City and County of San Francisco

Working Group on Nonprofit Displacement

Report and Recommendations

May 13, 2014

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Executive Summary

On November 15, 2013, the City and County of San Francisco adopted Resolution No. 395-13, which urged the Director of the Mayor's Office of Housing and Community Development to convene a work group to develop a series of recommendations on how the City can address the issue of nonprofit displacement. This recommendation arose in part because of a report issued on October 8, 2013, by the City's Budget & Legislative Analyst's Office, entitled "Review of the Impact of Increasing Rents in San Francisco on Local Nonprofits."

On March 18, 2014, the Board of Supervisors passed Ordinance No. 33-14, which appropriated $2,515,000 of General Fund Reserve Monies to the Mayor's Office of Housing and Community Development to establish a new Nonprofit Rent Stabilization Program for nonprofit service organizations. The ordinance additionally appropriated $2,000,000 to the San Francisco Arts Commission to establish a similar program specifically for arts and culture organizations. The entire amount was placed on reserve, pending the presentation of this report to the Board meeting as Committee of the Whole on May 13, 2014. The usage of these funds was to be guided by the recommendations contained within this report.

This report will first detail the City's recent and past actions as they related to nonprofit displacement, then present best practices, and will then summarize recommendations in five areas: technical assistance, planning/zoning/developer agreements, identifying available space, direct financial assistance and public-private partnerships.

Short-term, medium-term, and long-term solutions are included, as the City needs to take all of these time frames into account. Strategic, focused implementation is required in order to preserve San Francisco as a vibrant center for arts and culture, while simultaneously providing other essential services vital for the health, well-being, and economic self-sufficiency of its residents. A chart summarizing the recommendations is included in the Appendix of the report.

Following the adoption of this report, the City should take immediate action on those recommendations that offer short-term solutions. Strategic technical assistance and potential access to an emergency rental fund and/or tenant improvements can be made available in a timely way most efficiently through an experienced intermediary. The City should move quickly to identify and secure such an intermediary or intermediaries to serve both arts and human services organizations. In addition, the City should consider convening key city departments on a regular basis to continue to evaluate the progress made on all of the recommendations, including those that will require more medium and long-term strategies. Community based organizations should also be integrated into the ongoing review process in the appropriate manner so that the efficacy of the options provided is evaluated on an ongoing basis.

As a potential timeline, the following rough dates are recommended for milestones:

May 2014	Presentation of report and release of funds
June 2014	Release of Request for Proposals from MOHCD and Arts Commission for the procurement of intermediary organizations
July 2014	Selection of intermediaries and launch of technical assistance program; launch of sub-grant program for tenant improvements, emergency rental stipends and security deposits
July 2014	Check-in with City departments to prioritize medium- and long-term recommendations
July 2015	Evaluation report on results of assistance programs and update on nonprofit displacement

Introduction and Overview

This report attempts to bring together the input from community based organizations, City and County of San Francisco departments, private philanthropy, and experts in the field both locally and nationally, to address the issue of affordability in San Francisco as it impacts nonprofits and their ability to be stably housed in the city where they are providing service and offering access to arts and cultural programs. The issue of nonprofit displacement caused by increasing rent in a high-cost city is not new; the City grappled with this issue fourteen years ago during a similar time of increasing rent. As the City emerges from the recent recession, rising rents have once again impacted nonprofits as they see their leases either not being renewed, or being offered at market rate lease pricing which can be three times or more what their current rent has been. San Francisco has provided an extraordinary investment into its nonprofit partners, and relies on them to serve thousands of San Franciscans daily. This report summarizes the discussions of a Working Group of committed leaders, coming from the community, philanthropy, and the City, and lays out a roadmap for future actions that may lead to more nonprofits having long-term affordable space from which they can continue to provide essential services and be a part of the portfolio of services that creates a healthy and culturally rich community.

The success of these recommendations requires the cooperation and commitment of all of the stakeholders; it cannot rely on solely the initiative of the City and the nonprofit community. By describing the current situation and clearly providing options, along with the feasibility, benefits, and challenges of each option, the Working Group hopes that all of San Francisco's stakeholders step forward to accept this challenge that will extend through the coming years. Short-term, medium-term, and long-term solutions are included, as the City needs to take all of these time frames into account. Strategic, focused implementation is required in order to ensure a high quality of life for all San Franciscans. This quality of life includes access to arts and cultural community resources as well as essential social services vital for the health, well-being, and economic self-sufficiency of its residents.

This report will first detail the City's recent actions that led to the creation of this report, and summarize some of the historical programs that the City implemented when this issue arose during the early 2000's. The report will then present best practices and summarize recommendations in five areas:

Technical Assistance
Planning/Zoning/Developer Agreements
Identifying Available Space
Direct Financial Assistance
Public-Private Partnerships

Each area contains a set of recommendations arising from the Working Group. After a summary of each recommendation, the report advises whether or not to pursue the recommendation; which City department or community organization is essential for implementation; whether the recommendation is of high, medium, or low priority; and finally whether the recommendation provides short-term, medium-term, or long-term solutions.

City Legislative Action

On November 15, 2013, the City and County of San Francisco adopted Resolution No. 395-13, (see Appendix) which urged the Director of the Mayor’s Office of Housing and Community Development

to convene a work group to develop a series of recommendations on how the City can address the issue of nonprofit displacement. This recommendation arose in part because of a report issued on October 8, 2013, by the City's Budget & Legislative Analyst's Office, entitled "Review of the Impact of Increasing Rents in San Francisco on Local Nonprofits" (see Appendix.) Subsequent to the report, on October 9, 2013, the Budget and Finance Committee of the Board also conducted a hearing on the impact of the rapid rise of commercial rents and early termination of leases on non-profit organizations. At the hearing over thirty representatives of community based organizations spoke about the impact of rising rents on their organization's ability to be stably housed at their current location. Many of these organizations received financial support from the City, and represented a broad range of service and program areas including health and mental health, legal services, the arts, senior and disability services, faith-based service providers, and tenant advocacy organizations.

Resolution No 395-13 stated that a working group be formed and include staff from the Mayor's Office of Housing and Community Development, Mayor's Budget Office, Arts Commission, Office of Economic and Workforce Development, the Human Services Agency, the Department of Public Health, the Department of Children, Youth and their Families, the Department of Real Estate and the Planning department, as well as a broad representation of community stakeholders. The resolution stated that the working group should present a report that includes a series of recommendations and action items to the Board of Supervisors within 120 days from its first meeting. The Working Group held four meetings to discuss possible recommendations and prepare the report. The meetings were held on December 12, 2013; January 17, 2014, February 21, 2014, and March 21, 2014. This Final Report is being submitted to the Board on May 13, 2014.

On March 18, 2014, the Board of Supervisors passed Ordinance No. 33-14, (see Appendix) which appropriated $2,515,000 of General Fund Reserve Monies to the Mayor's Office of Housing and Community Development to establish a Nonprofit Rent Stabilization Program for nonprofit service organizations. The ordinance additionally appropriated $2,000,000 to the San Francisco Arts Commission to establish a similar program specifically for arts and culture organizations. The initially proposed $2,515,000 represents an estimate by the Controller's Office of the General Fund Property Tax revenue growth in the Central Market Street and Tenderloin exclusion zone since the Payroll Expense Tax Credit was established in FY 2010-2011. The usage of these funds was to be guided by the recommendations contained within this report. The entire amount was placed on reserve, pending the presentation of this report to the Board meeting as Committee of the Whole on May 13, 2014.

Summary of BLA Report

On October 8, 2013, the Budget and Legislative Analyst's office, with the assistance of the San Francisco Human Services Network, issued a report to Supervisor Jane Kim on the impact of increasing rents in San Francisco on local nonprofits.

The average rent for the organizations in their current fiscal year as reported by the respondents to the BLA's survey of nonprofits[1] constituted 4.6% of their total budget. For the 14 survey respondents who reported renewing or entering into a new lease in 2012 or the first nine months of 2013, their rent increased from an average of $16.12 per square foot per year to $21.53 per square foot per year, a 33.6 percent increase. Survey respondents reported that 25 of their leases will be expiring in the last three

[1] The BLA survey did not include arts and culture organizations.

months of 2013 or during the course of 2014. 71.1 percent of the respondents indicated that they need to remain in their current location or area to fulfill their mission. The study also showed that citywide, the gross rent rate increased from 2011 to 2013 from $39.67 to $52.69 per square foot per year, a 32.8% increase.

The BLA report included the following six policy options: (1) consideration of imposition of development impact fees that would require that certain fees be paid by commercial developers to be used to renovate or acquire facilities to be occupied by nonprofit organizations; (2) consideration of the establishment of inclusionary zoning requirements instituting incentives for commercial developers, who would either be required to provide a certain amount of space for nonprofit organizations in their developments at below-market rates, or be required to provide fees in-lieu of space; (3) consideration of the establishment of City incentives for commercial facility landlords to offer below market rents to certain nonprofit organizations; (4) enhancing existing City programs or creating new ones to provide loans and/or grants to nonprofit agencies to acquire or rehabilitate facilities for nonprofit organizations with controlled rent costs; (5) identification of unused or underutilized City property that could potentially be occupied by nonprofit organizations at controlled rent; and (6) establishing an approach to collaborations with foundations, private donors, and others to pool property and financial resources in the interest of providing other ownership or leased facilities opportunities to nonprofit organizations with low or controlled rent.

The report concluded that decreasing commercial vacancy rates across the City appears to be driving increases in rental rates for the commercial spaces Citywide and that this trajectory may be hindering the growth of the nonprofit sector in San Francisco. The financial burden of renting in the City may require nonprofit organizations to devote a greater proportion of resources to renting, taking away from resources that could go to providing services to San Francisco residents. This allocation of resources is of concern to the City as well as a concern to those organizations as the City has contracted with and provided financial resources to a significant number of the nonprofits located in the City over the past three fiscal years. Given the large proportion of nonprofit organization leases reportedly expiring in the coming year, the report stated that this may be a key moment for the City to develop a plan to support nonprofit organizations facing this increasing burden.

Working Group

MOHCD first convened the Citywide working group on nonprofit displacement on December 13, 2013. The Working Group held three subsequent meetings, on January 17, 2014; February 21, 2014; and March 21, 2014. The working group consisted of approximately 39 members, representing a variety of City departments, community based organizations, private philanthropy, and technical assistance intermediaries.

The Working Group conducted a series of brainstorming sessions to come up with as many different possible solutions to the nonprofit displacement problem as possible, building upon the framework developed in the Budget and Legislative Analyst's report. MOHCD took each option and researched its viability and possible implementation through a series of one-on-one meetings with the relevant City departments, community based organizations, and foundations. MOHCD staff reported back at each working group meeting with the updated status of the various options. A preliminary draft was issued to the Working Group before the final meeting for review and discussed at its final meeting. MOHCD

staff then integrated feedback from City and community based stakeholders before presenting the final report to the Board of Supervisors on May 13, 2014.

Working Group Survey

On October 8, 2013, the Budget and Legislative Analyst issued a report, "Review of the Impact of Increasing Rents in San Francisco on Local Nonprofits," to Supervisor Jane Kim on the impact of increasing rents in San Francisco on local nonprofits. This report identified that as of July 2013, there were 6,005 nonprofit organizations in San Francisco.

The City and County of San Francisco contracts regularly with nonprofit organizations to provide goods and services. Currently, there are a total of 902 nonprofits registered with the City as receiving payments for goods or services for FY 2013-2014 and/or one or more of the prior two fiscal years (some contracts span multiple years). Exhibit 1 shows that total payments made to nonprofit organizations by the City and County of San Francisco ranged from approximately $485.2 million in FY 2011-2012 to a projected $519.6 million for FY 2013-2014.

The Budget and Legislative Analyst's report referenced above reflects that 1,425 nonprofits have contracted with the City and County of San Francisco for FY 2013-2014 and/or one or more of the prior two fiscal years. Because one nonprofit contractor may provide goods or services under more than one contract, the number of separate nonprofit contractors is 902 over that period of time.

Exhibit 1: Total City and County Payments to Nonprofit Organizations in San Francisco, FY 2011-2012 through 2013-2014 (projected)

City Payments to Nonprofit Organizations			
	FY 2011-2012 Actual City Payments	**FY 2012-2013 Actual City Payments**	**FY 2013-2014 Actual + Projected City Payments**
Amount	$485,189,294	$497,522,008	$519,648,223

Source: San Francisco Controller's Office, List of Addresses for All Non Profits Receiving City Funding 9-26-13

Of the 902 nonprofits registered with the City as receiving payments in Fiscal Year 2013-14 and/or one or more of the prior two fiscal years, some number of these organizations may not be located in San Francisco. Therefore, the fiscal year payments reported above may not be paid solely to San Francisco-based organizations.

Exhibit 2 shows the number of nonprofits receiving payments from the City and County of San Francisco in each of the three years.

Exhibit 2: Total Number of Nonprofit Organizations Receiving Funding from the City and County of San Francisco, FY 2011-12 through 2013-14 (projected)

Number of Nonprofit City Vendors			
	FY 2011-2012 Actual Number that Received Payments	**FY 2012-2013 Actual Number that Received Payments**	**FY 2013-2014 Projected Number that will Receive Payments**
Number	808	788	710

Source: San Francisco Controller's Office, List of Addresses for All Non Profits Receiving City Funding 9-26-13

Based on the Controller's Office data, of the 710 nonprofit organizations that are projected to receive funding from the City in FY 2013-2014, approximately 500 of them are projected to receive at least $25,000 in City funds during this fiscal year. The Working Group on Nonprofit Displacement distributed a survey, "San Francisco Nonprofit Space Survey," to nearly 300 such City-funded organizations, and received responses from 86 nonprofit organizations, describing their spaces and needs at 149 different locations.[2]

Of the 149 properties, 19 are residential, such as SRO buildings, and 130 are non-residential, including nonprofit administrative and program spaces.

Of the 130 non-residential properties, 114 (88%) of them are owned or leased by social service organizations and 16 (12%) are owned or leased by arts organizations, as shown in Exhibit 3.

Exhibit 3: Survey Respondents' Properties by Type of Organization

Type of Organization			
	Arts Organizations	**Social Service Organizations**	**Total**
Number of Properties	16	114	130
Percent of Properties	12%	88%	100%

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

Of the 130 properties, 55% indicated an interest in sharing space with other organizations. Exhibit 4 summarizes the 72 properties for which an organization indicated an interest in sharing space with other organizations by whether the property is owned or leased.

Exhibit 4: Properties for Which an Organization Indicated an Interest in Sharing Space with Other Organizations

Organizations Interested in Sharing Space by Owned and Leased Properties			
	Owned	**Leased**	**Total**
Number of Properties	21	51	72

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

Of the 130 properties, 40% indicated an interest in sharing back-office administrative operations such as human resources, IT services, and financial/accounting services.

Of the 130 properties, 91 are reported as being leased, as shown in Exhibit 5.

Exhibit 5: Survey Respondents' Properties

	Owned	**Leased**	**Total**
Number of Properties	39	91	130

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

[2] Arts organizations may be under represented in this survey. This survey did not go out to Grants for the Arts grantees. In addition, many of the San Francisco Arts Commission grantees receive grants of under $25,000, so they also did not receive the survey.

As shown in Exhibit 6, respondents' leased properties are located throughout the City. The 91 leased properties are located in 25 different zip codes. One of the zip codes is outside of the boundaries of the City and County of San Francisco.

Exhibit 6: Survey Respondents' Leased Properties by Zip Code and Type of Organization

Zip Code	Arts Organizations	Social Service Organizations	Total	% of Total
94102		9	9	10%
94103	3	18	21	23%
94104		2	2	2%
94105	1	3	4	4%
94107	2		2	2%
94108	1	2	3	3%
94109		1	1	1%
94110	5	3	8	9%
94111		7	7	8%
94112		2	2	2%
94114		1	1	1%
94115		6	6	7%
94117		1	1	1%
94118		2	2	2%
94121		1	1	1%
94122		2	2	2%
94123		1	1	1%
94124		5	5	5%
94127		2	2	2%
94129		4	4	4%
94130		1	1	1%
94132		2	2	2%
94133		2	2	2%
94134		1	1	1%
Outside SF		1	1	1%
	12	**79**	**91**	**100%**

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

Exhibit 7 shows the average monthly rent, the average square footage and the average dollar per square foot per year by zip codes for the respondents' leased properties. Exhibit 7 also compares the respondents' leased properties average dollar per square foot per year to the market rate by zip code.

Exhibit 7: Average Monthly Rent, Square Footage and Dollar/Square Feet/Year for Respondents' Leased Properties by Zip Code, Compared to Market Rate

Zip Code	# of Properties	Average Monthly Rent	Annualized Rent	Average Square Footage	Average $/Sq. Ft/Year	Market $/Sq. Ft/Year
94102	9	$13,192	$158,308	5,997	$26.40	$44.72
94103	21	$11,345	$136,137	6,554	$20.77	$42.37
94104	2	$52,048	$624,571	14,525	$43.00	$62.11
94105	4	$24,222	$290,663	11,157	$26.05	$86.63
94107	2	$2,319	$27,828	4,192	$6.64	$46.98
94108	3	$15,931	$191,176	8,616	$22.19	$41.88
94109	1	$798	$9,579	800	$11.97	$29.86
94110	8	$8,664	$103,967	5,402	$19.24	$27.43
94111	7	$13,957	$167,484	7,157	$23.40	$59.41
94112	2	$6,333	$76,001	2,603	$29.20	No data
94114	1	$59,298	$711,576	31,450	$22.63	No data
94115	6	$4,097	$49,162	2,712	$18.13	$34.21
94117	1	$4,000	$48,000	3,000	$16.00	No data
94118	2	$4,425	$53,100	2,825	$18.80	$44.65
94121	1	No data	No data	No data	No data	$36.48
94122	2	$49,910	$598,916	24,400	$24.55	$20.54
94123	1	$4,000	$48,000	7,700	$6.23	$34.60
94124	5	$10,050	$120,600	8,060	$14.96	$28.22
94127	2	$2,100	$25,200	3,903	$6.46	$26.64
94129	4	No data	No data	No data	No data	$36.00
94130	1	No data	No data	No data	No data	No data
94132	2	$3,000	$36,000	4,277	$8.42	No data
94133	2	$1,808	$21,692	2,630	$8.25	$34.19
94134	1	$1,800	$21,600	900	$24.00	$21.57
Outside SF	1	$21,336	$256,032	9,698	$26.40	No data
All Zip Codes	**91**	**$12,576**	**$150,911**	**7,386**	**$20.43**	**$52.65**

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014 and Northern California Community Loan Fund, LoopNet Lease Data, March 10, 2014

A total of 64 leases were reported to be either month-to-month or expiring in the next five years. Exhibit 8 shows the properties with expiring leases by year and by zip code. Half of these properties are located in three zip codes – 94102, 94103 and 94110.

Exhibit 8: Number of Respondents' Leases that are Month-to-Month or Expiring in 2014, 2015, 2016, 2017 and 2018 by Zip Code

Number of Month-to-Month and Expiring Leases by Zip Code							
	Month-to-Month	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
All Zip Codes	**7**	**22**	**12**	**10**	**8**	**5**	**64**
94102	1	4		1	2		**8**
94103	1	5	5	2	2	1	**16**
94104			1				**1**
94105		3				1	**4**
94107		2					**2**
94108					1		**1**
94109	1						**1**
94110	1	3	3		1		**8**
94111	1				2		**3**
94112			1				**1**
94114				1			**1**
94115				4			**4**
94117	1						**1**
94118	1	1					**2**
94121				1			**1**
94122		1				1	**2**
94123			1				**1**
94124		1	1			1	**3**
94127		1					**1**
94129						1	**1**
94134		1					**1**
Outside SF				1			**1**

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

Of the 64 properties with month-to-month leases or leases expiring within the next five years, 55 are leased by social service organizations and nine are leased by arts organizations, as shown in Exhibit 9.

Exhibit 9: Respondents' Leases that are Month-to-Month or Expiring in the Next Five Years by Type of Organization

Number of Month-to-Month and Expiring Leases by Type of Organization			
	Arts Organizations	**Social Service Organizations**	**Total**
Number of Properties	9	55	64

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

Of the 64 properties with month-to-month leases or leases expiring within the next five years, respondents reported that they plan to renew 25 leases, to not renew 12 leases. For the remaining 27, respondents reported that the future plans are not known at this time. See Exhibit 10.

Exhibit 10: Respondents' Plans for Leases that are Month-to-Month or Expiring in the Next Five Years

Plans for Month-to-Month and Expiring Leases			
	Renew	**Not Renew**	**Not Known**
Number of Leases	25	12	27

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

For the 64 properties with month-to-month leases or leases expiring within the next five years, more than two-thirds of the respondents indicated that it is essential for them to be located in their current neighborhood, as shown in Exhibit 11.

Exhibit 11: Number of Respondents with Leases that are Month-to-Month or Expiring in the Next Five Years that Need to be Located in Current Neighborhood

Essential to be Located in Current Neighborhood?			
	Yes	**No**	**Total**
Number of Properties	41	23	64

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

For the 64 properties with month-to-month leases or leases expiring within the next five years, nearly 60% of the respondents indicated a need for real estate-related technical assistance. Respondents were able to indicate more than one type of technical assistance need. Exhibit 12 shows the number of respondents that indicated each of the following types of technical assistance needs: commercial real estate brokerage services to find a new space, lease negotiation, financial analysis for owning or leasing, and analysis of organizational space needs.

Exhibit 12: Types of Real Estate-related Technical Assistance Needed by Respondents with Leases that are Month-to-Month or Expiring in the Next Five Years

Type of Technical Assistance	# of Respondents Indicating this Need
Commercial Real Estate Brokerage Services	18
Lease Negotiation	20
Financial Analysis for Owning or Leasing	14
Analysis of Organizational Space Needs	10

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

According to data provided by City departments on City investments in nonprofits, there are at least 130 City contracts totaling approximately $75 million associated with the 64 properties with month-to-month or leases or leases expiring in the next five years.

Exhibit 13 is a breakdown of the 44 leases that are expiring within the next three years by calendar quarters. A total of 23, more than half of the properties with leases expiring in the next three years are located in three zip codes – 94102, 94103 and 94110.

Exhibit 13: Number of Respondents' Leases that are Expiring in 2014, 2015 and 2016 by Calendar Quarters and by Zip Code

Number of Expiring Leases by Calendar Quarters and by Zip Code													
	2014 Q1	**2014 Q2**	**2014 Q3**	**2014 Q4**	**2015 Q1**	**2015 Q2**	**2015 Q3**	**2015 Q4**	**2016 Q1**	**2016 Q2**	**2016 Q3**	**2016 Q4**	**Total**
All Zip Codes	**3**	**9**	**4**	**6**	**5**	**1**	**2**	**4**	**3**	**1**	**0**	**6**	**44**
94102		2	1	1					1				**5**
94103	2	2		1	3			2				2	**12**
94104							1						**1**
94105	1		2										**3**
94107		2											**2**
94110		1		2	2			1					**6**
94112							1						**1**
94114									1				**1**
94115										1		3	**4**
94118		1											**1**
94121									1				**1**
94122				1									**1**
94123								1					**1**
94124		1				1							**2**
94127				1									**1**
94134			1										**1**
Outside SF												1	**1**

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

The Working Group's survey asked respondents if they have extra space to rent out at the current space and if so, the number of square footage that is available for rent. Exhibit 14 summarizes the properties that respondents reported as being available for rent.

Exhibit 14: Respondents' Properties with Available Space for Rent

	# of Properties	Sum of amount of square footage available for rent
Owned Properties	**5**	**11,900**
94102	1	400
94108	2	4,000
94117	1	7,500
94124	1	No data
Leased Properties	**9**	**28,844**
94103	3	3,144
94108	2	10,750
94110	1	200
94118	1	750
94122	1	5,000
94127	1	9,000
Total	**14**	**40,744**

Source: Survey administered by MOHCD on behalf of the Working Group on Nonprofit Displacement, January 2014

Historical Trends in the City

The issue of nonprofit displacement is not new. A 2000 study by CompassPoint Nonprofit Services[3] published results from a San Francisco-based survey regarding facilities that showed 52 percent of respondents were at least somewhat likely to leave San Francisco due to then increasing rental rates, and 69 percent of respondents expressed an interest in co-location. Three years later, a 2003 publication produced jointly by CompassPoint and the Silicon Valley Council on Nonprofits identified three nonprofit co-location models to help mitigate the impact of rising rental rates and control other administrative costs, including: 1) neighborhood centers, in which multiple agencies co-locate; 2) multi-tenant office buildings in which one or more organizations (or a foundation) bands together to buy a building and leases it other nonprofits; and 3) incubators, which provide temporary co-located space to nonprofits.

In late October and early November of 2000, the Board of Supervisors approved two ordinances (Ordinances 266-00 and 267-00, which can be found in the Appendix) to appropriate $1,500,000 from the City's General Fund Reserve and establish the terms and conditions for the expenditure of those funds to provide rent subsidies to arts organizations that were in immediate danger of being evicted or displaced by rent increases in San Francisco. Records indicate that approximately 12 grants for rental subsidies were provided under this rental assistance program, ranging from a maximum of $80,000 to a minimum of $7,000.

[3] CompassPoint Nonprofit Services, "Nonprofits at Risk: The Space and Occupancy Crisis Facing San Francisco's Nonprofit Community," 2000.

On November 20, 2000, the Board approved another ordinance (Ordinance 283-00, found in the Appendix) to appropriate $3,000,000 from the City's General Fund Reserve for the Mayor's Office of Community Development to fund a $500,000 grant program to provide rent subsidies to nonprofit service and advocacy organizations at risk of being evicted or displaced by rent increases and an additional $2,500,000 to fund capital improvements and real property acquisitions by nonprofit organizations. The capital improvements program was administered through a grant to an intermediary organization, Northern California Community Loan Fund ("NCCLF"). Fifteen organizations received capital improvement/acquisition funds, and another two organizations received planning grants. In total $2,250,977 was expended for capital funds/acquisition to a variety of nonprofits encompassing a wide range of services and arts organizations.[4]

In 2003, NCCLF issued a report focusing on the Nonprofit Space Capital Fund[5], which was originally funded through the City grant detailed above. The Fund later added monies from private philanthropy including the Evelyn and Walter Haas, Jr. Fund; the Walter and Elise Haas Fund; the San Francisco Foundation; and from the financial institution Wells Fargo Bank. The report indicated that the Fund had supported twenty organizations, housing over 75 nonprofits.[6] A review of the organizations that received funding through this program indicated that in 2014 all but one organization remained permanently housed in their existing space.

Best Practices

The Working Group identified a number of models for best practices, both here in San Francisco and in other locations. These best practices can serve as a potential model for San Francisco to emulate as appropriate.

Community Arts Stabilization Trust (CAST)

CAST was recently formed by the Kenneth Rainin Foundation and NCCLF to support the City's efforts to expand and provide long-term stability to arts groups in Central Market and the Tenderloin and adjacent neighborhoods in response to the Central Market Economic Strategy and the space affordability crisis that is sharply impacting the sustainability of its nonprofit art sector. The Kenneth Rainin Foundation committed $5 million over five years as seed funding to pilot the effort for stabilizing space for community arts organizations in the Central Market area. CAST's pilot projects include the acquisition of two facilities in Central Market and the Tenderloin; the first currently houses an arts organization, and the second, a vacant adult theater, is intended for a multidisciplinary arts presenter currently programming in South of Market. The City's Grants for the Arts, the Arts Commission, and Office of Economic and Workforce Development (OEWD) are currently providing over $300,000 in assistance for the Luggage Store Gallery, and $180,000 to CounterPULSE for capacity-building and predevelopment for the Turk Street theater space. CAST will work closely with both organizations as they raise the remaining funds for building renovations. CAST purchases and

[4] The funded organizations included Ark of Refuge, Chinatown Community Development Corp, Coleman Advocates for Children and Youth, Filipino American Development Foundation, Mercy Housing California, Nihonmachi Little Friends, 9th Street Media Consortium, North of Market Senior Services, ODC Theater/San Francisco, Portola Family Connections, Raphael House, S.F. Museum & Historical Society, S..F. Housing Development Corporation, Tenants and Owners Development Corp, Tenderloin Neighborhood Development Corp, Bindlelstiff Studio, and the Museum of the African Diaspora.

[5] Northern California Community Loan Fund, "The Nonprofit Space Capital Fund: Supporting Permanent Homes for Nonprofits," 2003.

[6] As the Fund expanded to the greater Bay Area, not all organizations assisted were located in San Francisco.

leases space for the exclusive use of nonprofit arts organizations while also providing these groups with technical assistance to develop and expand their capacity to fundraise, manage their finances and facilities sustainably, and move toward property ownership if appropriate.

CAST has three primary program strategies: 1) Purchase buildings and lease them to suitable nonprofit arts organizations, then transition the agreement from lease to ownership over seven to ten years at the fixed purchase price; 2) Serve as master lease holder on multi-tenant properties and manage the space for arts subtenants; and 3) Identify underutilized, below-market rental spaces and match them to arts uses and programming. CAST thus helps preserve the ability of community arts organizations to remain in their neighborhood or return if they have been priced out. Its one-on-one technical assistance model provided by NCCLF nonprofit real estate and financial experts allows for planning for organizations to either purchase their facilities at a below market cost within a seven-year to ten-year period, or facilitate a move to an alternative space that is more appropriate for their operations. If organizations choose to move they take their equity with them, and the CAST buildings are available for another nonprofit arts organization whose programmatic needs require similar space. CAST's expertise also allows it to leverage contributed funds with otherwise difficult to obtain resources such as New Markets Tax Credits to increase the fundraising and property management capacity of the organizations that partner with CAST.

Its real estate and financing technical assistance services are provided through City funding for NCCLF and Urban Solutions. CAST, along with the Central Market/Tenderloin Technical Assistance Program, was developed as part of the implementation of the Central Market Economic Strategy, whose objectives included the cultivation of an arts district in the area and a vibrant cluster of retail storefronts. The program is coordinated through OEWD and assists existing nonprofit and small businesses in the neighborhood, as well as acts as a resource for those wishing to locate in the area. A primary goal of the program is to secure long-term leases for these businesses and organizations.

OEWD and NCCLF did an initial inventory of underutilized community space along Central Market and in the Tenderloin, including SRO spaces and other similar spaces. Upon identification of those spaces, OEWD, NCCLF, Grants for the Arts and the Arts Commission are working with nonprofit arts and culture organizations to strategically program those spaces.

CAST is governed by a 5-person board and works in ongoing partnership with NCCLF to provide technical assistance to nonprofit arts organizations. CAST's initial capitalization allowed it to secure a loan from Presidio Bank to facilitate its purchase of its first two spaces for nonprofits. CAST now owns those assets.

Under CAST's strategic plan it will raise funds over the next three years to expand the scope of its three-pronged strategy to mitigate the space challenges currently faced by the nonprofit arts sector in San Francisco. Pooled funds in the form of operating support for CAST and a perpetual capital pool to be used, and recycled, for facility acquisition using the same model as CAST's two pilot projects are actively being identified from local and national foundation sources. Local foundations including The William and Flora Hewlett Foundation, The Wallace Alexander Gerbode Foundation, The Walter and Elise Haas Fund, The San Francisco Foundation, and The Fleishhacker Foundation have been briefed on the CAST model and discussions have begun to align foundation efforts around nonprofit displacement in the arts sector.

CAST's approach is driven by facility inventory and availability, and aims to ensure density and mixed-

use neighborhood vitality by keeping organizations and artists in their communities. CAST uses a multiple site philosophy as opposed to creating one large building for many different nonprofits. CAST has the potential to play a similar role citywide, and is not limited to the mid-Market area. CAST thus enables permanent homes for arts groups that would not have been able to purchase their facilities without the price stabilization, leveraging of financial resources, and access to Federal programs that can only be accessed at scale.

Over the next three years CAST aims to:

- Create a new and inventive approach to asset development for cultural organizations;
- Contribute to neighborhood revitalization strategies with arts at the center of economic and community development;
- Demonstrate a new philanthropic strategy for the arts by recycling financial resources and forging unprecedented public-private partnerships;
- Mitigate space challenges for arts organizations in one of the hottest real estate markets and most important cultural communities in the US;
- Serve a mix of cultural organizations, artists and a community of people that is diverse by age, race, gender, economic status and cultural background.

Central Market Partnership

The Central Market Partnership is a coordinated effort to revitalize Central Market Street through a focus on the arts, business development, and quality of life enhancement. The Partnership brings together City agencies, community-based organizations, arts groups, property owners, small business owners, and residents in the area who share a vision for the revitalization of the central Market Street district through short term and long term arts, cultural and economic activation.

A goal of the this effort is the improvement of existing and development of new arts spaces in the area and to populate now-vacant buildings with performing arts and visual arts venues, as well as restaurants, lounges and retail that create a positive experience for audiences coming to new or re-located arts venues.

In order to make this a reality, the Cultural Market Technical Assistance Program (CMTAP) provides feasibility and capacity assessments for nonprofit arts groups and small businesses interested in locating along the central market corridor. Resources include space identification assistance[7], financial feasibility assistance through the Northern California Community Loan Fund, preliminary architectural services through Public Architecture's 1% program partners; lease/purchase agreement assistance; construction management assistance; and grant and/or loan assistance, if available/qualified.[8]

Denver Shared Spaces

Denver Shared Spaces (DSS) is a public-private collaborative dedicated to providing technical assistance and targeted support to the Denver shared space community. DSS works to connect mission-driven organizations with shared space resources, and advocate for a resource and policy environment that supports and utilizes shared spaces throughout the Denver Metro. Started in 2009 by the Denver

[7] The Office of Economic and Workforce Development maintains a list of vacant, underutilized, and for-lease or for-sale properties to match prospective tenants with landlords.

[8] Funding from OEWD, Grants for the Arts, OEWD's Cultural District Loan Fund and Small Business Revolving Loan Fund are some of the resources that may be available for operators expanding in or moving to Central Market.

Office of Strategic Partnerships, Piton Foundation, and Urban Land Conservancy, DSS supports efforts of organizations with a social mission to intentionally share spaces in order to create a sense of place, extend their reach, and achieve greater impact on local communities.

The initiative arose following a community survey in 2009, targeting nonprofits and commercial real estate professionals. The resulting report, "An Investment Worth Making,"[9] identified these important elements as the underpinning of their work: nonprofits need stable, affordable space; boards and staff of nonprofits need education, resources and support to make good decisions around real estate and shared space; a facilitated process to define analyze, reconcile, and capitalize on overlapping needs and potential conflicts for nonprofits involved in sharing space is important for maximizing potential of spaces; and resources can be invested and coordinated in new ways to support the creation and operation of successful nonprofit facilities and shared spaces." The report indicated that nonprofits often did not have experience in acquiring and maintaining facilities, and often had difficulty paying market rate rent. At the same time, there was a strong trend among government and philanthropic funders toward requiring collaboration between organizations as a prerequisite for securing funding. These two pressures - limited real estate capacity and an increase demand for collaboration - have continued to influence nonprofits and mission-driven businesses to pursue shared spaces as a tool to secure both.

Based on this initial study of market trends and needs, DSS was created to act as a resource for nonprofit real estate in general and shared space in particular. DSS has since grown to focus on three core goals: to create and optimize mission-driven shared spaces, to promote access to information and tools around the creation and operation of shared spaces, and to increase support and investment in shared space efforts to further City agency goals and better meet community needs. The initiative is governed by a Steering Committee with representation from the nonprofit, government, and commercial real estate sectors. Through this governing body, the efforts of three working committees and a full-time project coordinator, DSS serves nonprofits and social enterprises, real estate professionals, elected officials, civic leaders, and City and State agencies.[10] DSS facilitates peer to peer learning and networking, provides access to templates and resources through its website, offers small group consulting and technical assistance, and individualized consulting. The initiative does not provide direct access to capital, but provides technical assistance to those nonprofits who seek capital. DSS has created a website that consolidates numerous resources essential for nonprofits into one easy to access site. Resources include items such as architectural design, building collaboration, and sustainability, and finance, grey space leasing in communities, other national models, organizational readiness, real estate support, sample leases, and how to access one-on-one assistance.

A significant part of DSS's work is also to influence municipal policy and process to allow for better access to private and public resources. As a result of this effort, the City of Denver issued a mayoral executive order[11] that explicitly stated that "shared space is an important tool to engage communities; ensure an appropriate combination of services to meet the needs of communities and neighborhoods; create space for local community convenings and community building activities; activate underutilized

[9] Denver Shared Spaces, "An Investment Worth Making: A Report on Developing Shared Spaces for Denver's Nonprofit Community," May, 2010.

[10] Through 2012, the Project has opened the new *Colorado Collaborative for Nonprofits*, a vital hub of support for nonprofit sector across Colorado; passed first broad-based policy around government support of shared space in the nation; enhanced development and operations of 8 shared spaces housing over 80 nonprofit tenants through individual and group consulting support; provided an ongoing forum for resources, support, and sharing of best practices amongst 24 shared spaces representing more than 200 organizations; increased DenverSharedSpaces.org traffic by 67% since 2011, providing access to useful resources and tools to find or list available space; and initiated outreach efforts with the commercial real estate community, providing ongoing educational and networking opportunities.

[11] Mayor's Office, City of Denver, Executive Order No. 138, "Coordination of Shared Space and Nonprofit Facilities Support."

real estate spaces; bring workers into communities; eliminate food deserts in neighborhoods, enhance the economic development and overall well-being of communities; and support efficient use of resources invested in nonprofit organizations. Agencies under the authority of the Mayor will include legally permissible shared space as a considered alternative in efforts around real estate usage; community and economic development planning efforts, nonprofit facilities investments as a means for supporting growth and innovation in small businesses." This executive order provided the impetus for many City agencies to include shared spaces in their funding, financing and community planning work.

Recommendations: Technical Assistance

Intermediary Assistance

An immediate option to pursue is the City's ability to subsidize the provision of technical assistance to nonprofits facing the need to relocate. Input from the community, City departments, and a review of best practices show that technical assistance, especially one-on-one focused assessments and action plans with individual nonprofits, offers the greatest possibility of success in a tight rental market.

Nonprofits could benefit by receiving free or low-cost technical assistance from expert intermediaries who could offer resources in a number of different areas: space analysis, lease negotiation and review, public and private financing options, capital campaigns, back office sharing, co-location, brokerage services, building vacancy survey and use analysis and other related areas. The City could subsidize these costs through a grant to an intermediary or intermediaries, which could then offer free or low cost services to eligible nonprofits. The intermediary could also provide financial work-ups for potential real estate transactions. This model has been shown to be successful, both in the creation of the Nonprofit Space Capital Fund and through the technical assistance services currently offered to community arts organizations funded by San Francisco Grants for the Arts.

Long-term stabilization of nonprofits through an ongoing technical assistance program could be provided to nonprofits through an analysis of current leasing agreements so that nonprofits could possibly receive assistance in a cohort model based on the upcoming lease renewals, or by prioritizing by estimated lease expiration date. By examining groups in a cohort, an intermediary could identify geographic or programmatic proximities and explore the possibilities of co-location before the search process for a new lease location has begun.

The effectiveness of intermediary assistance should be evaluated on at least an annual basis by representatives of MOHCD and the Arts Commission to ensure that the technical assistance offered continues to meet the goals of the City and maximize nonprofit stability to the extent possible. Input from representatives from the nonprofit stakeholder community and/or an assessment committee of the Nonprofit Displacement Working Group should also be included in this review. An intermediary should produce a report that captures current data on the number of nonprofits facing displacement and the ability of an assistance program to stabilize those nonprofits at risk.

Recommendation: Pursue this option with MOHCD and Arts Commission. Priority: High. Possible short-term, medium-term, and long-term option.

CAST for Non-arts Organizations

Some stakeholders suggested that it would be beneficial for a nonprofit real estate holding company such as CAST to be created to support non-arts organizations. Currently there is no counterpart for CAST for non-arts groups.[12] The existing organizations that might have the capacity to provide the requisite expertise in real estate transactions are limited in number; many organizations would be reluctant to take on real estate responsibilities for programs that would be outside their mission, and many organizations are also focused on certain neighborhoods and thus would be unlikely candidates to take on the role of a city-wide intermediary.

A further study should be made of the possible roles or partnership opportunities with larger, city-wide nonprofits that already own property; affordable housing developers with expertise in real estate transactions; and groups such as land trusts that also share that kind of expertise. The appropriate roles for intermediary technical assistance organizations such as the NCCLF, which has offered significant assistance in the past to nonprofits struggling with this issue, and is currently offering specific services to arts organizations through its current contract with the San Francisco Grants for the Arts should be closely examined to explore similar possibilities for non-arts organizations.

The goals of such an organization could be to facilitate the acquisition of available space for nonprofits; work with potential tenants to position them for acquisition; focus on the creation of nonprofit hubs in key neighborhoods; offer general resources and information; streamline city and community resources; partner with the City to work with developers and commercial building owners to elicit engagement in nonprofit shared space efforts; and engage in shared space conversation around transit oriented development sites.

Recommendation: Pursue this option with MOHCD, OEWD, Arts Commission, Department of Real Estate, and CAST. Priority: Medium. Possible medium-term and long-term option.

Recommendations: Planning/Zoning/Developer Agreements

A number of recommendations required the coordination of various entities involved in City planning, zoning, and commercial business regulation. The feasibility of many of these options hinge upon the existing state restrictions regarding commercial rent control. Other options would rely on the flexibility of the City's planning processes and its ability to amend its existing regulations or grant waivers in limited circumstances in order to support the City's desire to support nonprofits searching for long-term affordable space.

Development Impact Fees

The Working Group considered the potential imposition of development impact fees that would require that these fees be paid by commercial developers to be used to renovate or acquire facilities to be occupied by nonprofit organizations.

Development impact fees are a form of exaction on new development, which must be satisfied as a condition of development approval. Cities, counties, and districts impose such fees to pay for and/or

[12] Some organizations, such as the San Francisco Community Land Trust, have capacity to oversee real estate transactions but focus primarily on housing developments as opposed to community facilities.

defray the costs of infrastructure or facilities needed to serve new development. The statutory authority to impose development impact fees was codified by the California Mitigation Fee Act. According to the Act, development impact fees must be established on a "reasonable relationship" between the impacts of types of development and the facilities needed to mitigate their impact. The reasonable relationships required must be legislatively adopted by a jurisdiction as findings in support of the impact fees it enacts. Cities, counties and districts should not impose fees to fix existing problems that are unrelated to the impacts of new development.

In order to enact impact fees, the Act requires that a nexus determination be made to identify: the purpose for collecting development impact fees; the specific use of the fee and the facilities to be built; the reasonable relationship between the facility funded by fees and the type of development projects paying the fee; the reasonable relationship between the need for the public facility and the type of development project paying the fee; and the reasonable relationship (proportionality) between the amount of the fee and the cost of public facilities. The reasonable relationships required should be legislatively adopted by a jurisdiction as findings in support of the impact fees it enacts.

The City has currently engaged a contractor to develop both an economic displacement study and a nexus study focusing specifically on the Central South of Market Plan area. The Economic Displacement Study will provide a literature review and best practices summary related to indirect economic displacement impacts of new development on existing community facilities and services; identify proposed level of service standards for specified community services and facilities within the Central SoMa Plan area; analyze the indirect economic displacement impact of new development on existing community services and facilities in the Central SoMa Plan area; and evaluate various mitigation strategies to address these impacts, including, but not limited to developer agreements, direct funding, development impact fees, and other strategies.

The nexus analysis will specifically determine the impact of new residential and commercial development on the demand for community services. The study will be limited to analyzing the impacts and demand from new growth, and any resulting fee would be used to meet the demand of new residents or workers, not the existing population. The nexus study will also include a brief overview of local government best practices related to mitigation of the impacts of development on the demand for City services through implementation of development impact fees.

Impact fees justified by this type of nexus study are limited in their utility, however, and can only be used to pay for a portion of the costs of the capital facilities needed to serve the new development.[13] Impact fees justified by this type of nexus study are also limited to the specific geographic boundaries included within the study, so this solution would be of limited utility to those organizations located outside these boundaries. The City would need to commission multiple nexus studies in order to maximize the ability to leverage these funds.

Recommendation: Pursue this option with Controller's Office and Planning Department, pending result of Central SoMa nexus study. Priority: Medium. Possible medium-term and long-term solution.

[13] Traditionally, impact fees are imposed and used for capital projects such as:
• water and waste water treatment facilities
• roads
• parks
• libraries
• schools
• police and fire protection facilities.

Inclusionary Zoning Ordinance

There is no precedent for imposing an inclusionary requirement for below market rate office space on commercial developers. Based on the current state law that prohibits any municipality from imposing any form of commercial rent control, it would be unlikely that such a program would be feasible. Public entities do retain jurisdiction to impose rent control as a condition of public funds or as part of a contract with a redevelopment agency or through a developer agreement. These options are detailed in separate sections below.

Recommendation: Delay pursuing this option. Priority: Low.

City Incentives for Property Owners

The Working Group also explored the possibility of offering incentives to building owners that would agree to provide below market rate rental space to nonprofits. If those incentives were considered direct financial benefits or contributions from the City under State law, the exception to the general state prohibition on commercial rent control as described above could potentially apply and such agreements could be enforceable. Agreements offered in exchange for other types of incentives, however, that were not direct financial contributions or otherwise exempt from the State law would likely be prohibited by the commercial rent control statute.

Recommendation: Delay pursuing this option. Priority: Low.

Second Floor Office Space

It was suggested that the Planning Department examine the possibility of loosening the restrictions on second floor space in neighborhood commercial districts where the zoning prohibits office and nonprofit office use. The Planning Department should be tasked with identifying neighborhoods, in addition to the aforementioned neighborhood commercial districts, where such restrictions exist, work in partnership with the rest of the City to determine whether any of these neighborhoods might offer appropriate space to nonprofits should the restriction be lifted, and then explore the possibility of rezoning these areas when appropriate. The City needs to determine whether or not this rezoning would be offered to all entities that need office space, or limit the use exclusively to nonprofits seeking office space. This option might not yield a significant amount of nonprofit space, because the City does not want to displace existing residential units, which is what is on the majority of second stories in the neighborhood commercial districts.

Recommendation: Pursue option with Planning Department. Priority: Medium. Possible medium-term and long-term solution.

Developer Agreements

For certain types of development projects (e.g. large multi-phase and/or mixed use development involving public improvements), the City occasionally enters into agreements with private developers to specify the standards and conditions that will govern the development of the property, over many

years and project phases. With a recent surge in development activity, the City is now entering into more and more complex development agreements. There are currently six active developer agreements pursuant to the relevant State and City Codes. As developer agreements are not subject to the State's prohibition on commercial rent control, there may be opportunities to include reduced rent for nonprofit organizations in certain limited circumstances as appropriate. The City should identify potential agreements that are either underway or likely to surface in the next few years and review each agreement to determine the appropriateness of including partnership opportunities for nonprofits within each development. While the location of these developments may not necessarily be in the exact locations from which nonprofits currently must vacate space, these developments may still offer permanent affordable space for those nonprofits that may be able to be located in those neighborhoods. The City should explore the capital needs of nonprofits and incorporate those costs into rent subsidies that can be transferred via the developer agreements.

Recommendation: Pursue option with OEWD, Department of Real Estate, and Port. Priority: Medium. Possible medium-term and long-term option.

Community Benefits Agreements

In April 2011, the Board of Supervisors amended Article 12-A of the San Francisco Business and Tax Regulations Code by adding Section 906.3 to establish a Central Market & Tenderloin Payroll Expense Tax Exclusion, exempting businesses located within a defined exclusion area from additional payroll tax as they add jobs during any six years in an eight-year period. Businesses applying for the Central Market Street and Tenderloin Area Payroll Expense Tax Exclusion with payroll of greater than $1 million annually must enter a Community Benefit Agreement ("CBA") with the City Administrator. For 2014, six companies-Microsoft, One Kings Lane, Spotify, Twitter, Zendesk and Zoosk have entered into a CBA with the City Administrator. The Working Group recommended that these Agreements be examined to determine whether offering below market rate rental space to nonprofits could be integrated into current or future documents.

The number of organizations entering into community benefit agreements now stands at six. The tax benefit to businesses that apply for the payroll expense tax exclusion is 1.5% per $1 million of payroll. Given the small financial benefit of the exclusion, City advisors feel that it would be unlikely that businesses would be incentivized to provide such space. A more significant impediment, however, is that most if not all of these businesses do not have site control over their building, and their existing leases prohibit additional subletting. Additionally, if these organizations have existing space available, their lease-for-growth plan would require possible eviction with short notice to nonprofits should the company's hiring needs change. Finally, these office spaces are often not ideally designed for nonprofit client interactions. CBAs have instead often focused on supporting youth and educational outcomes, leveraging volunteers of the companies, and workforce development.

Recommendation: Delay pursuing option. Priority: Low.

Recommendations: Identifying Available Space

Key to assisting nonprofits facing displacement is the ability to identify appropriate alternate space. The Working Group identified a number of different options that offered potential opportunities to expand the pool of affordable short-term, medium-term, and long-term space for nonprofits.

Single Point of Contact for the City

The City should have a single point of contact for nonprofits searching for spaces and needing City support. Currently there is no designated entry point in the City for such inquiries. The City point of contact should have strong connections with City departments that provide funding for nonprofits as well as those City departments that interface with developers and real estate transaction. MOHCD and OEWD are two key departments that can serve as conduits to the other City departments that function in those two primary arenas. A partnership between those two departments that can integrate the programmatic and development expertise can yield a focused entry way for nonprofits to best access resources the City can offer. Similar to the City of Denver's Executive Order indicating City support for shared spaces and strategic partnerships with nonprofits, San Francisco should explore the possibility of issuing a similar statement as the City of Denver, or otherwise indicating support for these principles.

MOHCD has focused on providing technical assistance and capital funding since its initial establishment as a City department. Its broad range of programs and its long history of supporting capacity building and community facility support position it ideally to oversee these kinds of resources in partnership with other City departments which provide programmatic support to the variety of City contractors.

OEWD has the potential to offer substantial support to nonprofits seeking assistance because of their deep penetration into commercial corridors throughout the City, their knowledge of development opportunities, and their expertise in the relevant aspects of real estate acquisition, financing and development. Through its Invest in Neighborhoods programs, OEWD has already built connections with 25 different neighborhoods throughout the City, and has the capacity to identify possible vacancies in each neighborhood. Through its StorefrontSF program, it has shown its capacity to develop listings of available spaces that can be made available publicly to small businesses.

A comprehensive City website that connects all of the available City resources and community resources into one location would maximize access by nonprofits and eliminate the need to contact multiple departments in an attempt to locate services. MOHCD, OEWD, and the appropriate community-based intermediaries could work together to create such a comprehensive website.

Recommendation: Pursue this option with MOHCD and OEWD. Priority: High. Possible short-term and medium-term solution.

Multi-tenant Spaces

The possibility of identifying significant spaces for multi-tenant co-location should be examined, especially in neighborhoods with high concentrations of San Francisco residents who currently access services. The specific details of the rental status should be reviewed with the underlying goal of

determining possible co-location and the ability of the City to provide strategic support for permanently affordable space. Given that over half of the nonprofit organizations surveyed indicated an interest in sharing space, buildings that could provide this opportunity should be specifically investigated. Maximizing the long-term sustainability of nonprofits may require strategic acquisition of larger spaces by a nonprofit with the capacity to maintain such a space and manage the real estate financing required. The City can also examine the CAST model to determine the utility of creating an entity specifically to deal with the real estate acquisition so that the nonprofits focus on providing services instead of having to learn how to deal with a potentially complicated real estate transaction.

The opportunities to examine large developments, whether they are health institutions, multi-tenant shopping complexes, large housing developments, or other kinds of large-scale developments, should be reviewed with the possibility of effectively incorporating nonprofit organizations into those spaces. In many of these cases, the additional build out costs from development opportunities for nonprofit spaces would not be as significant in relationship to the size of the overall project, and could bring neighborhoods real benefit. In terms of location, some organizations might be located in a site that is not necessarily centrally-located, as long as clients could still access the services conveniently through transportation nodes. Including an analysis of public transit nodes could be helpful. A review should be made of the BART line past Civic Center as it extends through the Mission to Geneva to examine possibilities further down that line, as many nonprofits indicated that their staff depended upon BART to get to their places of employment.

Recommendation: Pursue this option with OEWD. Priority: High. Possible medium-term and long-term solution.

City-owned Buildings

City property could potentially be made available to nonprofit organizations at low cost to be used for administrative offices, performance spaces, educational sites and other purposes relevant to the organizations' missions. A 2006 San Francisco Arts Task Force study recommended that the City take inventory of its facilities and, where possible, make them available for arts activities through partnerships with community arts organizations.[14] Administrative Code Chapter 23A prioritizes surplus property for affordable housing. Those sites that might not be appropriate for affordable housing are often oddly sized or in such bad condition that rehabbing the property would be very expensive. Proceeds from the disposition of these sites are earmarked for affordable housing. The City also needs to reduce its own tenancy costs by minimizing its need to lease space for its own employees by maximizing their placement in these City-owned spaces.

Attention also should be paid to the leasehold nature of nonprofits occupying City-owned property. Since the City has limited capital funds available, past practice has sometimes been to offer nonprofits a favorable lease payment agreement which, in return, requires the nonprofit to manage ongoing costs for management duties and capital and facilities maintenance. For many nonprofits, fulfilling this responsibility has been beyond their capacity and the City has had to terminate the lease and take over management responsibilities directly or shift them to another nonprofit with greater capacity.

Within that limited context, the City can examine the possibility of spaces in certain areas that could offer temporary solutions or require some flexibility on the part of the nonprofits. Waterfront sites

[14] San Francisco Arts Task Force Findings and Recommendations, 2006

along the piers, while offering significant space opportunities, may have competing priorities with commercial needs that sometimes unexpectedly arise along the piers. The City may need to access certain piers with short notice, so that nonprofits might be pressured to relocate without too much notice. However, the City could scan the current inventory of docks to see the current availability. These kinds of institutional space need to be further explored. Space on the Shipyard, currently being developed by OCII, should also be explored, as described separately below.

The City in conjunction with the Treasure Island Development Authority could explore the possibility of siting nonprofits on appropriate development sites on the Island, although the existing binding agreement may not permit much flexibility in this arena. There is also the possibility of appropriate nonprofits being co-located in underutilized recreation centers under the jurisdiction of the Recreation and Parks Department. The City may be exploring larger industrial parks slightly outside the City boundaries, primarily because of lower costs and larger potential space acquisitions. Even those sites slightly outside the City on the peninsula may still provide long-term solutions for nonprofits that otherwise would have to move even further outside of San Francisco.

When public sites are being developed, the City should consider the necessity of programming a potential site with public services that are not present in the neighborhood. Enterprise departments should also coordinate with the service-provider agencies to discuss services that are already located in the neighborhood and whether or not those services could be housed more effectively at a new location. Doing this may mean that the City puts existing services into a more accessible location, a higher quality and more appropriately designed location, a more financially stable location, or a location that allows for the co-location of multiple services. To the extent that an enterprise department is considering housing a city-funded service, there should be discussions early on about the cost of and a strategy for paying for the physical improvements to the space, including furniture, fixtures and equipment. To the extent feasible, these costs should be incorporated into the larger project.

The Arts Commission grants noncompetitive operational support totaling $2 million annually to four neighborhood cultural centers and two virtual cultural centers housed in City-owned buildings leased for $1/year. These City-subsidized spaces (totaling 98,105 square-feet) serve hundreds of thousands of artists, nonprofits, audiences, students and patrons each year. The Arts Commission is currently working with the master tenant organizations to ensure that below-market rate rentals to nonprofits are occurring, that compliance mechanisms are in place to track these rentals, and that this system of below-market rate rentals is codified. The Arts Commission is also working with Capital Planning, the Mayor's Office of Disability and the Department of Real Estate to ensure that these buildings are fully operational and accessible to the public. The Cultural Centers' goal to provide affordable access to cultural space applies to nonprofit subtenants in the building as well as to classroom, theater, gallery and public programming rental spaces, thereby providing low-cost rental options for nonprofit arts groups and artists.

Recommendation: Pursue these options with Department of Real Estate. Priority: Medium. Possible medium-term and long-term solution.

Other Governmental Spaces

City College of San Francisco and the San Francisco Unified School District may also have available spaces. Both entities should be examined to determine the possibility of filing vacant or underutilized space with appropriate nonprofits. City College, for example, is looking to consolidate use of their current operations, and even now does not use all of their space. In one instance for their South East campus they have already consolidated their school activities into one part of the site, while the PUC is leasing the remainder. Additionally, the San Francisco Housing Authority may have available space in its current administrative office space. The City should explore the possibility of housing appropriate nonprofits in those spaces. State governmental entities that oversee properties such as CalTrans and CalTrain could also be possible sources of space.

Some stakeholders specifically requested exploring a collaboration of municipal government, local and federal transportation agencies and commercial finance to create a nonprofit center on or above transit property.[15] This kind of opportunity could bring together a combination of FTA dollars and new market tax credits as well as employment opportunities for low/middle income workers at the nonprofits themselves.

Recommendation: Pursue this option with Department of Real Estate, San Francisco Unified School District, City College of San Francisco, San Francisco Municipal Transportation Agency, and Mayor's Office. Priority: Medium. Possible medium-term and long-term solutions.

Support from the City Capital Plan

Members of the working group requested information regarding the City's Capital Plan and its ability to provide ongoing support to City-owned buildings that house nonprofits. Historically there have been a number of nonprofit organizations, including both social service providers and cultural/arts organizations, that have occupied City-owned buildings. Often these organizations have benefited from a multi-year master lease that provided nonprofits with a rent subsidized by the City at below fair market rent. In exchange for this below market rent, the master tenants were often required to raise all revenue to support the ongoing facility operation costs and the capital funds to support all maintenance and rehabilitation work necessary for the facility. However, in many of these cases the City has had to step in because the nonprofit has not been able to raise the funds necessary to maintain the facility. In a number of cases the nonprofit has had to vacate the space and in some cases the pressure placed upon the capacity of the nonprofit from managing the facility has resulted in the ultimate dissolution of the nonprofit.

The City has a Ten-Year Capital Plan that was first created in 2006 to protect against the historic underinvestment in capital for the city. Its goal was to develop and implement a sustainable plan for the long-term safety, accessibility and modernization of San Francisco's public infrastructure and facilities. The current Capital Plan[16] proposes $4.7B in capital funding for General Fund departments, while deferring $4.0B in need over the next 10 years. Meeting Capital Plan recommendations has been challenging, especially capital renewal recommendations which preserve the life of an existing asset. City facilities that house nonprofits have been recently included in the Plan, but have not been included

[15] For example, the City of Berkeley's initiative to permanently house a collective of 8 disability services non-profits in the Ed Roberts Campus project built above the Ashby BART station.

[16] City and County of San Francisco, Capital Plan, Fiscal Years 2014-2023

within the funding priorities. Given the deferred need of the City's existing capital stock of assets is already $4 billion, priority should be placed on reducing that backlog first.

Recommendation: Delay pursuing this option. Priority: Low.

Storefronts along Commercial Corridors

The Office of Economic and Workforce Development has launched the Invest in Neighborhoods Initiative, which aims to strengthen and revitalize neighborhood commercial districts around the City by leveraging resources from across multiple departments and nonprofit partners. These include existing services, such as the Small Business Revolving Loan Fund, public art installations, streetscape improvements, and brand new services such as the Jobs Squad, a neighborhood improvement grant program, and StorefrontSF, a citywide storefront vacancy tracking and lease advertising system.

StorefrontSF is a free tool overseen by OEWD that allows property owners, managers, and brokers to lease or sell vacant ground floor space along commercial corridors. The current website interface allows businesses to search by address property type, neighborhood, square footage, agent, and possession type. The site is free for all users to search and to post. Listings in the 25 Invest in Neighborhoods corridors are updated at least once per month.

This web site could be a tool for nonprofits that are looking to be located on one of the City's many commercial corridors; however the spaces currently listed on StorefrontSF are mainly suitable for ground floor retail and do not include office spaces. However, StorefrontSF could provide a model or template for a companion nonprofit space-focused online database, such as the orgspaces.org site that NCCLF used to run.

Recommendation: Explore development of a companion database to StorefrontSF with OEWD. Priority: Medium. Possible short-term and medium-term solution.

Office of Community Investment and Infrastructure

The City should explore the possibility of development on ongoing former redevelopment project areas administered by the Office of Community Investment and Infrastructure since those developments are in larger parcels with the possibility of more extensive opportunities. The Transbay Terminal is a particularly attractive possibility since it is located adjacent to the Market Street Corridor, and may have long term potential for housing a number of nonprofits. Although this project is five years into the future, it may take that much time for potential nonprofit partners to be identified and for the requisite capital to be amassed. The Mission Bay project area is also a possibility, although the cost for development may be much higher since the land is held privately. The Hunters Point Shipyard is also a possibility given the large area that is being developed, although the public transportation to that area is less well connected to the major BART lines that often serve the staff that work at the City's nonprofits.

Recommendation: Pursue this option with Office of Community Investment and Infrastructure and Department of Real Estate. Priority: Medium. Possible long-term solution.

Spaces within Affordable Housing Developments

A number of working group members suggested investigating the possibility of locating nonprofits in affordable housing developments, either in vacant storefront space or in other office space that might be available in the building. Many such housing developments are already providing supportive services and are comfortable with the idea of clients directly accessing the property. On-site community based organizations could provide a direct benefit to the residents of those buildings, and might be appreciated because of their role providing resources to neighborhoods already challenged by the needs of low-income residents with multiple barriers.

Affordable housing development can offer both storefront space and office space. Some developments already house services such as childcare facilities or health clinics. Some facilities offer retail storefronts, but not in every location. Retail storefronts also vary from site to site depending upon the surrounding businesses and the streets abutting the entrances. Opportunities also exist for office space on the second floor of some developments. A review should be done of the existing affordable housing developments to complete an inventory of possible spaces. The City's current affordable housing pipeline includes scheduled development at numerous sites throughout San Francisco, representing a significant possibility of additional space for nonprofits. Research should also be done to determine the possibilities for financing for a build-out that would incorporate nonprofit space and how to do that in a tax credit structure. The implications on zoning requirements as well as impact on the commercial corridor should also be reviewed.

Recommendation: Pursue this option with MOHCD, Planning Department and Council of Community Housing Organizations. Priority: High. Possible short-term, medium-term, and long-term solution.

Spaces within Existing Nonprofits

Data from the MOHCD survey, as well as anecdotal data from City staff, indicate that some existing nonprofits may have sub-leasable space currently available. A more comprehensive survey should be done of City-funded nonprofits to map available space for the purpose of identifying possible tenancy opportunities. As over half of the nonprofits surveyed indicated an interest in sharing space, this could present an immediate solution for certain nonprofits.

Recommendation: Pursue this option with MOHCD and other City departments with nonprofit contracts. Priority: High. Possible short-term solution.

Single Room Occupancy Hotels

Similar to the situation with affordable housing development, it was suggested that single room occupancy hotels ("SROs") may have vacant storefronts in neighborhoods with a high number of individuals that might benefit from or need city-funded services. These SROs are often challenged by retaining commercial tenants because of the nature of their residents and location. They may welcome the opportunity to have nonprofit service providers co-locate at their site providing services out of the storefront, rather than have their storefront sit empty. The City should explore its own Housing First properties, where the City has master leases with SROs. In cases of long-term ground floor vacancies

in these buildings, there could be significant opportunities for nonprofits to provide services, especially since those services may also benefit the people living in these SRPs and the surrounding neighborhood.

Recommendation: Pursue this option with Department of Public Health, the Human Services Agency, Central City SRO Collaborative and Mission SRO Collaborative. Priority: Medium. Possible medium-term and long-term solution.

Non-traditional Spaces

A number of non-traditional spaces were identified. The possibility of identifying sites which had space available during off-hours was mentioned. One example given was that of a senior center, which might only have activities planned during the lunch hour, leaving the space free during the afternoons for after-school programs. It was also suggested that certain faith-based buildings might have additional office space available for nonprofits during certain hours. Members also suggested the possibility of examining space-sharing where individuals from multiple organizations could share desks. The possibility of providing services where appropriate through telecommuting was discussed. It was also suggested that program staff from multiple organizations be co-housed in neighborhoods where clients could easily access those services, while separating the administrative staff into offsite locations that may not be as accessible to clients but could be located in less expensive neighborhoods.

Old theater spaces might be a possibility. Some of these theater spaces have small retail spaces facing the street, but large spaces in the back that had originally been set aside for parking. In many cases there may be a tradeoff between including additional parking or setting aside more build-out space for nonprofits. The City would need to explore setting aside capital funding to help subsidize this kind of build-out. The Department of Building Inspection and Mayor's Office on Disability would need to be brought in to help assist in determining how best to make these tenant improvement work affordably and brought up to code. Affordable housing developers could partner in some cases with nonprofit agencies to develop spaces that might not include residential development at all, if the opportunity presented itself and the particular partnership offered the best combination of development expertise and programmatic sophistication.

One recommendation was to explore the possibility of creating a hub for temporary relocation for organizations that need an immediate space and may be ready later to move into a more permanent space. It was also suggested that the City explore the possibility of creating an incubator for smaller nonprofits, so that emerging organizations could have the benefit of a shared space in the way that emerging startups in the commercial sector have benefited. Commercial sites such as Liquid Space and PeerSpace may also provide resources for organizations seeking such spaces.

Recommendation: Pursue this option with Interfaith Council, Human Services Network, OEWD, CCHO. Priority: Medium. Possible medium-term and long-term solution.

Co-location, Co-working and Back Office Sharing

Organizations can benefit from partnering together to search for shared space; organizations that might not be large enough or have the scale necessary to rent space may benefit from joining up with one, two, or more other organizations that are aligned in terms of interest and mission. Organizations may also

be able to maximize space by sharing certain back office functions such as finance, human resource, and IT. Organizations can also explore the possibility of co-working and sharing the same workspace, following the model in use by smaller commercial start-ups that share desk space, often in incubator spaces. The City can create a database that actively solicits interest by nonprofits for colocation, co-working, and back office sharing to facilitate these opportunities.

Recommendation: Pursue this option with MOHCD and OEWD. Priority: High. Possible short-term, medium-term and long-term solution.

Family Trusts

A number of stakeholders noted that family trusts occasionally hold properties and need assistance in determining the ultimate disposition of these properties. One challenge, however, was a method to identify these family-held properties.

Recommendation: Delay pursuing this option. Priority: Low.

Recommendations: Direct Financial Assistance

Acquisition/Rehabilitation Funds

A fund can be created to provide support to nonprofits that are purchasing a building, or making substantial renovations that will increase the amount of nonprofit space in an already owned space. Organizations with long-terms leases could also be eligible. These funds could be given out as grants, with a requirement that the space is held for nonprofits in perpetuity. These funds could be augmented with funds from private sources. This could be modeled on the Nonprofit Space Capital Fund initially created by the City in 2000 and supplemented by funding from private philanthropy.

As discussed above, some nonprofit organizations in San Francisco and elsewhere have undertaken capital campaigns in recent years to acquire their own buildings or facilities which they then either occupy themselves or occupy a portion and lease the rest of the space to other nonprofit organizations with limits on the rate of allowable increase in rent. Many of these initiatives have been funded by foundations and/or private donors, with some involvement by local government. The Tides Foundation of San Francisco established the nonprofit multi-tenant Thoreau Center for Sustainability at the Presidio in 1996, which now houses not only the foundation but approximately 60 primarily nonprofit organizations. The owner and the tenants share certain administrative costs and facilities and have reduced tenant rent costs compared to leasing space on the private market. The Center hosts educational events and activities to develop a community of tenants under the principle that all of the organizations will be more effective by sharing experiences and resources.

The City could potentially contribute to creation of multi-tenant nonprofit centers by making loans and/or grants to organizations for such endeavors either through existing City programs or through creation of new programs. Presently, one of the purposes of the Mayor's Office of Housing and Community Development's Facility Capital Improvement and Public Space Improvements program is to provide funding for rehabilitation or new construction of nonprofit facilities that predominantly serve low-income families and individuals. The Office of Economic and Workforce Development has

numerous programs in place to assist specific business sectors in moving to or remaining in San Francisco and could potentially develop a new sector initiative aimed at supporting nonprofit organizations.

Recommendation: Pursue this option with MOHCD, Arts Commission and OEWD. Priority: High. Possible medium-term and long-term solution.

Tenant Improvements

The City could establish a tenant improvement/tenant relocation fund that could provide support for nonprofits as they move into new spaces. Expenses covered could include cost of setting up new work spaces, office furniture, IT, phones and cabling, paint, carpeting, subdividing, and other similar expenses, especially if those tenant improvements serve to lower the requested rent.

Recommendation: Pursue this option with MOHCD and Arts Commission. Priority: High. Possible short-term solution.

Emergency Rental Stipends and Security Deposits

Short-term rental stipends may be problematic if the organization receiving the stipend is unable to maintain the higher rent after the limited term of the stipend has been reached. Providing such a stipend without assurance that the organization can later maintain the higher rent may postpone relocation for a period of months, but does not offer a permanent solution. However, in certain circumstances a stipend may be strategic. If an organization has identified a future lease possibility with a sustainable rent and needs assistance in covering a rent increase for a limited period of time until the future lease becomes available, the City may be able of offer a rental assistance program through a formal application process. There may also be challenges for some organizations for their ability to provide the requisite security deposit necessary for move-in. The City could provide a program that offers partial assistance towards the security deposit if the organization can show the ability to pay the monthly lease payments. Stakeholders recommended that such programs be administered in a way that ensures timeliness of granting out funds and demonstrates ability to quickly respond to urgent needs.

Recommendation: Pursue this option with MOCHD and Arts Commission. Priority: High. Possible short-term solution.

New Market and Other Federal Tax Credits

The former San Francisco Redevelopment Agency created the San Francisco Community Investment Fund, one of a number of community development entities located in San Francisco that are certified by the US Department of Treasury's Community Development Financial Institutions Fund (CDFI Fund) to apply for and award federal new market tax credits to eligible projects.

Certified community development entities like the San Francisco Community Investment Fund utilize the new market tax credits program to facilitate bridge financing to high-impact projects that benefit qualified low-income communities and organizations. New market tax credits provide gap financing

for a portion of the costs of acquisition, construction, rehabilitation and other eligible costs. Other community development financial institutions and community development entities – NCCLF, Nonprofit Finance Fund, Opportunity Fund, Clearinghouse CDFI, and others – also participate in the new market tax credits program.

The San Francisco Community Investment Fund allocates its new market tax credits exclusively in qualified low-income areas in San Francisco. The City should continue to engage the San Francisco Community Investment Fund and other certified community development entities to ensure eligible nonprofit organizations and projects continue to participate in the program.

There may also be the potential to leverage other kinds of tax credit programs, such as Historic Tax Credits and Low Income Housing Tax Credits that may be available in conjunction with certain eligible projects. These other programs should also be investigated in case they may provide additional sources of capital financing. Many of these tax credit programs could be used to support a number of the recommendations in this report that require leveraged financing.

Recommendation: Pursue tax credits financing in conjunction with implemented recommendations. Priority: Medium. Possible medium-term and long-term solution.

Structure of City Contracts and Cost of Living Allowance/Cost of Doing Business

A number of nonprofits have requested changes in the way in which their contracts with the City are structured to enable them to respond to rising rental costs. Specifically, nonprofits have requested that the City incorporate the increased rental costs into a cost of doing business budget increase in the City's General Fund. The City currently builds into budget projections a cost of living increase for all of its General Fund contracts, including nonprofit contracts; however, final decisions on appropriated funding level increases to contracts and materials and supplies are determined by the Mayor and the Board of Supervisors as part of the budget balancing process. Most recently, the City funded an increase for General Fund non-profit contractors of 1.9% in FY 2012-13 and an additional 1.6% in FY 2013-14. A number of nonprofits requested that this amount be expanded so that nonprofits would not have to choose between using the increase for payroll costs and using it for rent increases. Nonprofits also asked the City to recognize that with rising costs, departments need to recognize the need to reduce the expected deliverables from nonprofits when funding has remained constant over many years. It was recommended that the City include escalators annually in each budget to offset, in part or in whole, the escalators that nonprofits face when dealing with commercial rent. Nonprofit stakeholders requested that the City pursue an ongoing structural solution to this situation and stated that the City's inability to support increasing costs is a contributing factor to nonprofit displacement.

This report's position on this recommendation focuses on the use of escalators or cost of doing business increases to explicitly help nonprofits address challenges associated with rental cost increases.

One challenge to a policy of across-the-board cost of doing business increases in City contract funding specifically for nonprofit rental increases is that not every nonprofit is positioned similarly. Some nonprofits own, while others rent; some have multi-year leases with no rental increase in the foreseeable future, while some have leases expiring this year. Even among those with leases expiring the same year, the anticipated rental increase for each nonprofit could be substantially different, so that an across the board increase would impact each nonprofit quite differently. Further, given the high

volatility of the real estate and rental markets, as well as the large amount of funding the City currently has in contracts with nonprofits, it is unlikely that any increase that the City could provide across-the-board would prove sufficient to close the gap that a significant rent increase would create. For these reasons, including an automatic across-the-board cost of doing business increase or escalator for nonprofit rents in City contracts is not recommended as a viable solution.

However, this report does acknowledge that recognizing escalating operating costs and the need for flexibility in contracts with nonprofits is an important facet of contract negotiation with the City and should be investigated by contracting departments.

Recommendation: Delay pursuing option as it affects Cost of Doing Business increases specifically to address rent increase. Priority: Low.

Recommendation: Pursue this option with funding departments as it relates to investigating flexibility allowed in existing contracts for share of administrative costs. Priority: High. Possible short-term solution.

Recommendations: Public/Private Partnerships

In order to maximize the resources for nonprofits facing displacement, resources from the private sector should also be explored to determine how nonprofits could effectively leverage additional support from philanthropy and the corporate sector.

Foundations and Philanthropy

Philanthropic partnerships, including seed funding, space contribution, and convening foundations were recommended as a source of additional funding for initiatives to support nonprofits in their relocation to supplement City funds. Foundations were also seen as potentially having space available to lease to nonprofits.

Foundations are currently focused on the broader range of financial challenges facing nonprofits as the Bay Area slowly recovers from its long recession. This is only a part of a much larger conversation. The financial strain of increased rents is just one of a multitude of factors that the philanthropic community is examining, including increased demand, loss of talent, reduced government support of direct program services, a marked decrease in individual and corporate support, the rapid rise of ancillary costs such as employee health insurance and workers compensation, and other similar factors that have been affecting the broader nonprofit community.

The finished report should be presented to philanthropy to better inform them about the importance of stabilizing the locations for nonprofits, and share the City's thinking about strategies and partnerships with philanthropy. Philanthropy should also be informed as to the need to include support for the capital needs of nonprofits to accompany their programmatic support. The City's strategy should include a thoughtful discussion of the intersection of nonprofit displacement, affordability, major development, housing and the role of the private sector. The report should send a strong message that to address this problem all sectors are needed; these needs to be a joint, collaborative effort to bring together resources and to create solutions. The City should incorporate into its future planning the identification of what the ideal communities that we'd like to create would look like. The City's Area

Plans should in the future be created with a conscious desire to incorporate nonprofit organizations into its structures.

Philanthropy could be an important partner, especially in terms of mid-term and long-term solutions that could be aligned with their long-term strategic planning processes. Philanthropy also suggested that financial institutions and the broader business community should take a leadership role in the effort to stabilize nonprofits in their need to find permanently affordable space.

Recommendation: Pursue this option with MOHCD and San Francisco Foundation. Priority: High. Possible medium-term and long-term solution.

Partnership with Developers, Owners and Brokers

Creating clear pathways to identify brokers interested in working with nonprofits to help locate spaces may expedite the search process. As brokers receive their compensation from landlords, the hiring of a broker is at no cost to the nonprofit. Some nonprofits have reported that they have found it challenging to find a broker interested in working with nonprofit tenants because of the nature of their needs; if the City was able to provide a pre-qualified list of brokers easily accessible to nonprofits, the identification and selection process might become much easier. Individual brokers or brokerage firms as an entity could be pre-qualified and listed on a public-available city website. Brokers are in the strongest position to identify space and nonprofits should be encouraged to work with brokers instead of attempting to search for the space without access to the expertise that brokers provide.

The City could also explore the possibility of working with private stakeholders that are currently considering the possibility of identifying architects and general contractors interested in working with nonprofit organizations to design space and provide tenant improvements if necessary prior to move-in. These architects and general contractors may be able to offer pro bono or reduced rates to city-supported nonprofits. The City can also provide funding to subsidize the cost of legal review of real estate transactions to provide a larger range of services to nonprofits that might not otherwise be able to afford it.

Recommendation: Pursue this option with OEWD and MOHCD in partnership with owner/developers (i.e. BOMA, Urban Land Institute, SPUR). Priority: High. Possible medium-term, and long-term solution.

Corporate Partners

A common theme among nonprofits was the desire for commercial businesses that benefit from their location in the mid-Market corridor to offer support to nonprofits who are now struggling to maintain their leases in those same locations. Tech industries in particular have been identified, in part because of their increased visibility in the City and in the mid-Market area in particular. A number of tech companies have been approached by nonprofits and have been asked if they have space available to sublet to nonprofits. Tech industries have stated that those requests have been difficult to satisfy because their existing leases often prohibit any subleasing, and because it is difficult to offer permanent leasable space because existing space is leased for potential growth. Commercial space is also

configured in a way that might make it difficult for clients to meet in private spaces. These same restrictions are often in place for non-tech companies.

One possible area to explore is the possibility for companies, tech and non-tech, to offer space for limited-time events, such as conferences and retreats. Spaces for these kinds of one-time events are often difficult to obtain for nonprofits, but could be made available without too much difficulty by companies. Non-profits should explore more robust use of commercial sites such as Liquid Space and PeerSpace to secure potential meeting room/event space. The San Francisco Citizens Initiative for Technology and Innovation (sf.citi), the San Francisco Chamber of Commerce, and the Committee on Jobs are possible partners to which to reach out.

Recommendation: Pursue the option of limited-time event space. Priority: Medium. Possible limited medium-term and long-term solutions.

Next Steps

Following the adoption of this report, the City should take immediate action on those recommendations that offer short-term solutions. Strategic technical assistance and potential access to an emergency rental fund and/or tenant improvements can be made available in a timely way most efficiently through an experienced intermediary, utilizing the funds appropriated through Ordinance 33-14. The City should move quickly to identify and secure such an intermediary or intermediaries to serve both arts and human services organizations. In addition, the City should consider convening key city departments on a regular basis to continue to evaluate the progress made on all of the recommendations, including those that will require more medium and long-term strategies. Community based organizations should also be integrated into the ongoing review process in the appropriate manner so that the efficacy of the options provided is evaluated on an ongoing basis.

As a potential timeline, the following rough dates are recommended for milestones:

May 2014	Presentation of report and release of funds
June 2014	Release of Request for Proposals from MOHCD and Arts Commission for the procurement of intermediary organizations
July 2014	Selection of intermediaries and launch of technical assistance program; launch of sub-grant program for tenant improvements, emergency rental stipends and security deposits
July 2014	Check-in with City departments to prioritize medium- and long-term recommendations
July 2015	Evaluation report on results of assistance programs and update on nonprofit displacement

Conclusion

“Nonprofit organizations are not only vital contributors to the quality of life in San Francisco's varied communities, they are important economic players as revenue generators, as employers, and as participants in San Francisco’s economic life.” This quote, from “Nonprofits at Risk” published in 2000, is just as relevant today as it was fourteen years ago. In order to ensure that San Francisco residents continue to benefit from these thriving nonprofits, all of San Francisco's stakeholders need to commit to working towards an integrated strategy that recognizes nonprofits as a source of the arts and cultural fabric of the city; the significance of neighborhood and citywide development incorporating

nonprofits as an essential part of community and economic development; and the importance of offering structural and financial supports as appropriate to allow the City to continue to benefit from the community assets that these organizations provide to San Francisco.

Working Group Members

Sherilyn Adams, Larkin Street Youth Services
Michelle Allersma, Controller's Office
Brett Andrews, Positive Resource Center
Rachelle Axel, Arts Commission
Bill Barnes, Office of the City Administrator
Leiasa Beckham, Northern California Community Loan Fund
Jeff Bialik, Catholic Charities
Mark Burns, In-Home Supportive Services Consortium
Brian Cheu, Mayor's Office of Housing and Community Development
Leo Chyi, Mayor's Office of Public Policy and Finance
Amy Chan, Office of Supervisor David Chiu
Brett Conner, Department of Children, Youth and their Families
Deborah Cullinan, Yerba Buena Center for the Arts
David Curto, Human Services Agency
Tom DeCaigny, Arts Commission
Kimia Haddadan, Planning Department
James Head, San Francisco Foundation
Howard Levy, Legal Assistance for the Elderly
Michelle Long, Department of Public Heath
Jackie Jenks, Central City Hospitality House
Jessica Kinard, Mayor's Office of Public Policy and Finance
Hatty Lee, Tenderloin Neighborhood Development Corporation
Laura Moye, Department of Children, Youth and their Families
Drew Murrell, Controller's Office
Nancy Nielsen, Lutheran Social Services
Fernando Marti, Council of Community Housing Organizations
Ellyn Parker, Office of Economic and Workforce Development
Andrico Penick, Department of Real Estate
Mary A. Rogier, Northern California Community Loan Fund
Chris Simi, Mayor's Office of Public Policy and Finance
Maria Su, Department of Children, Youth and their Families
Joaquin Torres, Office of Economic and Workforce Development
John Updike, Department of Real Estate
Ben Van Houten, Office of Economic and Workforce Development
April Veneracion, Office of Supervisor Jane Kim
Landon Williams, San Francisco Foundation
Gloria Woo, Mayor's Office of Housing and Community Development
Bill Worthington, YMCA of San Francisco
Judy Yung, Vietnamese Youth Development Center
Lisa Zayas-Chien, Department of Public Health

Appendix

Chart of Recommendations (4 pages)

San Francisco Board of Supervisors Resolution No. 395-13, "Resolution urging the Director of the Mayor's Office of Housing and Community Development to convene work group to develop a series of recommendations on how the City can address the issues of nonprofit displacement" (3 pages)

San Francisco Budget and Legislative Analyst's Office, October 8, 2013, "Review of the Impact of Increasing Rents in San Francisco on Local Nonprofits" (31 pages)

San Francisco Board of Supervisors Ordinance No. 33-14, "Ordinance appropriating $2,515,000 for nonprofit rent stabilization to the Mayor's Office of Housing" (5 pages)

San Francisco Board of Supervisors Ordinance No. 266-00, "Appropriating $3,000,000 from the General Fund Reserve to provide rent subsidies to nonprofit art organizations that are in immediate danger of being evicted or displaced by rent increases, through the Art Commission for Fiscal Year 2000-2001" (4 pages)

San Francisco Board of Supervisors Ordinance No. 267-00, "Ordinance to provide rent subsidies to nonprofit arts organizations" (9 pages)

San Francisco Board of Supervisors Ordinance No. 283-00, "Ordinance to provide funds for rent subsidies, displacement assistance, capital improvement and real property acquisition for nonprofit organizations" (10 pages)

Chart of Recommendations

Group	Option	Recommendation	Priority	Time Frame
Direct Financial Assistance	Acquisition/Rehabilitation Funds	Pursue this option with MOHCD, Arts Commission and OEWD	High	Medium-term and long-term
Direct Financial Assistance	Emergency Rental Stipends and Security Deposits	Pursue this option with MOHCD and Arts Commission	High	Short-term
Direct Financial Assistance	Structure of City Contracts and Cost of Living Allowance/Cost of Doing Business	Pursue this option with funding departments as it relates to investigating flexibility allowed in existing contracts for share of administrative costs	High	Short-term
Direct Financial Assistance	Tenant Improvements	Pursue this option with MOHCD and Arts Commission	High	Short-term
Identifying Available Space	Co-location, Co-working and Back Office Sharing	Pursue this option with MOHCD and OEWD	High	Short-term, medium-term and long-term
Identifying Available Space	Multi-tenant Spaces	Pursue this option with OEWD	High	Medium-term and long-term
Identifying Available Space	Single Point of Contact for the City	Pursue this option with MOHCD and OEWD	High	Short-term and medium-term
Identifying Available Space	Spaces within Affordable Housing Developments	Pursue this option with MOHCD, Planning Department and Council of Community Housing Organizations (CCHO)	High	Short-term, medium-term and long-term
Identifying Available Space	Spaces within Existing Non-profits	Purse this option with MOHCD and other City departments with non-profit contacts	High	Short-term
Public/Private Partnerships	Foundations and Philanthropy	Pursue this option with MOHCD and San Francisco Foundation	High	Medium-term and long-term

Group	Option	Recommendation	Priority	Time Frame
Public/Private Partnerships	Partnership with Developers, Owners and Brokers	Pursue this option with OEWD and MOHCD in partnership with owners/developers (i.e. BOMA, Urban Land Institute, SPUR)	High	Medium-term and long-term
Technical Assistance	Intermediary Assistance	Pursue this option with MOHCD and Arts Commission	High	Short-term, medium-term and long-term
Direct Financial Assistance	New Market and Other Federal Tax Credits	Pursue tax credit financing in conjunction with implemented recommendations	Medium	Medium-term and long-term
Identifying Available Space	City-owned Buildings	Pursue this option with Department of Real Estate	Medium	Medium-term and long-term
Identifying Available Space	Non-traditional Spaces	Pursue this option with Interfaith Council, Human Services Network, OEWD and CCHO	Medium	Medium-term and long-term
Identifying Available Space	Office of Community Investment and Infrastructure	Pursue this option with Office of Community Investment and Infrastructure and Department of Real Estate	Medium	Long-term
Identifying Available Space	Other Governmental Spaces	Pursue this option with Department of Real Estate, San Francisco Unified School District, City College of San Francisco, San Francisco Municipal Transportation Agency and Mayor's Office	Medium	Medium-term and long-term

Group	Option	Recommendation	Priority	Time Frame
Identifying Available Space	Single Room Occupancy Hotels	Pursue this option with Department of Public Health, Human Services Agency, Central City SRO Collaborative and Mission SRO Collaborative	Medium	Medium-term and long-term
Identifying Available Space	Storefronts along Commercial Corridors	Explore development of a companion database to StorefrontSF with OEWD	Medium	Short-term and medium-term
Planning/Zoning/Developer Agreements	Developer Agreements	Pursue this option with OEWD, Department of Real Estate and Port	Medium	Medium-term and long-term
Planning/Zoning/Developer Agreements	Development Impact Fees	Pursue this option with Controller's Office and Planning Department, pending result of Central SOMA nexus study	Medium	Medium-term and long-term
Planning/Zoning/Developer Agreements	Second Floor Office Space	Pursue this option with Planning Department	Medium	Medium-term and long-term
Public/Private Partnerships	Corporate Partners	Pursue the option of limited-time event space	Medium	Medium-term and long-term
Technical Assistance	CAST for Non-arts Organizations	Pursue this option with MOHCD, OEWD, Arts Commission, Department of Real Estate and CAST	Medium	Medium-term and long-term
Direct Financial Assistance	Structure of City Contracts and Cost of Living Allowance/Cost of Doing Business	Delay pursuing this option as it affects Cost of Doing Business increases specifically to address rent increase	Low	
Identifying Available Space	Family Trusts	Delay pursuing this option	Low	
Identifying Available Space	Support from the City Capital Plan	Delay pursuing this option	Low	

Group	Option	Recommendation	Priority	Time Frame
Planning/Zoning/Developer Agreements	City Incentives for Property Owners	Delay pursuing this option	Low	
Planning/Zoning/Developer Agreements	Community Benefits Agreements	Delay pursuing this option	Low	
Planning/Zoning/Developer Agreements	Inclusionary Zoning Ordinance	Delay pursuing this option	Low	

FILE NO. 131072 RESOLUTION NO. 395-13

[Urging the Director of the Mayor's Office of Housing and Community Development to Convene a Nonprofit Displacement Work Group]

Resolution urging the Director of the Mayor's Office of Housing and Community Development to convene a work group to develop a series of recommendations on how the City can address the issue of nonprofit displacement.

WHEREAS, On October 9, 2013 the Budget and Finance Committee of the Board of Supervisors conducted a hearing on the impact of the rapid rise of commercial rents and early termination of leases on non-profit organizations; and

WHEREAS, The hearing included a presentation from the Budget and Legislative Analyst's Office to provide research on rental rates from 2011 to 2013 during which period the rental rates increased from $39.67 per square foot per year to $52.69 per square foot per year, a 32.8 percent increase over a two year period; and

WHEREAS, Within the same period, the Budget and Legislative Analyst also reported a decrease in commercial vacancy from 12.4 percent to 9.3 percent in 2013; and

WHEREAS, Representatives from over 50 nonprofit organizations and their clients testified during public comment on the impact of rising rents on their organizations and spoke about the importance of developing solutions to stabilize operations of the nonprofit organizations during this economic boom; and

WHEREAS, The discussion spurred by the hearing requires deeper analysis and participation with a broad range of stakeholders from City departments, the philanthropic community, private sector, nonprofit organizations and clients; and

WHEREAS, A work group should begin working immediately and include staff from the Mayor's Office of Housing and Community Development, Mayor's Budget Office, Arts Commission, Office of Economic and Workforce Development, the Human Service Agency,

the Department of Public Health, Department of Children, Youth and their Families, Department of Real Estate and the Planning Department; and

WHEREAS, The work group should also include a broad representation of nonprofit organizations, neighborhood advocates and impacted clients; now, therefore, be it

RESOLVED, That the Director of the Mayor's Office of Housing and Community Development convene the work group within 30 days; and be it

FURTHER RESOLVED, That the work group will present a report that includes a series of recommendations and action items to the Board of Supervisor within 120 days from its first meeting.

City and County of San Francisco
Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 131072 **Date Passed:** November 05, 2013

Resolution urging the Director of the Mayor's Office of Housing and Community Development to convene a work group to develop a series of recommendations on how the City can address the issue of nonprofit displacement.

November 05, 2013 Board of Supervisors - ADOPTED

Ayes: 10 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Wiener and Yee

Excused: 1 - Tang

File No. 131072

I hereby certify that the foregoing Resolution was ADOPTED on 11/5/2013 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Unsigned
Mayor

November 15, 2013
Date Approved

I hereby certify that the foregoing resolution, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, or time waived pursuant to Board Rule 2.14.2, became effective without his approval in accordance with the provision of said Section 3.103 of the Charter or Board Rule 2.14.2.

Angela Calvillo
Clerk of the Board

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102
(415) 552-9292 FAX (415) 252-0461

POLICY ANALYSIS REPORT

To: Supervisor Kim
From: Budget and Legislative Analyst
Date: October 8, 2013
Re: Review of the Impact of Increasing Rents in San Francisco on Local Nonprofits

SUMMARY OF REQUESTED ACTION

You requested that the Budget and Legislative Analyst review the impact of perceived increasing rental rates for commercial spaces in the City of San Francisco on San Francisco-based nonprofits. It was requested that the following overview be provided: (1) a description of the shift in average commercial rental rates in the City for Class A, B, and C buildings, (2) an analysis of the shift in average commercial rental rate for all commercial spaces in the City over the past year, and (3) a review of the current commercial vacancy rates in the City's District 6.

Specifically regarding the City's nonprofit sector, the request included: (1) how many City-funded nonprofit agencies there are Citywide, (2) where these organizations are located throughout the City, (3) the total of all City funds contracted to nonprofits in San Francisco, and then, (4) the overall proportion of those funds allocated for rent. You also asked that the number of nonprofits that own commercial space be provided.

EXECUTIVE SUMMARY

As of July 2013, there were 6,005 nonprofits in San Francisco, accounting for 4.1 percent of the total 146,383 nonprofits in California, according to the Internal Revenue Service. In Fiscal Year (FY) 2013-14, there are a total of 1,425 nonprofits, or 23.7 percent of all reported nonprofit organizations in San Francisco, reported by the City and County of San Francisco as contractors for FY 2013-14 and/or one or more of the past two fiscal years. Total payments to nonprofit organizations by the City and County of San Francisco are projected to be $528.8 million in FY 2013-14.

According to data provided to the Budget & Legislative Analyst's Office by the real estate firm Cushman & Wakefield:

- Job growth between 2011 and 2013 has been strong in San Francisco, with 41,300 new jobs added in the twelve months ending in January 2013, primarily in professional and business services. This job growth has fueled demand for commercial real estate. Forecasts are for job growth in San Francisco to continue and to outpace national job growth in the coming three years.
- Commercial vacancy rates decreased Citywide from 12.4 percent in 2011 to 9.3 percent in 2013.
- Average Citywide commercial rental rates increased between 2011 and 2013 from $39.67 per square foot per year to $52.69 per square foot per year, a 32.8 percent increase.

- Commercial vacancy rates decreased and rental rates increased for all building classes between 2012 and 2013, as shown in Exhibit A. Class C buildings were subject to the greatest rate of increase from an average of $31.40 per square foot per year to $42.94 per square foot per year, an increase of 36.8 percent.

Exhibit A: Commercial Vacancy and Average Gross Rental Rates in San Francisco, by Building Classification 2012 and 2013

Building Classification	Vacancy Rate 2012	2013	Rent/sq. ft./year 2012	2013	% Change
Class A	10.5%	8.9%	$49.26	$54.23	10.3%
Class B	13.6%	12.0%	$40.07	$45.93	14.6%
Class C	8.4%	8.3%	$31.40	$42.94	36.8%

Source: Market data provided to the Budget & Legislative Analyst's Office by Cushman & Wakefield for second quarter 2012 and 2013.

The Budget & Legislative Analyst's Office conducted a survey of nonprofit organizations in San Francisco, with the assistance of the San Francisco Human Services Network, to identify rents being paid by these organizations and to determine how they are being affected by current commercial real estate market conditions. The following key survey findings are summarized from a total of 90 unduplicated, usable responses to the survey:

- A total of 71 out of 90 responding organizations reported being a current contractor with the City and County of San Francisco, providing a mix of mental health, health, housing, legal and other services. Respondents were located throughout the City. Of the 46 respondents who reported the zip codes associated with their leases, 17, or 37 percent of the 46, were located in either 94103 or 94105, the two zip codes primarily comprising the South of Market neighborhood. SOMA was the neighborhood with the highest density of survey respondents.
- The average total budget for respondents for their current fiscal year was $4,856,166. Average rent for the organizations in their current fiscal year was $224,738, or 4.6% of their total budget.
- For the 14 survey respondents who reported renewing or entering into a new lease in 2012 or the first nine months of 2013, their rent increased from an average of $16.12 per square foot per year to $21.53 per square foot per year, a 33.6 percent increase.
- Survey respondents reported that 25 of their leases will be expiring in the last three months of 2013 or during the course of 2014. Most respondents reported that they do not know what their new rents will be but they will be facing the decreasing commercial vacancy rate and increasing commercial rental rates described above.
- A total of 32 out of 45 respondents to this question, or 71.1 percent, indicated that they need to remain in their current location or area to fulfill their mission.
- Of 58 respondents to this question, 35 reported leasing their facilities, nine respondents reporting owning their own facilities, and 14 reported a combination of owning and leasing facilities.

Some key findings from other pertinent research on nonprofit organizations include:

- A 2000 study by CompassPoint Nonprofit Services published results from a San Francisco-based survey regarding facilities that showed 52 percent of respondents were at least somewhat likely to leave San Francisco due to then increasing rental rates, and 69 percent of respondents expressed an interest in co-location.
- A 2003 publication produced jointly by CompassPoint and the Silicon Valley Council on Nonprofits identified three nonprofit co-location models to help mitigate the impact of rising rental rates and control other administrative costs, including: 1) neighborhood centers, in which multiple agencies co-locate; 2) multi-tenant office buildings in which one or more organizations (or a foundation) bands together to buy a building and leases it other nonprofits; and 3) incubators, which provide temporary co-located space to nonprofits.
- A 2012 national survey of nonprofit organizations by GuideStar showed that approximately 37 percent of respondents experienced a decrease in total contributions to their organization in 2012, and about 13 percent of organizations had merged with other organizations to weather the economic downturn.
- A 2013 national survey by Nonprofit Finance Fund reported 77 percent of respondents experienced a slight or greater increase in demand for their services, and a total of 52 percent of survey respondents reported being unable to meet the demand for their services in 2012. A total of 16 percent of survey respondents reported collaborating with other organizations to reduce administrative expenses in 2012; 21 percent of respondents stated they planned such collaborations for the next 12 months.

POLICY OPTIONS

The Board of Supervisors could consider the following options to address the issue of escalating commercial rents impacting nonprofit organizations and their ability to maximize their resources available for services. While the options above are for the Board of Supervisors to consider, all of the possible roles for the City government to take to reduce the impact of the escalating rents on nonprofit organizations would require some further research and input from various City departments, nonprofit organizations, and other stakeholders.

1. The Board of Supervisors could request input from the City Attorney's Office and the Planning Department to consider imposition of development impact fees that would require that certain fees be paid by commercial developers to be used to renovate or acquire facilities to be occupied by nonprofit organizations with controls on the amounts these organizations would pay in rent.
2. The Board of Supervisors could request input from the City Attorney's Office and Planning Department to consider establishment of inclusionary zoning requirements instituting incentives for commercial developers, who would (1) be required to provide a certain amount of space for nonprofit organizations in their developments at below-market rates, or (2) be required to provide fees in-lieu of space with those fees redistributed by the City to nonprofit organizations for the acquisition or rehabilitation of buildings to be occupied by one or more nonprofit organizations with controls on the amounts these organizations would pay in rent.

3. The Board of Supervisors could request input from the City Attorney's Office to consider the establishment of City incentives for commercial facility landlords to offer below market rents to certain nonprofit organizations, with particular consideration to those with ongoing contracts with the City.
4. The Board of Supervisors could request input from the Mayor's Office of Housing and Community Development and Office of Economic and Workforce Development to consider enhancing existing City programs or creating new ones to provide loans and/or grants to nonprofit agencies to acquire or rehabilitate facilities for nonprofit organizations with controlled rent costs. These could include enhancements to the existing Facility Capital Improvement and Public Space Improvements program administered by the Mayor's Office of Housing and Community Development or business assistance programs administered by the Office of Economic and Workforce Development.
5. The Board of Supervisors could request input from the Department of Real Estate to identify unutilized or underutilized City property that could potentially be occupied by nonprofit organizations at controlled rent.
6. The Board of Supervisors could request Mayor's Office of Housing and Community Development and/or other appropriate City staff to establish an approach to collaborations with foundations, private donors, and others to pool property and financial resources in the interest of providing other ownership or leased facilities opportunities to nonprofit organizations with low or controlled rent.

IMPACT OF CHANGES IN COMMERCIAL RENTAL RATES ON SAN FRANCISCO NONPROFIT ORGANIZATIONS

BACKGROUND

For purposes of this report, nonprofits are defined as an organization that meets the requirements of U.S. Internal Revenue Code, Section 501(c), as registered with the U.S. Internal Revenue Service (IRS). Organizations with 501(c) status, of which there are over 20 different qualifying types in the United States, such as religious organizations and labor organizations, are tax-exempt.[1] It is likely that the most common nonprofit organization contracting with the City and County of San Francisco would qualify as a 501(c)3 organization with the IRS, which can be "corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition…or for the prevention of cruelty to children or animals…" and which cannot exist to benefit private shareholders or an individual and cannot promote propaganda nor intervene on a political campaign.

As reported by the Internal Revenue Services in July 2013, there were 1,424,918 nonprofit organizations in the United States. In 2010, nonprofit organizations accounted for 9.2% of all wages and salaries paid in the United States, and contributed a total of $804.8 billion in the United States economy, comprising nearly six percent of the U.S. gross domestic product. According to *The Nonprofit Almanac 2012* published by the Urban Institute Press, while employment in the United States business sector declined

[1] U.S. Internal Revenue Code, Title 26, Subtitle A, Chapter 1, Subchapter F, Part I, § 501.

six percent from 2000 to 2010, employment in the nonprofit sector increased by a full 17 percent from 2000 to 2010.

The Internal Revenue Services reported 6,005 nonprofits in the San Francisco as of July 2013. As shown in Exhibit 1, these 6,005 nonprofits account for 4.1 percent of the total 146,383 nonprofits in California.

Exhibit 1: Number of Nonprofit Organizations in San Francisco Relative to Number of Nonprofits in California, 2011-2013

Year	Number of Nonprofits in San Francisco	Total Number of Nonprofits in California	Percent of California Nonprofits in San Francisco
2011	7,865	161,832	4.86%
2012	7,612	161,139	4.72%
2013	6,005	146,383	4.10%

Source: U.S. Internal Revenue Service, Exempt Organizations Business Master File (2013, July)

There was a general downward trend in the number of nonprofits in California from 2011 through July 2013. There was also a downward trend in the proportion of nonprofits in California located in San Francisco during that time period. From 2011 to 2013, the number of nonprofits located in San Francisco decreased from 7,865 to 6,005, or by a total of nearly 24 percent.

As of July 2013, 5,003 of the 6,005 nonprofits in San Francisco reported revenue to the Internal Revenue Service totaling $31.6 billion, or an average of $6.3 million in revenue per organization, shown in Exhibit 2. It should be noted that these are average revenues, not expenditures, and the amounts shown do not mean that each reporting organization necessarily spends that much in a year in San Francisco, or elsewhere. The reported revenue received includes funds that are invested by some organizations for future use as well as monies that are spent outside San Francisco in the case of nonprofit organizations with national or international operations.

Exhibit 2: Total IRS-Reported Revenue for Nonprofit Organizations in San Francisco, 2013

Number of Nonprofits in San Francisco	Number of Organizations Filing Form 990 or 990-N	Total Reported Revenue on Form 990 or 990-N	Dollar Per Filing Organization
6,005	5,003	$ 31,569,010,017	$ 6,310,016

Source: U.S. Internal Revenue Service, Exempt Organizations Business Master File (2013, July)
Note: The IRS reports revenue for a given Tax Period, which is defined as the organization's most recently completed tax period. The date is typically the last day of the organization's fiscal year.

The City and County of San Francisco ("the City") contracts regularly with nonprofit organizations to provide goods and services. For FY 2013-2014, there are a total of 1,425 nonprofits registered with the City as receiving payments for goods and services for Fiscal Year 2013-14 and/or one or more of the prior two fiscal years (some contracts span multiple years). Exhibit 3 shows that total payments made to nonprofit organizations by the City and County of San Francisco ranged from approximately $485.2 million in FY 2011-12 to a projected $528.8 million for FY 2013-14.

Exhibit 3: Total City and County Payments to Nonprofit Organizations in San Francisco, FY 2011-12 through 2013-14 (projected)

City Payments to Nonprofit City Vendors			
	FY 2011-2012 Actual City Payments	FY 2012-2013Actual City Payments	FY 2013-2014 Actual + Projected City Payments
Dollar Amount	$ 485,189,353	$ 497,522,089	$ 528,777,363

Source: San Francisco's Controller's Vendor Payment Summaries Website Report for Nonprofits, 09/29/13

Of the 1,425 nonprofits registered with the City as receiving payments in Fiscal Year 2013-14 and/or one or more of the prior two fiscal years, some number of these organizations may not be located in San Francisco. Therefore, the fiscal year payments reported above may not be paid solely to San Francisco-based organizations.

PERTINENT PRIOR RESEARCH ON NONPROFITS ORGANIZATIONS

The following reports provide background information on recent trends impacting the nonprofit sector, demonstrating the problematic trends of increasing scarcity of affordable commercial space for nonprofits in San Francisco and decreases in revenues for nonprofits nationwide.

In October 2000, CompassPoint Nonprofit Services published a report, "Nonprofits At Risk: The Space and Occupancy Crisis Facing San Francisco's Nonprofit Community" which presented issues facing nonprofit organizations utilizing commercial rental space in San Francisco. The report reviewed the impact of the then increasing rental rates on the nonprofit sector in the City. The study included 301 written surveys, five focus groups, 15 key informant interviews, and six case stories. The following are key points from the CompassPoint study that continue to be relevant today:

- Results from the CompassPoint survey showed that, in 2000, 87 percent of nonprofits in San Francisco leased space. About 22 percent of nonprofits leasing space were located Downtown, 16 percent were located in the South of Market district, and 13 percent were located in the Mission district.

- Of the respondents to the survey, 52 percent reported that they were either somewhat likely, moderately likely, or already committed to leaving San Francisco with the expiration of a current lease because rental rates were becoming prohibitive.

- With regard to solutions in the CompassPoint survey, a total of 69 percent of respondents expressed an interest in co-location with other nonprofit organizations. Nonprofits also expressed the need for low-interest loan capital and for technical assistance on raising funds and purchasing buildings.

A 2003 publication produced jointly by CompassPoint and the Silicon Valley Council on Nonprofits provided advice for nonprofits on how to conduct capital campaigns to acquire their own real estate in the interest of stabilizing their locations and lease costs[2]. This report was published in the aftermath of

[2] "A Nonprofit Space Odyssey: A Capital Projects Primer", CompassPoint and Silicon Valley Nonprofit Council, 2003

the economic boom of the late 1990s when, "many nonprofits found their office, program delivery and performance spaces at risk." The report references nonprofit co-location models including: 1) neighborhood centers, in which multiple agencies co-locate to provide several different services at a single site; 2) multi-tenant office buildings in which one or more organizations (or a foundation) bands together to buy a building and leases it other nonprofits; and 3) incubators, which like business incubators, provide temporary co-located space to nonprofits along with support services to get them launched.

According to the study, ownership of nonprofit buildings, can be structured as: 1) single ownership, such as a foundation or nonprofit owning and occupying the building, 2) an owner/lessor model, with the owner occupying some of the building and leasing out the rest to other nonprofit organizations, 3) a co-op model, in which a separate corporation is formed and nonprofit tenants own a share of the corporation, and 4) a condominium model in which the building is divided into condominiums, each of which is owned separately by a nonprofit occupant.

The 2003 study discusses the potential role of local government and suggests that cities and counties could possibly provide some of its property for nonprofit co-location sites. The study cites Preservation Park in Oakland, an area redeveloped through a public-private partnership that now provides office space primarily for nonprofit organizations.

The following two surveys reported are national surveys, the "2013 State of the Nonprofit Sector Survey" by the Nonprofit Finance Fund and "The Effect of the Economy on the Nonprofit Sector, an October 2012 Survey" by GuideStar. Given that a portion of the organizations surveyed are California-based organizations, and given that of those California-based organizations, there are likely to be some San Francisco-based organizations, the results of the survey were included in this report as they illustrated relevant trends for nonprofit organizations in San Francisco, even if the trends reported are more general, national trends.

In October 2012, GuideStar, an organization that collects and reports data on the nonprofit sector, published their 11th annual survey of nonprofits, "The Effect of the Economy on the Nonprofit Sector, an October 2012 Survey," to review of the impact of the United States' economy on nonprofits across the country. The survey yielded 500 responses from both public charities and private foundations. A total of almost 10 percent of respondents were located in California, the state with the highest concentration of nonprofits. The following are key observations from the 2012 report:

- The responses showed that about 37 percent of respondents saw a decrease in total contributions to their organization in the first nine months of 2012. The 2012 results are a moderate improvement from the results of the same survey in 2009, which showed that over 50 percent of respondents in 2009 were seeing a decrease in overall contributions.

- Of the 37 percent of respondents who saw a decrease in the total contributions to their organization, a total of about 77 percent of respondents said that gifts from individuals were smaller in the first nine months of 2012 and 75 percent said that fewer individuals gave in that period. Only 17 percent reported a decrease in government grants and 13 percent reported discontinuations of government grants.

- The October 2012 GuideStar report showed that as of October 2008, about 13.4 percent of organizations had merged with other organizations to weather the economic downturn.

Finally, in a 2013 Nonprofit Finance Fund national survey of 5,983 nonprofit organizations, including 749 located in California[3], the following key results were presented:

- For 2012, 44 percent of respondents reported a slight increase in demand for their services and 33 percent of respondents reported a significant increase in demand for their services. The organizations predicted similar trends for 2013.

- A total of 52 percent of survey respondents reported being unable to meet the demand for their services in 2012; 54 percent predicted they would be unable to meet the demand for their services in 2013.

- Many respondents reported a decrease in state and local government funding in 2012 compared to 2011. Over a third of the respondents, or 38 percent, reported receiving slightly or significantly less funding from state and local government sources in 2012 than they had in 2011 (24 percent reported receiving slightly less and 14 percent reported receiving significantly less). Only 16 percent reported a slight increase in state and local government funding in 2012 compared to 2011 and only 6 percent reported a significant increase for the same comparison period.

- To continue to meet the demand for their services with reduced resources, 16 percent of survey respondents reported collaborating with other organizations to reduce administrative expenses in 2012; 21 percent of respondents stated they planned such collaborations for the next 12 months.

COMMERCIAL RENTAL MARKET IN SAN FRANCISCO

According to Center for Economic Development, a department of the San Francisco Chamber of Commerce that collaborates with the Mayor's Office of Workforce and Economic Development, there are approximately 75 million square feet of commercial real estate in the City. Over the past two years, vacancy of the City's commercial real estate has been declining at a rate of approximately 14.5 percent. Exhibit 4 below shows the trend of decreasing vacancy across building classifications and then for the City overall. Commercial buildings are classified as A, B or C by realtors and others based on their location, amenities, building finishes, efficiency and other factors. There is no standardized set of criteria for these classifications.

[3] "2013 State of the Nonprofit Sector Survey", Nonprofit Finance Fund, 2013

Exhibit 4: Citywide San Francisco Commercial Vacancy Rates from 2012 to 2013 by Building Class*

Citywide San Francisco Commercial Vacancy Rates			
Building Classification	**2012 Overall Vacancy**	**2013 Overall Vacancy**	**Change**
Class A	10.5%	8.9%	-15.2%
Class B	13.6%	12.0%	-11.8%
Class C	8.4%	8.3%	-1.2%
All Classes	11.0%	9.4%	-14.5%

Sources: Market data provided to the Budget & Legislative Analyst's Office by Cushman & Wakefield for second quarter 2012 and 2013.
Note: Rental rate data by building class was only provided for 2012 and 2013. Overall Citywide rental rate data presented below in this report was provided for 2011-2013.
*Citywide is defined to include the traditional downtown Financial District (or Central Business District) and the following submarkets: SOMA Financial District, Jackson Square, North Waterfront, South Beach/Rincon Hill, San Francisco South of Market, West of Kearny Street, the Presidio, Union Square, Van Ness Corridor/Civic Center, Portrero Hill/Inner Mission and Mission Bay.

The decrease in available space in the City and the constant, if not increasing, demand for space in the City are the forces likely driving the increase in rent. Cushman and Wakefield, along with other organizations, report that 41,300 new jobs were added in San Francisco in the twelve months ending in January 2013, a 4.3 percent increase, led by growth in professional and business services.[4] The firm also reports that leasing activity was very strong in 2012 and that employment in San Francisco is forecast to grow by an average of 2.7 percent per year over the next three years, outpacing the national average of 1.9 percent. As Exhibit 5 demonstrates, overall average gross rent for all building classes in San Francisco increased by 11.4 percent between the second quarter of 2012 and the second quarter of 2013. Notably, Class C buildings saw an increase of an average 36.8 percent in gross rent from second quarter 2012 to second quarter 2013.

Exhibit 5: Citywide San Francisco Commercial Average Gross Rent Rates by Building Class, 2012 to 2013

Citywide San Francisco Commercial Rent Rates			
Building Classification	**2012 Overall Average Gross Rent**	**2013 Overall Average Gross Rent**	**Change**
Class A	$49.26	$54.32	10.3%
Class B	$40.07	$45.93	14.6%
Class C	$31.40	$42.94	36.8%
All Classes	$46.49	$51.81	11.4%

Source: Market data provided to the Budget & Legislative Analyst's Office by Cushman & Wakefield for second quarter 2012 and 2013.
Note: Rental rate data by building class was only provided for 2012 and 2013. Overall Citywide rental rate data presented below in this report was provided for 2011-2013.

[4] MarketBeat Office Snapshot, San Francisco, CA, 1st Quarter of 2013. Cushman and Wakefield.

The San Francisco Center for Economic Development also reports that the bulk of the City's 75 million square feet of commercial space is located in the Financial District, or Central Business District, which is split between the area north of Market Street and the area south of Market Street.

It should be noted that the original request for this report included a request for specific data on vacancies in Supervisorial District 6, but the data available is not categorized by Supervisorial District. However, the data in Exhibit 6, generated by the real estate firm Cushman & Wakefield, provides rental market data on at least a portion of Supervisorial District 6.

While the vacancy rates of the Financial District, both north and south of Market Street were relatively steady between 2011 and 2013, there was a dramatic shift in commercial vacancy rates for the broader South of Market (SOMA) neighborhood, from 23.1 percent in 2011 to 10.1 percent in 2012. This downward trend in vacancy rates continued from 10.1 percent in the SOMA neighborhood to 6.7 percent and 2.8 percent, respectively, in the Cushman & Wakefield newly defined submarkets of East and West SOMA, in 2013.

Exhibit 6: Commercial Vacancy Rates Citywide and for the South of Market Area 2011 to 2013

Third Quarter Vacancy Rates for Three Years			
Neighborhood	**2011 Overall Vacancy Rate**	**2012 Overall Vacancy Rate**	**2013 Overall Vacancy Rate**
Citywide	*12.4%*	*10.4%*	*9.3%*
Financial District north of Market Street	12.1%	9.3%	9.0%
Financial District south of Market Street	8.1%	8.9%	8.3%
SOMA *	23.1%	10.1%	East SOMA*: 6.7%
			West SOMA*: 2.8%

Source: MarketBeat San Francisco Office Report for third quarter of 2011, 2012, and 2013 provided to the Budget & Legislative Analyst's Office by Cushman & Wakefield.
Note: Citywide and South of Market submarket rental rate data was provided for the third quarters of 2011-2013. Overall Citywide rental rate data presented above, by building class, was provided for the second quarter of 2012 and 2013 only.
* Submarket designation discontinued or initiated by Cushman & Wakefield 2013. While the boundaries of the new 2013 neighborhoods, East SOMA and West SOMA, do not necessarily align precisely with the discontinued broader SOMA neighborhood, the Budget & Legislative Analyst's Office is comparing metrics for these neighborhoods to be able to speak broadly to trends in that particular region of the City.

As commercial vacancies decrease, corresponding increases in rents occur. During the period between 2011 and 2013, when commercial vacancy rates Citywide decreased from 12.4 percent to 9.3 percent, as shown in Exhibit 6 above, average annual commercial rents increased from $39.67 to $52.69 per square foot, a 32.8 percent increase, as presented in Exhibit 7 below. Similarly, while the commercial vacancy rate for SOMA as a whole was 23.1 percent in 2011, the vacancy rate for just East SOMA was 6.7 percent by 2013 and only 2.8 percent for West SOMA. Commercial rents were $38.54 for SOMA as a whole in 2011, but $56.65 for just East SOMA and $44.56 for West SOMA only in 2013.

Exhibit 7: San Francisco Commercial Average Gross Rent Rates Citywide and for the South of Market Area from 2011 to 2013 (dollar per square foot per year)

Third Quarter Overall Weighted Average for All Classes Gross Rental Rate for Three Years					
Neighborhood	**2011**	**2012**	**2013**	**2011 to 2012 Percent Change**	**2012 to 2013 Percent Change**
Citywide	*$39.67*	*$48.18*	*$52.69*	*21.5%*	*9.4%*
Financial District north of Market Street	40.35	48.83	55.03	21.0%	12.7%
Financial District south of Market Street	42.97	48.83	54.50	13.6%	11.6%
SOMA *	38.54	50.57	East SOMA*: 56.65	31.2%	12.0%
			West SOMA*: 44.56		-11.9%

Source: MarketBeat San Francisco Office Report for third quarter of 2011, 2012, and 2013 provided to the Budget & Legislative Analyst's Office by Cushman & Wakefield
Note: Citywide and South of Market submarket rental rate data was provided for the third quarters of 2011-2013. Overall Citywide rental rate data presented above by building class was provided for the second quarter of 2012 and 2013 only.
* Submarket designation discontinued or initiated by Cushman & Wakefield 2013. While the boundaries of the new 2013 neighborhoods, East SOMA and West SOMA, do not necessarily align precisely with the discontinued broader SOMA neighborhood, the Budget & Legislative Analyst's Office is comparing metrics for these neighborhoods to be able to speak broadly to trends in that particular region of the City.

If comparing average gross rental rates in East SOMA to the original SOMA 2012 rates, there is a 12 percent increase in average gross rental rates. Conversely, if comparing the average gross rental rates in West SOMA to the original SOMA 2012 rates, there is an 11.9 percent decrease in gross rental rates. This likely reflects the fact that rental rate increases in SOMA overall were fueled largely by increases in East SOMA between 2011 and 2013.

RESULTS OF BUDGET AND LEGISLATIVE ANALYST'S RENT SURVEY OF SAN FRANCISCO NONPROFIT ORGANIZATIONS

The Budget & Legislative Analyst conducted a survey in collaboration with the San Francisco Human Services Network to assess the ongoing impact of the increasing rental rates and the decreasing availability of commercial rental space in the City on nonprofits currently located in San Francisco. The San Francisco Human Services Network, established in 1997, self-identifies as "an association of over 110 community-based nonprofit agencies united into a public policy organization dedicated to addressing issues critical to the health and human services sector of San Francisco." The survey instrument used is included as an attachment to this report.

The Survey was administered over six days in September 2013 and included questions to assess the market pressures facing nonprofit organization renters with leases that recently expired, with leases set to expire in the coming year, or property owners. The results show that, like all tenants, nonprofit organizations in San Francisco have been subject to the City's rising rental rates, particularly in instances where the organizations have renewed or entered into new leases, either in 2012 or the first nine months of 2013. Out of 90 total survey respondents, 23 responded to a survey question about the state of their current leases, reporting that their organizations have leases expiring in the next 15 months and will thus face the rental market forces described above.

In total there were 121 responses submitted to the survey. Of those 121 responses, 90 unduplicated responses were sufficiently complete to utilize for the analysis. Despite receiving 90 responses to the

survey, though, not all of the respondents completed all questions asked. The following tables distilling the survey results report the number of respondents that answered each question to give the results a sense of scale.

In some cases, unanswered questions were explained in a discussion box at the close of the survey. The responding organizations occasionally were unable to answer the specific questions because their occupancy arrangements were not traditional occupancy arrangements and did not conform to the questions posed. Alternative occupancy arrangements varied and reportedly included: (1) some organizations reported their landlords provided them with subsidized leases in exchange for the organization taking on the burden of maintaining all parts of the rental structure, such as plumbing and electrical fixtures, except for the foundation and roof, and (2) some organizations reported receiving rental space as an in-kind donation from the landlord.

The respondents represented a variety of organizations, as shown in Exhibit 8.

Exhibit 8: Survey Respondents by Service Provided

Service Provided by Respondent Nonprofit Organization						
	Health Services	Mental Health Services	Housing Services	Legal Services	Other	Total
Number of Respondents	7	16	11	5	33	72

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
Responding Sample Size: 72

A total of 71 responding organizations out of 90 reported being a current City contractor, with 19 reporting not being a City contractor.

Respondents were located throughout the City. A total of 46 respondents reported 13 zip codes associated with reported leases. Of those 46 responses, 17 responses, or 37 percent of the 46 total, were located in either 94103 or 94105, the two zip codes primarily comprising the South of Market neighborhood. SOMA was the neighborhood with the highest density of survey respondents.

Respondents reported annual budgets for the current and most recent prior fiscal years. The average total budget for the respondents for their current fiscal year was approximately $4.9 million, as shown in Exhibit 9. Average rent for the organizations in their current fiscal year was $224,738.

Exhibit 9: Average and Median Respondent Current Fiscal Year Rent as Percent of Total Current Fiscal Year Budget

Average Nonprofits' Rent as Percent of Total Budget		
Total Annual Budge	Total Annual Rent	Percent Budget
$ 4,856,166	$ 224,738	4.6%

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
Responding Sample Size: Current Fiscal Year Total Budget: 59; Current Fiscal Year Budget for Rent: 41

A total of 29 of the 90 survey respondents reported 45 leases that either expired in 2012 or through September 2013, or are going to expire in the last quarter of 2013 or in 2014, as shown in Exhibit 10.

Exhibit 10: Total Number of Respondent Leases Expiring in 2012, 2013, or 2014

Number of Leases Expiring by Year				
	2012	2013	2014	Total
Total Number of Leases Expiring in a Given Year for All Respondents	4	18	23	45

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
Responding Sample Size: 29

For the 14 respondents that renewed or entered in to new leases in 2012 or the first nine months of 2013, their average annual rent increased by 33.6 percent from $16.12 per square foot per year to $21.53 per square foot per year. Average monthly rents were reported to have increased from $8,599 to $10,503, but the new higher rents were for a smaller amount of space, decreasing from an average of 6,401 square feet to 5,853 square feet. The median figure for the sample also shows, similar to the average, a 32.6 percent increase in cost per square foot from the previous lease to the current lease. Exhibit 11 presents the results of these changes in rents.

Exhibit 11 also shows that the organization with the lowest rent of $1,000 per month for 700 square feet of space, or $17.14 per square foot per year, reported an increase to $2,250 per month in rent, or $33.75 per square foot per year, an increase of 96.9 percent, for a slightly larger 800 square feet. The lease for the respondent organization reporting the largest monthly rent increased from $34,231 for 17,771 square feet, or $23.11 per square foot per year, to $51,117 for the same space, or $34.52 per square foot, a 49.3 percent increase.

Exhibit 11: Changes in Monthly Rent for Respondents with Leases that Expired in 2012 or 2013

	Old Lease				New Lease				% Change
	Monthly Rent	Annualized Rent	Square Footage	$/Sq. Ft/ Year	Monthly Rent	Annualized Rent	Square Footage	$/Sq. Ft/ Year	$/Sq. Ft/ Year
Average	$ 8,599	$ 103,188	6,401	$ 16.12	$ 10,503	$ 126,036	5,853	$ 21.53	33.6%
Median	$ 4,190	$ 50,280	3,315	$ 15.17	$ 5,461	$ 65,532	3,258	$ 20.11	32.6%
Minimum	$ 1,000	$ 12,000	700	$ 17.14	$ 2,250	$ 27,000	800	$ 33.75	96.9%
Maximum	$ 34,231	$ 410,772	17,771	$ 23.11	$ 51,117	$ 613,404	17,771	$ 34.52	49.3%

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
Responding Sample Sizes: Old Lease Monthly Rent: 20; Old Lease Square Feet: 19; New Lease Monthly Rent: 14; New Lease Square Feet: 14

Overall, 23 respondents reported 25 leases will be expiring in the last three months of 2013 or during the course of 2014. Of those 25 expiring leases, respondents are planning: to renew 14 leases and to not renew five leases. For six leases the future plans are reported as unknown, as shown in Exhibit 12.

Exhibit 12: Lease Plans for Survey Respondents with Leases Set to Expire in 2013 or 2014

Number of Expiring Leases to Be Renewed		
Yes	14	56.0%
No	5	20.0%
Unknown	6	24.0%
Total	25	100%

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
Responding Sample Size: 23

The majority of survey respondents with leases set to expire in 2013 or 2014 did not report their anticipated new rent, but unless they are able to make other arrangements, they are likely to face the commercial real estate market and average rents described above.

The number of organizations planning to renew their existing leases may reflect the need of the organizations to remain in their current locations to serve their clients. While for some organizations, their location is not critical to the organization's mission, most survey respondents indicated that their location is essential. As shown in Exhibit 13, out of 45 total respondents to this question, a total of 32 respondents with leases that either expired in 2012 or 2013 (through September) or that will expire in the last quarter of 2013 or in 2014, or 71.1 percent, indicated that they need to remain in the particular neighbor in which they are currently located to fulfill their organization mission.

Exhibit 13: Number of Organizations Needing to Remain in Same Area when Lease Expires

For a Particular Lease: Is This Location Essential to Organization Mission?		
Yes	32	71.1%
No	13	28.9%
Total	45	100.0%

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
Responding Sample Size: 45

As shown in Exhibit 14, a total of nine out of 58 respondents to this question reported owning one or more buildings or facilities instead of renting spaces; 14 respondents reported both leasing and owning facilities in San Francisco. All respondents to this question reported renting space.

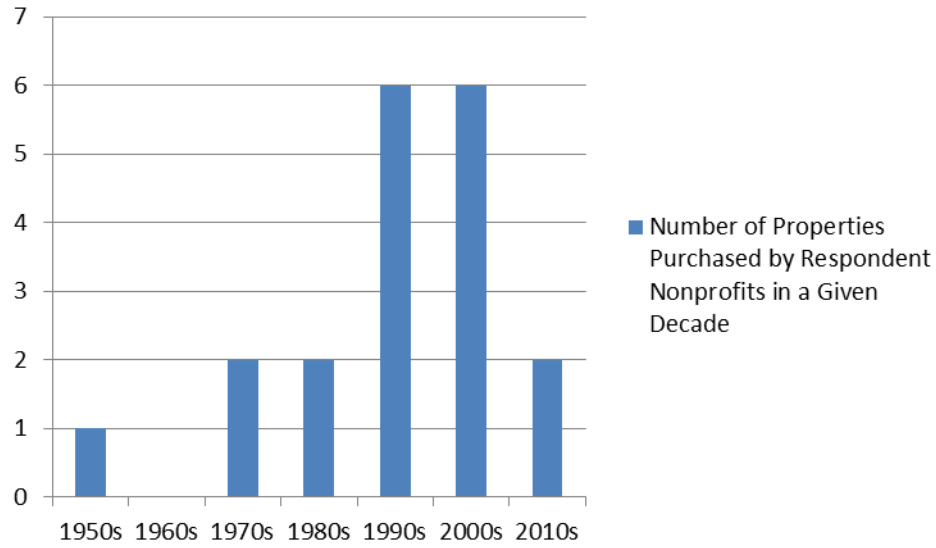
Exhibit 14: Number of Respondent Nonprofit Organizations Renting and Owning Properties in San Francisco

	Rent	Own	Both
Number of Respondents	35	9	14
Total Properties	98	34	-

Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
Responding Sample Size: 58

Exhibit 15 demonstrates that most of the respondent organization property purchases took place in the 1990s or 2000s. As discussed above in this report, building ownership was analyzed and promoted for nonprofit organizations during that period by a number of organizations due to steep increases in commercial rents during some years during that period.

Exhibit 15: Decade in which Respondent Organizations Purchased Currently Owned Properties



Source: Survey administered by Budget & Legislative Analyst of San Francisco Nonprofits on Rent Increases, September 2013.
Responding Sample Size: 14

POSSIBLE ROLES FOR CITY GOVERNMENT IN REDUCING THE IMPACT OF COMMERCIAL RENT INCREASES ON SAN FRANCISCO NONPROFIT ORGANIZATIONS

With nonprofit organizations facing decreasing vacancy rates and rising commercial rents in San Francisco, likely eroding their resources available for services, the Board of Supervisors could consider a number of actions to stem this impact. Though it raises many complicated questions, commercial rent control for nonprofit organizations is one legislative option that would seemingly put controls over escalating rents. However, State law prohibits commercial rent control so, without an amendment to State law, commercial rent control is not a feasible option at this time[5].

Other legislative approaches to controlling nonprofit organization facility costs include imposition of developer exactions, or impact fees, that would require developers of certain private commercial buildings and facilities to pay fees to the City which could be used to provide stabilized rents for nonprofit organizations and/or for acquisition and rehabilitation of buildings and facilities to be leased at controlled amounts for nonprofit organizations. Such fees are currently imposed by the City for purposes such as affordable housing, parks, child care, public artworks, schools, and other purposes. State law requires that a local jurisdiction imposing developer impact fees must first demonstrate the nexus between the fee and the impact of the development. This would require showing how the need for nonprofit organization services and affordable facilities are related to private development.

Similar to impact fees, inclusionary zoning requirements could be enacted requiring developers of private commercial buildings and facilities to allocate a portion of the space in their new buildings to

[5] California Civil Code Sect, 1954.27

nonprofit organizations or to contribute to a City fund that would be used to provide facilities for nonprofit organizations at stable, controlled rents. Funds collected through either developer impact fees or inclusionary zoning requirements could be granted to nonprofit organizations as loans or grants to construct or buy buildings and facilities. Low-interest loans would be feasible since the recipient nonprofit organizations would be able to repay such loans in lieu of rent they would otherwise be paying. Low-interest loans would be preferable to the City as it would allow for the reuse of these funds for other organizations. The City could also consider providing incentives to commercial facility landlords that provide below-market rents to certain nonprofit organization tenants.

As discussed above, some nonprofit organizations in San Francisco and elsewhere have undertaken capital campaigns in recent years to acquire their own buildings or facilities which they then either occupy themselves or occupy a portion and lease the rest of the space to other nonprofit organizations with limits on the rate of allowable increase in rent. Many of these initiatives have been funded by foundations and/or private donors, with some involvement by local government. The Tides Foundation of San Francisco established the nonprofit multi-tenant Thoreau Center for Sustainability at the Presidio in 1996, which now houses not only the foundation but approximately 60 primarily nonprofit organizations. The owner and the tenants share certain administrative costs and facilities and have reduced tenant rent costs compared to leasing space on the private market. The Center hosts educational events and activities to develop a community of tenants under the principle that all of the organizations will be more effective by sharing experiences and resources.

The City could potentially contribute to creation of multi-tenant nonprofit centers by making loans and/or grants to organizations for such endeavors either through existing City programs or through creation of new programs. Presently, one of the purposes of the Mayor's Office of Housing and Community Development's Facility Capital Improvement and Public Space Improvements program is to provide funding for rehabilitation or new construction of nonprofit facilities that predominantly serve low-income families and individuals. The Office of Economic and Workforce Development has numerous programs in place to assist businesses in or moving to San Francisco and could potentially enhance some existing programs to help nonprofit organizations control their facility costs. The Office's programs are primarily geared to private sector businesses but many of the program models and approaches could benefit nonprofit organizations as well while contributing to the City's economy. Besides any existing funding that may be available for nonprofit organizations, the Board of Supervisors could consider additional funding from any available source, including the General Fund, for enhancement or development of low-interest loan and grant programs to assist nonprofit organizations in acquiring and rehabilitating facilities to stabilize their costs.

Finally, City property could potentially be made available to nonprofit organizations at low cost to be used for administrative offices, performance spaces, educational sites and other purposes relevant to the organizations' missions. A 2006 San Francisco Arts Task Force study recommended that the City take inventory of its facilities and, where possible, make them available for arts activities through partnerships with community arts organizations.[6]

All of the possible roles for the City government to take to reduce the impact of the escalating rents on nonprofit organizations would require some further research and input from various City departments. The options for Board of Supervisors consideration below include some steps that the Budget and

[6] San Francisco Arts Task Force Findings and Recommendations, 2006

Legislative Analyst believes would be required to determine each option's feasibility. For any option being considered, establishment of criteria defining which type(s) of nonprofit organizations would be eligible for any funding or programs offered would be needed since there are a reported nearly 6,000 nonprofit organizations in San Francisco providing a wide range of services and ranging from well-endowed multimillion dollar organizations to modest organizations with relatively small budgets. The City may want to give consideration to its nonprofit contactors in such critieria.

CONCLUSION

Decreasing commercial vacancy rates across the City appears to be driving increases in rental rates for the commercial spaces Citywide. This trajectory may be hindering the growth of the nonprofit sector in San Francisco. At the very least, the financial burden of renting in the City may require nonprofit organizations to devote a greater proportion of resources to renting, taking away from resources that could go to providing services to San Francisco residents. This allocation of resources is of concern to the City as well as a concern to those organizations as the City has contracted with and provided financial resources to reportedly about 23 percent of the nonprofits located in the City over the past three fiscal years. Given the large proportion of nonprofit organization leases reportedly expiring in the coming year, this may be a key moment for the City to develop a plan to support nonprofit organizations facing this increasing burden.

POLICY OPTIONS

The Board of Supervisors could consider the following options to address the issue of escalating commercial rents impacting nonprofit organizations and their ability to maximize their resources available for services.

1. The Board of Supervisors could request input from the City Attorney's Office and the Planning Department to consider the imposition of development impact fees that would require that certain fees be paid by commercial developers to be used to renovate or acquire facilities to be occupied by nonprofit organizations with controls on the amounts these organizations would pay in rent.
2. The Board of Supervisors could request input from the City Attorney's Office and Planning Department to consider the establishment of inclusionary zoning requirements instituting incentives for commercial developers, who would (1) be required to provide a certain amount of space for nonprofit organizations in their developments at below-market rates, or (2) be required to provide fees in-lieu of space with those fees redistributed by the City to nonprofit organizations for the acquisition or rehabilitation of buildings to be occupied by one or more nonprofit organizations with controls on the amounts these organizations would pay in rent.
3. The Board of Supervisors could request input from the City Attorney's Office to consider the establishment of City incentives for commercial facility landlords to offer below market rents to certain nonprofit organizations, with particular consideration to those with ongoing contracts with the City.
4. The Board of Supervisors could request input from the Mayor's Office of Housing and Community Development and Office of Economic and Workforce Development to consider enhancing existing City programs or creating new ones to provide loans and/or grants to

nonprofit agencies to acquire or rehabilitate facilities for nonprofit organizations with controlled rent costs. These could include enhancements to the existing Facility Capital Improvement and Public Space Improvements program administered by the Mayor's Office of Housing and Community Development or business assistance programs administered by the Office of Economic and Workforce Development.

5. The Board of Supervisors could request input from the Department of Real Estate to identify unutilized or underutilized City property that could potentially be occupied by nonprofit organizations at controlled rent.

6. The Board of Supervisors could request Mayor's Office of Housing and Community Development and/or other appropriate City staff to establish an approach to collaborations with foundations, private donors, and others to pool property and financial resources in the interest of providing other ownership or leased facilities opportunities to nonprofit organizations with low or controlled rent.

DEFINITIONS

The following definitions, provided by Cushman & Wakefield, may aid in the understanding of the market data presented in the commercial office space data supplied by Cushman & Wakefield and utilized in this report:

- Inventory: To build the tracked statistics for the San Francisco office market, Cushman & Wakefield "only track buildings with rentable office space of at least 25,000 Square Feet (sf)….Office stats do not include any warehouse, manufacturing, or R&D space…[or] any retail space…[tracking] only the office portion of [mixed-use] buildings." Inventory is "the overall square footage in the San Francisco office market, as defined above."

- Overall Vacancy Rate: The percentage of Inventory that is vacant at the time in question.
- Vacant: Leasable space that is not physically occupied by a tenant is classified as vacant (even if a lease has been signed, vacancy depends on whether the tenant is physically in the space).

Attachment: San Francisco Nonprofit Organization Survey Instrument

The San Francisco Board of Supervisors has requested that the Budget and Legislative Analyst's Office analyze the impact of rising commercial rents in San Francisco on the City's nonprofit organizations.

The Budget and Legislative Analyst's Office (BLA) provides the San Francisco Board of Supervisors with budget and legislative analytical support. In this capacity, the Budget and Legislative Analyst's Office receives requests from Supervisors to investigate timely issues and problems in the community to begin the process of exploring legislative solutions to those problems.

The BLA is conducting this survey in conjunction with the San Francisco Human Services Network (HSN). HSN is an association of community-based nonprofit agencies united into a public policy organization dedicated to addressing issues critical to the health and human services sector of San Francisco.

Please respond to the following survey no later than 9:00 am on Tuesday, October 1st. If you have any questions or concerns about this survey, please do not hesitate to contact Katie Short at the Budget and Legislative Analyst's Office via email at Katherine.Short@sfgov.org or by phone at (415) 553-4638.

*1. Organization Name

*2. Name and contact information for survey contact

Name

Email

Phone

*3. Is your organization a contractor with San Francisco?

- ◯ Yes
- ◯ No

4. If so, please select the type of service provided.

	Type of Service
Service:	

Other (please specify)

5. Please specify when your organization's fiscal year period starts and ends.

	Start Month	Year	End Month	Year
Month				

*6. What is your organization's total budget for San Francisco offices for the following fiscal years?

Most recent prior fiscal year	
Current fiscal year	

7. If applicable, what is your organization's total annual budget for rent in the following fiscal years?

Most recent prior fiscal year	
Current fiscal year	

*8. Please provide the number of properties your organization leases and/or owns in the City of San Francisco at the time of this survey.

Number of properties leased	
Number of properties owned	
Other	

9. Does your organization only own property in San Francisco and does not lease property in San Francisco?

- ◯ Yes
- ◯ No

10. If applicable, of the properties your organization leases in San Francisco, please provide the number of properties with leases that expired or will expire in the following years:

2012	
2013	
2014	

***11. Does your organization have at least one property lease that EXPIRED in 2012 and/or 2013?**

- ◯ Yes
- ◯ No

For each of your organization's rental properties with leases that EXPIRED in 2012 or 2013, please respond to the following questions.

If your organization has more than one qualifying rental property, you can fill in up to five sets of queries for these properties. If your organization has more than five qualifying rental properties, please feel free to use the comments box at the close of the survey to report the relevant data for the extra properties if you choose.

The following questions are for PROPERTY #1 with 2012 or 2013 EXPIRED LEASE:

12. What is the zip code for the space with the expired lease?

	Property Zip Code
Property Zip Code	

13. Did your organization renew the lease?

- ◯ Yes
- ◯ No

If NO, what is the zip code of your new, currently rented space?

14. What was your monthly rent before the lease expired?

15. If your organization renewed the expired lease, what is the monthly rent after the lease was renewed?

16. What is/was the leased space used for by your organization?

	Function of Office
Function of Office	

Other (please specify)

17. Please report the square footage of the leased space prior to the 2012 or 2013 expiration of the lease.

18. If the lease was renewed, please report the current square footage of the leased space.

19. Is it essential to your mission, program, and/or effectiveness to be located in this particular neighborhood?

- ◯ Yes
- ◯ No

Expiring Lease Property 1

***56. Does your organization have at least one property lease that WILL EXPIRE in 2013 and/or 2014?**

- ◯ Yes
- ◯ No

For each of your organization's rental properties with leases that ARE GOING TO EXPIRE in 2013 or 2014, please respond to the following questions.

If your organization has more than one qualifying rental property, you can fill in up to five sets of queries for these properties. If your organization has more than five qualifying rental properties, please feel free to use the comments box at the close of the survey to report the relevant data for the extra properties if you choose.

The following questions are for PROPERTY #1 with a lease that WILL EXPIRE in 2013 or 2014:

57. What is the zip code for the currently rented space with the lease that will expire?

	Property Zip Code
Property Zip Code	

58. What is the current monthly rent?

59. Does your organization plan to renew the lease for the space?

- ◯ Yes
- ◯ No
- ◯ Unknown

Other (please specify)

60. If your organization does plan to renew the current lease, do you know what the monthly rent on the new lease will be?

- ◯ Yes
- ◯ No
- ◯ Not applicable

If yes, what is the expected new monthly rent for the space?

61. If your organization does not intend to renew the current lease when it expires, does your organization plan to:

- ◯ Move the functions of this current space to a new space in San Francisco city limits
- ◯ Move the functions of this current space to a new space outside San Francisco city limits
- ◯ Not applicable

62. Upon expiration of the current lease, if your organization intends to relocate within San Francisco city limits, has your organization identified a new space?

- ◯ Yes
- ◯ No

If yes, please report the expected monthly rent for the new space if known.

63. Upon the expiration of the current lease, if your organization intends to move outside San Francisco, has your organization identified a new space outside San Francisco?

- ◯ Yes
- ◯ No
- ◯ Not applicable

If yes, please report the expected monthly rent for the new space if known.

64. What is/was the lease space used for by your organization?

	Function of Office
Function of Office	

Other (please specify)

65. Please report the square footage of the currently leased space.

66. Is it essential to your mission, program, and/or effectiveness to be located in this particular neighborhood?

- ◯ Yes
- ◯ No

*67. Does your organization have additional rental properties on which to report?

- ◯ Yes
- ◯ No

111. (Optional) For the property/properties owned by your organization, please list the corresponding statistics.

(If more than one property is included, list the statistics as follows:
Mortgage for Property 1, Mortgage for Property 2, etc.;
Year for Property 1, Year for Property 2, etc.;
Square Footage for Property 1, Square Footage for Property 2, etc.)

Current monthly mortgage(s)	
The year the property/properties were acquired	
The square footage of the property/properties	

112. (Optional) Please indicate if you have other arrangements for your leased or owned space that affects any of the amounts shown (such as shared space with other organizations, subleasing a portion of your space, etc.).

Finally, please feel free to add details on additional rental properties that could not be reported in the above survey.

Thank you so much for taking the time to complete this survey. Again, if you have any questions or concerns about this survey, please do not hesitate to contact Katie Short at the Budget and Legislative Analyst's Office either via email at Katherine.Short@sfgov.org or by phone at (415) 553-4638.

Thank you, again!

AMENDED IN COMMITTEE
3/18/14

FILE NO. 140008 ORDINANCE NO. 33-14

[Appropriating ~~$2,515,000~~ $4,515,000 from the General Fund Reserve for Nonprofit Rent Stabilization Program - Mayor's Office of Housing and the Arts Commission - FY2013-2014]

Ordinance appropriating ~~$2,515,000~~ $4,515,000 from the general fund reserve to the Mayor's Office of Housing in the amount of $2,515,000 and to the Arts Commission in the amount of $2,000,000 for FY 2013-2014, establishing the Nonprofit Rent Stabilization Program, and placing these funds on ~~Budget and Finance Committee~~ Board of Supervisors reserve pending a report from the Nonprofit Displacement Work Group to the Board of Supervisors.

Note: Additions are *single-underline italics Times New Roman*; deletions are *~~strikethrough italics Times New Roman~~*. Board amendment additions are double underlined. Board amendment deletions are ~~strikethrough normal~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The sources of funding outlined below are herein appropriated to reflect the funding available in Fiscal Year 2013-14.

SOURCES Appropriation

Fund	Index/Project Code	Subobject	Description	Amount
1G AGF ACP	GENRESERVE	098GR	General Fund	~~$2,515,000~~
(GF-CONTINUING			Reserve	$4,515,000
PROJECTS)				

Supervisors Chiu, Kim, Avalos, Mar, Campos
BOARD OF SUPERVISORS

	~~$2,515,000~~
Total Sources Appropriation	$4,515,000

Section 2. The uses of funding outlined below are herein appropriated in FY 2013-2014 in Project XXXXX, establishing the Nonprofit Rent Stabilization Program.

USES Appropriation

Fund	Index/Project Code	Subobject	Description	Amount
1GAGFACP (GF-CONTINUING PROJECTS)	XXXXX	03800	Nonprofit Rent Stabilization Program	~~$2,515,000~~ $4,515,000
				~~$2,515,000~~
Total USES Appropriation				$4,515,000

Section 3. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform with Generally Accepted Accounting Principles.

Section 4. These funds shall be placed on ~~Budget and Finance Committee~~ Board of Supervisors Reserve, pending issuance of the April 2014 Nonprofit Displacement Work Group Report to the Board of Supervisors, which will provide specific details regarding the allocation of these funds.

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: 

Deputy City Attorney

FUNDS AVAILABLE

Ben Rosenfield, Controller

By: 

Date: ~~January 06, 2014~~
~~February 7, 2014~~
~~March 10, 2014~~
March 18, 2014

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 140008 **Date Passed:** March 25, 2014

Ordinance appropriating $4,515,000 from the general fund reserve to the Mayor's Office of Housing in the amount of $2,515,000 and to the Arts Commission in the amount of $2,000,000 for FY2013-2014, establishing the Nonprofit Rent Stabilization Program, and placing these funds on Board of Supervisors reserve pending a report from the Nonprofit Displacement Work Group to the Board of Supervisors .

February 05, 2014 Budget and Finance Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

February 05, 2014 Budget and Finance Committee - CONTINUED TO CALL OF THE CHAIR AS AMENDED

February 26, 2014 Budget and Finance Committee - CONTINUED TO CALL OF THE CHAIR

March 12, 2014 Budget and Finance Sub-Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

March 12, 2014 Budget and Finance Sub-Committee - RECOMMENDED AS AMENDED

March 18, 2014 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

Ayes: 11 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

March 18, 2014 Board of Supervisors - PASSED ON FIRST READING AS AMENDED

Ayes: 11 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener and Yee

March 25, 2014 Board of Supervisors - FINALLY PASSED

Ayes: 10 - Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Tang, Wiener and Yee

Absent: 1 - Mar

File No. 140008

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 3/25/2014 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Mayor

04/03/2014
Date Approved

FILE NO. 001810
(Government Funding)

ORDINANCE NO. 266-00
RO#00020
SA#08

APPROPRIATING $1,500,000 FROM THE GENERAL FUND RESERVE TO PROVIDE RENT SUBSIDIES TO NON-PROFIT ART ORGANIZATIONS THAT ARE IN IMMEDIATE DANGER OF BEING EVICTED OR DISPLACED BY RENT INCREASES, THROUGH THE ART COMMISSION FOR FISCAL YEAR 2000-2001.

Be it ordained by the people of the City and County of San Francisco:

Section 1. Funds are hereby appropriated for FY 2000-01 as follows:

Department and Number	Source of Funds and Purpose of Appropriation	Amount Debit	Amount Credit
Fund	**Department**	**Program**	
1G-AGF-AAA	GEN-01	FCZ	
General Fund	General City Responsibility	General City Responsibility	
Funding Sources			
097-097GR (*CON1GAGFAAA)	General Fund Reserve	$1,500,000	
095-0951G (xxxxxxxxxxxx)	Intrafund Transfer Out to 1G-AGF-ACP		$1,500,000
		$1,500,000	$1,500,000
Fund	**Department**	**Program**	
1G-AGF-ACP	ART		
General Fund-Continuing Project	Art Commission		
Funding Uses			
Project			
xxxxxx	Arts Organizations Rent Project		
950-9501G (xxxxxxxxxxxx)	Intrafund Transfer In from General Fund	$1,500,000	

Supervisors Ammiano, Bierman, Leno, Newsom

Department and Number	Source of Funds and Purpose of Appropriation	Amount Debit	Amount Credit
021-03800 (xxxxxxxxxxx)	City Grant Programs-Budget		$1,500,000
	Total	$1,500,000	$1,500,000

APPROVED AS TO FORM:
LOUISE H. RENNE, CITY ATTORNEY

BY: _____
DEPUTY CITY ATTORNEY

FUNDS AVAILABLE
EDWARD M. HARRINGTON
CONTROLLER

BY: _____

City and County of San Francisco

Tails

Ordinance

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 001810 **Date Passed:**

Ordinance appropriating $1,500,000 from the General Fund Reserve to provide rent subsidies to non-profit art organizations that are in immediate danger of being evicted or displaced by rent increases, through the Art Commission for fiscal year 2000-2001.

October 30, 2000 Board of Supervisors — PASSED ON FIRST READING

Ayes: 10 - Ammiano, Becerril, Bierman, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee
Absent: 1 - Brown

November 6, 2000 Board of Supervisors — FINALLY PASSED

Ayes: 8 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Yaki
Absent: 3 - Newsom, Teng, Yee

File No. 001810

I hereby certify that the foregoing Ordinance was FINALLY PASSED on November 6, 2000 by the Board of Supervisors of the City and County of San Francisco.

Gloria L. Young
Clerk of the Board

Date Approved

Mayor Willie L. Brown Jr.

November 17, 2000

I hereby certify that the foregoing ordinance, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, became effective without his approval in accordance with the provision of said Section 3.103 of the Charter.

Clerk of the Board

File No.
001810

Amendment of the Whole
October 25, 2000.
As Amended in Board
10/30/00

FILE NO. 001811 ORDINANCE NO. 267-00

[Ordinance to provide rent subsidies to nonprofit arts organizations.]

Ordinance establishing terms and conditions for the expenditure of an appropriation of 1.5 million dollars from the general fund to provide a grant to California Lawyers for the Arts to give rent subsidies to nonprofit arts organizations that are in immediate danger of being evicted or displaced by rent increases.

Note: The provisions of this ordinance are all new.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Companion legislation to this ordinance, found in Board of Supervisors File No. 001810 *, would appropriate $1.5 million from the City's general fund to the Arts Commission to provide rent assistance to nonprofit arts organizations that are in immediate danger of being evicted or displaced by rent increases. The $1.5 million appropriation shall be expended for the purposes and on the conditions set forth below.*

1. Purpose. The purpose of this legislation is to provide immediate rent assistance to eligible nonprofit arts organizations that are in immediate danger of eviction or displacement due to increased rents. The purpose of this legislation is to help to stabilize arts organizations currently located in a leasehold in San Francisco while the City pursues medium- and long-range goals of (a) maximizing, expanding and improving existing arts spaces and (b) identifying, securing and improving new arts spaces.

2. Eligible Organizations. In order to be eligible to receive a grant for rent assistance, an organization must meet all of the following criteria:

Supervisors Ammiano, Bierman, Leno, Newsom

a. Must be (i) currently incorporated and in good standing as a Section 501(c)(3) corporation pursuant to the federal tax laws or (ii) a fiscally sponsored project of a tax-exempt corporation that is operating for purposes consistent with Section 501(c)(3) status.

b. Must exist, as its primary nonprofit purpose, to support, create or perform an arts-related function in one or more of the following six disciplines: visual arts, dance, theater, music, literary arts, or new genre/multimedia.

c. Must have had an annual operating budget of no more than $1.2 million for the organization's fiscal year ending just prior to the submission of an application for rent assistance.

d. Must be able to demonstrate financial accountability by submitting the organization's Form 990 for the most recent tax year, a year-end financial report corresponding to the Form 990, and an operating budget for the current fiscal year.

e. Must be able to demonstrate a recent history of financial stability as reflected by an absence of unplanned operating deficit of significance, a positive fund balance, or a meaningful cash reserve. The financial impact of a recent rent increase shall not be considered as a negative factor with respect to the organization's history of financial stability.

f. Must demonstrate substantial continuing activities in and support from the community through one or more of the following: three letters of support from the organization's constituents describing the organization's relationship with and contribution to the community, a published calendar of the organization's activities, a selection of recent published reviews of the organization's work, and/or other equivalent documentation.

g. Must have been in existence in San Francisco for at least two years prior to the filing of an application for rent assistance.

h. Must establish proof that the organization has at least one year remaining on a lease for space in San Francisco, as of the filing of an application for rent assistance. This may be established

by the submission of a written lease agreement, a letter of commitment from a landlord, or by such other evidence as reasonably establishes the existence of a one-year leasehold.

i. Must demonstrate financial need for rent assistance as a result of a recent or upcoming significant increase in rent. An increase of rent is considered significant if it is an increase of 100 percent or more over the previous year's rent. This may be established by the submission of a written lease agreement that shows a significant increase in rent in comparison to the immediately preceding lease; a letter from a landlord indicating an increase in rent, or by such other evidence as reasonably establishes that the rent on the leasehold has increased significantly.

j. Must submit a business plan or other strategy indicating the organization's plan for future fiscal management, including supporting its space needs and sustaining itself economically without the use of City rent assistance after the period for which City rent assistance is sought.

3. Limits on Grant Funds.

a. An organization may receive funds pursuant to this legislation only for the portion of rent that represents an increase over the prior year's rent.

b. An organization may not receive cumulative City funding for rent assistance pursuant to this legislation and any other City grant program that totals more than (i) 50 percent of the total annual rent for the leasehold for which the organization has applied or (ii) $80,000 within a 12-month period/ or whatever amount is less than $80,000.

10/30/00
rt

c. An organization may receive rent assistance for a total of 12 months, beginning on the date of filing an application for funding. An organization may reapply for additional rent assistance for subsequent years.

d. Only one grant may be awarded per leasehold within a 12-month period. Thus, where multiple organizations share the use of a single leasehold, only one application may be awarded for such leasehold.

e. Grant funds pursuant to this legislation may be used only to pay rent, and only for the leasehold that the grant recipient identified in its application for rent assistance in the absence of a written modification of the organization's grant agreement. If a grant recipient is found to have spent such grant funds on any expenses other than rent, the City may require the applicant to refund all grant monies received under this program, plus interest and the City's costs of recouping the grant monies.

4. Administration and Selection Process.

a. The Arts Commission shall award a grant of the entire $1.5 million to the California Lawyers for the Arts to administer the rent assistance and award the funding to other eligible organizations. The Arts Commission shall disburse one half of the appropriation upon the effective date of this legislation, and the remaining one half after the first half has been expended. The Arts Commission or California Lawyers for the Arts may adopt reasonable rules and procedures to implement this legislation consistent with its purposes. California Lawyers for the Arts shall be responsible for all administrative, organizational and record-keeping functions under this program, and such other functions as the Arts Commission may determine.

b. An applicant may apply for rent assistance by submission of evidence of all of the eligibility criteria set forth above to the California Lawyers for the Arts. Any request must clearly specify the amount of funding the applicant is requesting.

c. The California Lawyers for the Arts shall form a selection panel, consisting of a staff representative of the Arts Commission chosen by the Director of Cultural Affairs, a staff representative of Grants for the Arts chosen by the Director of Grants for the Arts, and a third member, as set forth below. The Director of Cultural Affairs and Director of Grants for the Arts shall mutually select one representative for each of the following six arts disciplines -- visual arts, dance, theater, music, literary arts, and new genre/multimedia.

d. Each selection panelist representing each of the six specified disciplines must be either an executive director or artistic director of a Section 501(c)(3) arts organization with five years of

experience in the particular discipline he/she is chosen to represent, and a history of involvement in the community of that discipline in San Francisco.

e. Selection panelists may be reasonably compensated for their service out of the administrative fee for the program, in the discretion of the California Lawyers for the Arts.

f. When reviewing an application for funding, the Arts Commission representative, the Grants for the Arts representative and the representative for the discipline that corresponds to the applicant organization's purpose shall serve as the selection panel. Where an organization is multidisciplinary, the Director of Cultural Affairs and Director of Grants for the Arts shall determine which discipline representative to include on the selection panel. The selection panel must reach unanimous agreement in order to provide funding to an organization. The selection panel shall report its determination to the California Lawyers for the Arts, which shall then administer the grant fund, as appropriate.

g. In reviewing applications and awarding grants, the selection panel shall be guided by the following considerations. Generally, grants shall be awarded on a first-come, first-served basis to eligible organizations. The purpose of this program is not to weigh the relative merits of arts organizations, but to attempt to stabilize the arts community in San Francisco that is threatened by displacement due to increased rents. Therefore, if an organization meets the eligibility criteria stated in this legislation, it should be given greatest consideration for funding in the absence of compelling reasons to deny funding. The Board of Supervisors realizes that, because of the revolving nature of this rent assistance program, the selection panel may not have an opportunity to review applicants in relation to one another, and that funding may run out before a worthy applicant has had an opportunity to apply for funding. To the best of its ability, when there are multiple pending applications from a variety of disciplines, the selection panel should attempt to distribute the available funding evenly between the six stated disciplines and to give priority to applications for leaseholds that are used by multiple arts organizations. If there is insufficient funding available to fully fund pending applications,

the selection panel may weigh the relative merits of the various organizations in terms of quality and consistency of service in determining how best to distribute the available funds, with the primary ultimate goal of promoting stability in the arts community.

h. A selection panelist may not have a financial interest in an application before that panelist for review. In the event of such financial interest, the remaining two panelists shall review and determine the grant application without the participation of the panelist with the financial interest.

5. Reporting Requirements.

a. Each grant recipient must submit a report to the California Lawyers for the Arts within 30 days after the completion of the period for which rent assistance was provided which contains a statement and independent verification that the grant funding was spent on rent for the appropriate leasehold.

b. The California Lawyers for the Arts shall report to the Arts Commission and the Board of Supervisors monthly on the following: the identity of the applicants for funding within the one-month period, which organizations received funding, how much funding each organization received, a statement of the balance of the fund (including interest earned), and the amount of administrative fees allocated. Within two months after funding under this legislation is depleted, the California Lawyers for the Arts shall submit a final report to the Arts Commission and the Board of Supervisors stating the cumulative total of the information contained in the one-month reports.

6. Urgency. The Board of Supervisors intends that this rent assistance be made available to eligible organizations as quickly as possible. Therefore, the selection panel shall convene as soon as possible and may start awarding grants immediately on the basis of complete application submittals, even in the absence of a formal standardized application request form. Grant applications shall be reviewed and determined on a rolling basis, and the selection panel shall attempt to meet frequently, as needed. If a selection panelist has not yet been chosen for each of the six stated disciplines, the panel

may review and determine grant applications for those disciplines for which a selection panelist has been selected.

7. Administrative Fees. The California Lawyers for the Arts may recoup a reasonable administrative fee, in the discretion of the Arts Commission, from the $1.5 million appropriation from the general fund.

8. Interest-Bearing Account and Carry Over of Funds. The California Lawyers for the Arts shall hold the $1.5 million appropriated to this purpose in an interest-bearing account. Any interest earned shall be credited to and become part of the principal thereof, and shall not be expended for any purpose other than the purposes of this legislation. Any balance remaining in this account at the close of any fiscal year shall be deemed to have been provided for a specific purpose within the meaning of the Charter and shall be carried forward and accumulated in said account for the purposes recited in this legislation.

APPROVED AS TO FORM:

LOUISE H. RENNE, City Attorney

By: _____
MIRIAM L. STOMBLER
Deputy City Attorney

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

City and County of San Francisco

Tails

Ordinance

File Number: 001811 **Date Passed:**

Ordinance establishing terms and conditions for the expenditure of an appropriation of 1.5 million dollars from the general fund to provide a grant to California Lawyers for the Arts to give rent subsidies to nonprofit arts organizations that are in immediate danger of being evicted or displaced by rent increases.

October 30, 2000 Board of Supervisors — AMENDED

Ayes: 10 - Ammiano, Becerril, Bierman, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee
Absent: 1 - Brown

October 30, 2000 Board of Supervisors — PASSED ON FIRST READING AS AMENDED

Ayes: 10 - Ammiano, Becerril, Bierman, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee
Absent: 1 - Brown

November 6, 2000 Board of Supervisors — FINALLY PASSED

Ayes: 8 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Yaki
Absent: 3 - Newsom, Teng, Yee

File No. 001811

I hereby certify that the foregoing Ordinance was FINALLY PASSED on November 6, 2000 by the Board of Supervisors of the City and County of San Francisco.

Gloria L. Young
Clerk of the Board

Date Approved

Mayor Willie L. Brown Jr.

November 17, 2000

I hereby certify that the foregoing ordinance, not being signed by the Mayor within the time limit as set forth in Section 3.103 of the Charter, became effective without his approval in accordance with the provision of said Section 3.103 of the Charter.

Clerk of the Board

File No.
001811

Amendme[illegible] of the Whole in Board
11/20/00

FILE NO. 001809 ORDINANCE NO. 283-00

[Ordinance to provide funds for rent subsidies, displacement assistance, capital improvement and real property acquisition for nonprofit organizations.]

ORDINANCE APPROPRIATING $3,000,000 FROM THE GENERAL FUND RESERVE TO FUND A GRANT PROGRAM IN THE AMOUNT OF $500,000 FOR RENT SUBSIDIES TO NONPROFIT SERVICE AND ADVOCACY ORGANIZATIONS AT RISK OF BEING EVICTED OR DISPLACED BY RENT INCREASES, AND APPROPRIATING $2,500,000 TO FUND CAPITAL IMPROVEMENTS AND REAL PROPERTY ACQUISITIONS BY NONPROFIT ORGANIZATIONS, THROUGH THE MAYOR'S OFFICE OF COMMUNITY DEVELOPMENT, FOR FISCAL YEAR 2000-2001.

Note: Additions are *italic*; *Times New Roman*; deletions are ~~*strikethrough italic., Times New Roman*~~
Board amendment additions are double underlined.
Board amendment deletions are ~~strikethrough normal~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. *Funds are hereby appropriated for FY 2000-01 as follows:*

Department and Number	Source of Funds and Purpose of Appropriation	Amount Debit	Credit
Fund	**Department**	**Program**	
1G-AGF-AAA	GEN-01	FCZ	
General Fund	General City Responsibility	General City Responsibility	
Funding Sources			
097-097GR	General Fund Reserve	$3,000,000	
(*CON1GAGFAAA)			

Supervisor Yaki, Newsom, Leno, Becerril, Katz, Teng, Brown, Bierman
BOARD OF SUPERVISORS

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Funding Uses

1G-AGF-AAA	Mayor's Office of Community	FEA	
General Fund	Development	City Administration	

Department and Number	Source of Funds and Purpose of Appropriation	Amount Debit	Credit
021-03800 (xxxxxxxxxxx)	City Grant Programs-Budget		$500,000
095-0951G (xxxxxxxxxxxx)	Intrafund Transfer Out to 1G-AGF-ACP, General Fund Continuing Project		$2,500,000
	Total 1G-AGF-AAA	$3,000,000	$3,000,000

Fund	Department	Program
1G-AGF-ACP	MYR	FAB
General Fund-Continuing Project	Mayor's Office	Community Development

Funding Uses

Project

xxxxxx	Nonprofit Space Acquisition/Development		
950-9501G (xxxxxxxxxxxx)	Intrafund Transfer In from General Fund	$2,500,000	
021-03500 (xxxxxxxxxxx)	Other Current Expenses		$2,500,000
	Total 1G-AGF-ACP	$2,500,000	$2,500,000

Section 2. Rent and Displacement Assistance Emergency Fund. The $500,000 appropriation for rent subsidies and displacement assistance shall be expended by the Mayor's Office of Community Development as follows:

1. Eligible Organizations. In order to be eligible to receive an emergency grant for rent subsidy or displacement assistance, an organization must meet all of the following criteria:

a. Must be a nonprofit organization that is (i) currently incorporated and in good standing as a Section 501(c)(3) corporation pursuant to the federal tax laws or (ii) a fiscally sponsored project of a tax-exempt corporation that is operating for purposes consistent with Section 501(c)(3) status. Any 501(c)(3) or fiscally-sponsored organization that provides benefits to the public or advocacy for charitable causes may be eligible for funding, with the exception of organizations that support, create or perform an arts-related function;

b. Must be able to demonstrate financial accountability by submitting the organization's Form 990 for the most recent tax year, a year-end financial report corresponding to the Form 990, and an operating budget for the current fiscal year.

c. Must be able to demonstrate a recent history of financial stability as reflected by an absence of unplanned operating deficit of significance, a positive fund balance, or a meaningful cash reserve. The financial impact of a recent rent increase shall not be considered as a negative factor with respect to the organization's history of financial stability.

d. Must have been in existence in San Francisco for at least two years prior to the filing of an application for rent or displacement assistance.

e. Must substantially serve, either directly or indirectly, the citizens of the City and County of San Francisco.

2. Limits on Emergency Grant Funds.

a. An organization must demonstrate financial need for assistance as a result of a recent or upcoming eviction or significant increase in rent.

b. An organization may receive rent assistance funds pursuant to this legislation only for the portion of rent that represents an increase over the prior year's rent.

c. An organization may not receive assistance from this emergency fund that totals more than $30,000.

d. An organization may apply for assistance from the emergency fund one time only.

e. City funding pursuant to this legislation must be expended on rent for leaseholds within San Francisco and for displacement assistance only if the grantee will remain in San Francisco.

3. Administration and Selection Process.

a. The Mayor's Office of Community Development may adopt reasonable rules and procedures to implement this legislation consistent with its purposes, and may recoup its reasonable administrative costs from the funding appropriated pursuant to this legislation.

b. In reviewing applications and awarding grants, the Mayor's Office of Community Development shall, in consultation and coordination with the Partnership for Affordable Non-Profit Space, convene a selection panel or advisory body to assist its analysis and shall be guided by the following considerations:

(i) An applicant organization should be making best efforts to address and resolve its future space and funding needs; and

(ii) An applicant organization must recognize that assistance from the emergency fund is a short-term measure. The applicant must demonstrate a commitment to the development and execution of a longer-term solution. In some cases, the award of displacement assistance may be accompanied by a requirement to receive technical assistance as a condition of the grant; and

(iii) All other factors being equal, preference will be given to applications that will benefit more than one nonprofit organization; and

(iv) All other factors being equal, preference will be given to organizations that currently receive funding for operating expenses pursuant to a grant or contract with any City department, from any funding source administered by the City, and are in good standing with that department; and

(v) All other factors being equal, preference will be given to organizations primarily serving the citizens of the City and County of San Francisco.

c. The Director of the Mayor's Office of Community Development shall determine which organizations are qualified to receive emergency assistance pursuant to this legislation, and shall determine how to disperse the available funding.

d. Interest-Bearing Account and Carry Over of Funds. The $500,000 appropriated to this purpose shall be held in an interest-bearing account. Any interest earned shall be credited to and become part of the principal thereof, and shall not be expended for any purpose other than the purposes of this legislation. Any balance remaining in this account at the close of any fiscal year shall be deemed to have been provided for a specific purpose within the meaning of the Charter and shall be carried forward and accumulated in said account for the purposes recited in this legislation.

Section 3. Capital Fund. The $2.5 million for capital improvements and real property acquisitions for nonprofit organizations is intended to be the first contribution to a fund for nonprofit space, established by the Partnership for Affordable Nonprofit Space, and which is to be administered by the Northern California Community Loan Fund, a nonprofit intermediary, or a comparable community development financial institution. The fund for nonprofit space is being modeled after the successful Childcare Facilities Fund. The capital fund shall be expended by the Mayor's Office of Community Development as follows:

1. Eligible Organizations. In order to be eligible to receive capital funds, an organization must meet all of the following criteria:

a. Must be (i) currently incorporated and in good standing as a Section 501(c)(3) corporation pursuant to the federal tax laws or (ii) a fiscally sponsored project of a tax-exempt corporation that is operating for purposes consistent with Section 501(c)(3) status.

b. Must be able to demonstrate financial accountability by submitting the organization's Form 990 for the most recent tax year, a year-end financial report corresponding to the Form 990, and an operating budget for the current fiscal year.

c. Must be able to demonstrate a recent history of financial stability as reflected by an absence of unplanned operating deficit of significance, a positive fund balance, or a meaningful cash reserve. The financial impact of a recent rent increase shall not be considered as a negative factor with respect to the organization's history of financial stability.

d. Must be able to demonstrate the capacity to carry out the capital improvement or acquisition activities, and to leverage the City's financial contributions significantly.

e. Must have been in existence in San Francisco for at least two years prior to the filing of an application for funding.

f. Must substantially serve, either directly or indirectly, the citizens of the City and County of San Francisco.

2. Limits on Capital Funds.

a. City funding pursuant to this legislation must be expended on capital improvements to and/or acquisitions of real property within the City and County of San Francisco.

b. City funding pursuant to this legislation must be expended on capital improvements to and/or acquisitions of real property directly benefiting nonprofit organizations.

3. Administration.

a. The Mayor's Office of Community Development may adopt reasonable rules and procedures to implement this legislation consistent with its purposes.

b. The Mayor's Office of Community Development may give a grant of the entire $2.5 million to the Northern California Community Loan Fund or a comparable entity, to administer in a manner consistent with the Northern California Community Loan Fund's existing capital improvement and acquisition fund (or that of a comparable fund), with the additional restrictions set forth above.

c. Administrative Costs. The Mayor's Office of Community Development may recoup its reasonable administrative costs from the funding appropriated pursuant to this legislation, and may authorize an outside administering agency to recoup its reasonable administrative costs as well.

d. Interest-Bearing Account and Carry Over of Funds. The $2.5 million appropriated to this purpose shall be held in an interest-bearing account. Any interest earned shall be credited to and become part of the principal thereof, and shall not be expended for any purpose other than the purposes of this legislation. Any balance remaining in this account at the close of any fiscal year shall be deemed to have been provided for a specific purpose within the meaning of the Charter and shall be carried forward and accumulated in said account for the purposes recited in this legislation.

e. Funding Priorities. Priority for both capital improvement and acquisition financing will be given as follows:

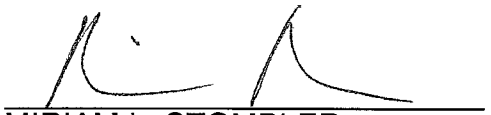
(i) to applications that benefit more than one nonprofit organization and result in long-term affordable space; and

(ii) to organizations that currently receive funding for operating expenses pursuant to a grant or contract with any City department, from any funding source administered by the City, and are in good standing with that department; and

(iii) to organizations primarily serving the citizens of the City and County of San Francisco.

APPROVED AS TO FORM:

LOUISE H. RENNE, City Attorney

By: 
MIRIAM L. STOMBLER
Deputy City Attorney

FUNDS AVAILABLE:

By: (see file for signature)
EDWARD M. HARRINGTON
Controller

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

City and County of San Francisco

Tails

Ordinance

File Number: 001809 **Date Passed:**

Ordinance appropriating $3,000,000 from the General Fund Reserve to fund a grant program in the amount of $500,000 for rent subsidies to non-profit service and advocacy organizations at risk of being evicted or displaced by rent increases, and appropriating $2,500,000 to fund capital improvements and real property acquisitions by nonprofit organizations, through the Mayor's Office of Community Development, for fiscal year 2000-2001.

October 30, 2000 Board of Supervisors — CALLED FROM COMMITTEE

November 6, 2000 Board of Supervisors — AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

Ayes: 10 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki
Absent: 1 - Yee

November 6, 2000 Board of Supervisors — CONTINUED AS AMENDED ON FIRST READING

Ayes: 10 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki
Absent: 1 - Yee

November 13, 2000 Board of Supervisors — AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee

November 13, 2000 Board of Supervisors — AMENDED

Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee

November 13, 2000 Board of Supervisors — PASSED ON FIRST READING AS AMENDED

Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee

November 20, 2000 Board of Supervisors — AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee

November 20, 2000 Board of Supervisors — PASSED ON FIRST READING AS AMENDED

Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee

November 20, 2000 Board of Supervisors — CONTINUED AS AMENDED ON FINAL PASSAGE

Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee

December 4, 2000 Board of Supervisors — FINALLY PASSED

Ayes: 11 - Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yaki, Yee

File No. 001809

I hereby certify that the foregoing Ordinance was FINALLY PASSED on December 4, 2000 by the Board of Supervisors of the City and County of San Francisco.

Gloria L. Young
Clerk of the Board

DEC 15 2000

Date Approved

Mayor Willie L. Brown Jr.