other important resources that would enhance staff productivity and organizational development, such as meeting and conference space, improved communications systems, access to technical assistance and information, and facilities such as childcare, kitchens.³

Third Sector's own organizational transition at the time precluded the investment of resources to investigate and undertake the project. Since that time, Boston has witnessed an exceptionally volatile and skyrocketing real estate market. Despite a leveling off in recent months following widespread layoffs and the impact of September 11, the need and opportunity for a new Boston multi-tenant center remains high:

Despite declining rents, Boston office rentals are unlikely to stabilize

Like many other major urban centers, Boston is experiencing a glut of office vacancies. Currently, with sublease space glutting the market, the vacancy rate is approaching 18%, putting some downward pressure on rental rates. However, this glut is unlikely to translate into affordable, accessible office space for several reasons:

- Many subleases are for large, warehouse office spaces of 10,000 square feet or more – far larger than the needs of many nonprofit organizations.
- The vacancy rate in the central business district has remained more stable than for the metro area as a whole. As a result, the city of Boston continues to have one of the highest office rental rates in the country. Class A rent of \$37/sq.ft. puts Boston as the fourth highest in the country, with Class B rates of \$30.60 making Boston the third highest in that category.
- Lease terms remain unfavorable due to sublease terms as well as landlords who want to ride out the decline. In addition, some nonprofits that rented during the peak market period have undesirable lease terms and still pay a disproportionate amount of their budget for rental and related expenses.⁴

The volatility of the real estate market has raised awareness among nonprofits for the need for long-term planning and solutions.

In addition to high office rental rates in the Boston area, nonprofits are facing fundraising shortfalls due to the general economic downturn, the uncertainty following September 11, and the continued tendency of funders to support programmatic costs. A recent assessment of the impact of San Francisco's real estate market found that the roller coaster ride of the past several years has prompted nonprofit boards and staff to expand their planning horizons with regard to space acquisition and budgeting.⁵ In our conversations with nonprofit leaders in the Boston area, Third Sector New England is also hearing that

nonprofits are seeking long-range approaches and solutions to space needs. The San Francisco report concluded that, “this attention, along with the drop in real-estate prices, is a “window of opportunity” which provides the chance for cost-effective, highly leveraged intervention in nonprofit space needs.⁶

Advocacy, education and technical assistance organizations and small community organizations face additional challenges.

Whereas direct service organizations are able to allocate percentages of overhead costs to government and foundation grants, organizations focused on social change and community development have less access to these types of resources. This situation, coupled with the lack of funding for overhead and other core costs result in reliance on individual donors and, often, creative budgeting to ‘keep the doors open and the lights on.’

A recent Foundation Center assessment of foundation grantmaking found that grantmaking for civil rights and social change organizations amounts to only 1.3% of foundation grantmaking, and grantmaking for community development and improvement amounts to 3.9% - both of these representing drops since 1995. In addition, grantmaking for people of color organizations also appears to be declining proportionally and in absolute terms – comprising 7.9%.⁷

Also affected by these grantmaking trends are unincorporated organizations, which rely on fiscal sponsorship and typically receive event or program-driven funding. In addition, these organizations lack the institutionalized status (typically 501(c)(3) incorporation) to negotiate lease and rental terms that will support their development. Elsewhere in the country, multi-tenant centers have incorporated terms, such as progressive rent structures, and programs to ‘incubate’ emerging organizations and community-based initiatives.

Although a nonprofit center is not going to undo these structural funding challenges, provision of affordable space would go a long way to enhance the ability of these organizations to cover operating expenses and to focus fundraising and programmatic efforts on achieving their missions. Emerging organizations will also have enhanced access to mentoring and networking opportunities. In addition, the Center could increase the visibility of the important value and contributions of these types of organizations.

Access to quality meeting and training space is a priority

The 1996 TSNE survey identified access to quality meeting and training space as one of the strongest perceived benefits of a multi-tenant center. Outside of hotel conference centers, which are high priced and not always conducive learning environments, Boston nonprofits continue to face a dearth of well-located, spacious, and appropriately equipped meeting and training spaces. Indeed, Third Sector New England makes its own small conference room available for its nonprofit clients and partners.

A survey of 300 nonprofits in San Francisco revealed that this need is echoed within the nonprofit community there. Respondents repeatedly singled out the

need for space for board meetings, community meetings and small-scale conferences.⁸

Models of nonprofit space sharing exist in Boston; however, a mission-based center aimed at strengthening the nonprofit sector is lacking.

The idea of nonprofit co-location is not new in Boston, and half a dozen buildings exist that provide affordable space for nonprofits – serving as de facto nonprofit buildings. Only one building was developed specifically to house nonprofit organization offices. Located in Boston's South End, building rents are maintained at slightly lower than market: \$30/sq. foot in the former and \$28/sq. foot in the latter. The facility is 100,000 square feet and houses ten fairly large nonprofits. It offers shared meeting spaces including a large conference room, a small meeting room and a shared kitchen.

While providing lower rents in central locations for Boston nonprofits, many of these buildings are considered Class C office space. Tenants contend with poorly maintained and low quality space, poor ventilation and lighting, and, in some cases, limited security and access. *More importantly, these buildings do not offer shared systems for their nonprofit tenants nor do they serve as a center that could provide visibility, resources, and services to a broader array of organizations.*

Role of Third Sector New England

The development of a nonprofit center fits squarely within the mission of TSNE: to promote active democracy by offering information and services that build knowledge, power and effectiveness and by promoting understanding about the nonprofit sector's impact in communities and its relationship to business and government. Our constituents, primarily small and medium-sized social change organizations, all share a dedication to the creation of healthy, sustainable communities.

Our commitment to developing a mission-based center is based on the following premises:

- ❖ The nonprofit sector is central to providing programs, services and advocacy that promote an equitable and democratic society.
- ❖ Nonprofit organizations, particularly advocacy and social change organizations, lack resources and technical capacity to build strong infrastructures.
- ❖ Weak infrastructure inhibits an organization from carrying out its mission.
- ❖ Strengthening the nonprofit organizations of a community will strengthen the entire community.

TSNE is well placed to develop a Boston multi-tenant nonprofit center. Through the publication of the acclaimed national journal *The Nonprofit Quarterly*, as well as other educational resources, we serve as a source of information about the sector and a catalyst for capacity-building initiatives. Our annual nonprofit conference, The Nonprofit Workout, attracts 350 practitioners. Through our consulting arm, we work with nonprofits and foundations on organizational

development, and strategic and business planning, management and evaluation. Since 1959, TSNE has provided high-quality fiscal sponsorship services, thereby fostering innovation and sustainability amongst community organizations. Our Capacity Building Fund, launched in 2001, is an important new source of funding for social change organizations in the region.

Partnership and collaboration are at the core of our work and TSNE is engaged in a variety of research and multi-agency projects in partnership with funders and other groups in New England. The development of a multi-tenant nonprofit office center would build on and further deepen our commitment to fostering collaborative practice and enhancing the effectiveness of the third sector.

Key Factors in Developing a Successful Multi-Tenant Nonprofit Center

Nonprofit centers around the country employ a diverse range of ownership strategies as well as space and tenant policies. Researchers and nonprofit center directors note that there is no single model of ownership or mix of tenants that ensures a successful and financially viable center. Rather, there are three factors that are critical to the development of a successful multi-tenant nonprofit center:

- Clear and appropriate mission and objectives
- Desirable building characteristics – in addition to a reasonable rental rate, building location and quality remains a central consideration for potential nonprofit tenants
- A mix of tenants that ensures continuity and builds community⁹

To date, in its development of a Boston-based center, Third Sector is addressing each of these factors through thorough extensive outreach, review of existing models, engagement of technical expertise and stakeholder consultation and research. For the purposes of this summary, preliminary findings on only the first of these factors is outlined below:

Mission and Objectives

The mission of the Center is to strengthen strategic collaboration, improve organizational effectiveness and further build the power of Boston-based third sector organizations committed to social and economic change. Preliminary objectives include:

- Create high quality, secure and affordable office space and infrastructure for social change organizations
- Develop terms and programs that will ‘incubate’ and build the capacity of emerging organizations
- Create a work environment that is responsive to the needs of a community and needs of organizations and that reflects the changing needs of families.
- Build organization capacity among nonprofit partners via improved access to training, information and support services.
- Promote cross-organizational collaboration

- Facilitate events and programs aimed at building community among tenant organizations
- Strengthen linkages across the nonprofit sector and with the government and business sectors

These mission and objectives are based on information from assessments conducted to date, including the 1996 assessment and ongoing dialogue with Boston-area nonprofits. In addition, over the past 6 months, TSNE has held discussions with Boston-area community development corporations and staff of the Boston Redevelopment Authority. TSNE will refine the Center mission and objectives through an active process of dialogue and consultation with stakeholders, including stakeholder research to be conducted in the first half of 2002.

Building Characteristics

TSNE is exploring three potential scenarios in the development of a Center: buying an existing building and undertaking renovation; buying land for new construction; and procurement of a long-term lease (50 years or more). Through the services of a consultant experienced in nonprofit building procurement, TSNE is working with developers, consultants, government officials and architectural and urban planning.

Tentative core criteria include:

Size and Space

- 55,000 to 100,000 square feet. We anticipate that a building of 75, 000 could house 35-50 established and emerging nonprofits of varying sizes, provide multiple meeting spaces for up to 150, and include a resource area of electronic and written materials related to nonprofit management.
- Space that promotes flow, light, and a sense of community. Full accessibility.
- Energy-efficient and environmentally appropriate.

Location

- Accessible to public transport: no more than a 10-minute walk from a T stop and directly accessible by bus.
- Appropriate for organizations serving multiple constituencies throughout Boston – thus a location that is not tied to a single community or constituency and is accessible metro-wide.
- In proximity to parking, preferably with on-site parking.
- Specific locations include downtown locations such as the Leather district and Chinatown, and sites along the Red and Orange lines, as well as the future Silver line.

Cost and Financing

TSNE anticipates acquisition, development and renovation costs broadly estimated at \$100-185 per square foot. We are exploring a full range of financing options, including conventional loans, tax exempt bonds, tax credits and incentives, grants and soft loans, including program-related investments.

Defining the Tenant Mix

As noted above, TSNE is conducting stakeholder research with Boston-based organizations committed to social change. Tentatively, we envision that building tenants will be advocacy, educational, organizing and support organizations serving diverse constituencies. *It is unlikely, however, that the Center would be appropriate for direct service organizations, such as those providing walk-in health care.*

TSNE anticipates establishing specific criteria and procedures for identifying and partnering with potential tenants. Based on the policies of centers elsewhere in the country, potential criteria include: alignment of an organization's mission with the mission of the center; space fit – organization's size and type of space needed; budgetary requirements; commitment to mutual collaboration; and tenant governance and management systems.

Stakeholder research will also identify the services most desired by potential tenants. A summary of services offered by multi-tenant centers around the country is provided below. The cost of these services and rent for the space will be determined in the development process:

- Space: Meeting rooms, phones, fax machines, online portals/shared networking and technology support, and community space;
- Supplies and equipment: photocopying machine and printing equipment, audio-visual equipment, joint ordering of office supplies, shipping and other services;
- Events Programming: such as social events, vendor fairs, and career events
- Communications: list-serves, bulletin boards, advertising, intranet, job postings;
- Professional Development Opportunities: training and education programs, info-sharing, job banks, computer training lab;
- Organizational Development Services: training, volunteer/board banks, management support, fundraising assistance, internship organizing, resource library, online grant seeking resources; and
- Financial and Management Services: financial and accounting services, incubator space and umbrella functions.

¹ Diane Vinokur-Kaplan, *Under One Roof*, Paper Presented to the First National Conference on Collaborating for Success: Creating Multi-Tenant Nonprofit Centers, May 17-18, 2001.

² Notes and Proceedings from the First National Conference on Collaborating for Success : Creating Multi-Tenant Nonprofit Centers, May 17-18, 2001, San Francisco.

³ Internal Memo of Survey Results, MHRI, November 8, 1996.

⁴ Grubb and Ellis, *Office Market Trends*, Winter 2001, pp. 1-4.

⁵ CompassPoint Nonprofit Services, *The Market for a San Francisco Nonprofit Multi-Tenant Project : A Study for the Charles and Helen Schwab Foundation*, August 2001, pp. 11-12.

⁶ *Ibid.*, p. 5.

⁷ Rick Cohen, 'The More Things Change : Dis-investment the Wrong Way Around,' « *The Nonprofit Quarterly*, Fall 2001, pp. 64-65.

⁸ CompassPoint, *The Market . . .*, p. 16.

⁹ *Ibid.*, Also, Collaborating for Success, Conference Notes and Proceedings.