

Shared Spaces
Multi-tenant centers are making
rents more affordable for nonprofits

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

Responding to its own grantees' need for affordable, stable work environments, the Marin Community Foundation purchased three buildings-- one for youth programs, one for children and family services and one focused on justice. The foundation has also supported the creation of a nonprofit called MarinSpace to operate the buildings and educate Marin nonprofits about facility issues.

And the Marin Foundation is not alone. Across the country and even internationally, there is a movement underway to help local nonprofits "co-locate."

In Detroit, the Hannan Foundation converted a former hotel into a center that houses 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, the Tides Foundation is developing a center for human rights organizations.

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 foundations' program areas, the funders support movements as well as individual organizations.

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Multi-tenant nonprofit centers (MTNCs) offer greater cost efficiencies through shared services and back-office infrastructure as well as the potential for cross-organizational collaboration. The benefits of MTNCs also flow directly to the community as the centers become dynamic hubs where residents can meet and organize. And they facilitate more effective delivery of services by organizations sharing space in one building. For example, the Fairhill Center in Cleveland combines social service agencies with a "Kinship Village"—housing for elders raising children.

MTNCs can also serve as catalysts for community economic development—a rural North Carolina MTNC added for-profit tenants that offered apprenticeships to clients. In Silicon Valley, the Foundation Incubator provides education services to its resident foundations as well as other small funds in the area.

Long-term Dividends

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 big impact.

Almost every nonprofit organization with a staff of more than one person 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 more 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. Instead of being tapped for rent subsidies, foundations can use their resources to acquire a building and help keep rent affordable. The result is long-term infrastructure cost savings, more dollars available for programs in nonprofit budgets and programmatic benefits from increased collaboration. MTNCs provide a unique opportunity to combine philanthropic capital with traditional capital campaigns, community loan funds and commercial bank financing. In some cases MTNCs have partnered with commercial real estate professionals who support the needs of the nonprofit sector. Federal and local officials have also explored the model of MTNCs in furthering government program objectives.

Besides directly owning and operating centers, funders help develop MTNCs through:

- **Program-related investments**, defined as below-market, low-interest loans, which can be combined with other mechanisms such as traditional bank financing and tax credits to keep the carrying costs of buildings low and the rents affordable. Program-related investments, currently being used 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 a combination of grants and program-related investments, the George Gund Foundation supported the creation of the Cleveland Environmental Building to house local organizations in a facility renovated using green design.
- **Loan guarantees.** 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, which provide needed start-up funding.
- **Loans and grants to community loan funds** in a foundation's local area, which 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**, which can be leveraged to support capital campaigns and improve grantees' ability to borrow by improving organizational debt-to-equity ratios.

The Tides Foundation has employed many of these vehicles in supporting MTNCs. 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. An early example of green design combined with historic rehabilitation, it was created as a global center for addressing major world problems.

Today the Thoreau Center is entirely self-sufficient because of the rents it receives. It houses more than 50 organizations, most of which work in the areas of social, environmental and economic sustainability. During the dot-com boom, as rents (and displacement) skyrocketed for Bay Area nonprofits, rents at the Thoreau Center stayed as much as \$20 per square foot below the market.

Financing for the Thoreau Center 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 guarantee its use as a nonprofit center for at least 30 years. In addition to offices, it contains both an organic restaurant and a small art gallery. A full-time program coordinator works on education projects and community-building among the tenants.

In recent years, operators of MTNCs, along with their philanthropic and for-profit partners, have come together to create the Nonprofit Centers Network. For more information about the network and its individual MTNCs, visit its Web site, <http://www.nonprofitcenters.org>.

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