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# Space wars: squeezing the nonprofits

**As rents rise and land gets scarce, social service agencies compete with businesses and each other for space**

by Charlie Breitrose

Rising real estate prices and increased competition for space have created a such a competitive environment it is often squeezing out nonprofit social service organizations.

These "space wars" have left some nonprofits in very precarious positions, unable to operate in a world filled with dot-com startups and biotechnology firms. These organizations provide old-fashioned human services like food and shelter for the homeless, child care, activities for the elderly, and comfort the sick and dying.

Office space in Palo Alto can go anywhere from \$2.75 to \$8 a square foot, according to Colliers International, a real estate consulting service. Another firm, CB Richard Ellis, found offices can go for as much as \$9 to \$12 a square foot in town.

With companies bidding against each other for office space, nonprofits hardly have a chance to compete.

Sometimes, even with plenty of advance warning, the best-laid plans fall through.

Recently, a group of East Palo Alto organizations lost their homes to make way for a hotel and office complex in the Whiskey Gulch area. The six nonprofits had been working with the Peninsula Community Foundation to buy a building to house all six groups--the Ecumenical Hunger Program, Open Voice, College Track, Bread of Life, the Salvation Army, and an AIDS project. Negotiations with the property owner fell through because of toxic conditions on the site, however, and the owners decided to look for other buyers.

Some nonprofits have benefited by renting public land, such as schools and municipal buildings, at prices well below the market rate. But as school

populations grow, school districts look to their old sites to turn them back into schools. In Palo Alto, one elementary school has reverted back into use as a public school, another will be taken back at the end of this year. The old Terman Junior High, now owned by the city and leased to the Albert L. Schultz Jewish Community Center, is being eyed by the Palo Alto Unified School District.

The JCC learned earlier this year that it may have to move out of the Terman Community Center, where it has been for 17 years, because the school district wants the former junior high school back. Finding an equally large site in Palo Alto, or surrounding communities, has proven extremely difficult.

Santa Clara County Supervisor Joe Simitian said that three things happening simultaneously have hurt nonprofits: increase of school enrollments, the state's move to reduce class sizes (thus requiring more classrooms), and an exceptionally tight real estate market.

"Any one of those would create a pinch, but combined, they've created a crisis," Simitian said. "Some organizations find themselves with no place else to go, sometimes at any price. It's a triple whammy."

Palo Alto Councilwoman Judy Kleinberg is especially concerned about the fate of nonprofit agencies in Palo Alto. She has first hand experience as director of Kids In Common, a nonprofit child advocacy group in San Jose.

The loss of social services, even in well-to-do Palo Alto, would be a great loss, Kleinberg said.

"It's not just services for people with no money, but everybody," Kleinberg said. "When nonprofits are pushed out of the area, people have to go farther to get services. This means some will not get services."

In June, Kleinberg asked the city staff to do a survey of all nonprofits within the city limits. She would like to get a handle on what they have, and what they will need. The list of questions Kleinberg has suggested are: how much space do they have, how much additional space will they need in the next five years, when does their lease expire and what is their budget range for rental costs.

"Rent is a big expense," said Laurie Mueller, executive director of the Peninsula Conservation Center. "If more funding is not found, the only other thing that you can do is cut programs or staff."

The groups that are feeling safe are the ones that have purchased buildings. Some that have done so even protect their own by providing low-cost space for other nonprofits.

The Peninsula Conservation Center bought a building six years ago that

now houses a host of environmental nonprofit groups.

The Peninsula Community Foundation is helping some organizations purchase offices, and Sterling Speirn, the foundation's president and chief executive, says they may be doing more of that in the future.

MidPeninsula Pathways Hospice received a nasty surprise in April. While renegotiating their lease on the office near San Antonio Road in Mountain View, the landlord informed the organization that its rent was increasing by \$200,000 a year, up to half a million dollars annually--a jump of more than 60 percent.

"That was a big wake-up call," said director Barbara Burgess. "That's not a bad rate for Mountain View, but difficult for a little nonprofit to pay."

Most of MidPeninsula Hospice's funding comes from Medicare and insurance companies. While these payments have remained relatively stable, Burgess said, the prices of drugs, the cost of salaries and rental prices have all risen sharply.

The heads of MidPeninsula Hospice knew they had to act fast. When they contacted a real estate agent, they were told that there is nothing else for less than the \$500,000 they are paying, and they should stay where they are.

The group also decided to vacate a corridor in their two-story offices, and sublet a quarter of their space. In the current real estate market it was easy to find a taker--a startup company.

"We were able to sublet quickly," Stinchfield said. "People were lining up."

While MidPeninsula Hospice has found a solution for now, the conditions are less than ideal. Half of the conference room is now filled with boxes and other items like old furniture. A foyer at the top of a stairway is now a makeshift conference room.

The group is now considering purchasing an office building, and starting a capital campaign. It is restricted where it can look, however, because federal regulations require hospices to be within short driving time of the patient's home. The office should also be near a freeway, Burgess said, so employees can cut down travel time.

"We will be able to raise the money, but will there be anything to purchase?" Stinchfield said.

The Senior Day Health program has migrated among Sunday school buildings at various churches since it started in 1979. Now, the Palo Alto Baptist Church would like to use its space for other purposes, and has given Avenidas, which runs the program, five years to find a new location.

While the threat is not imminent, Lisa Hendrickson, the president and chief executive of Avenidas, said that she may need all that time to find a new space.

Her ideal scenario would be to create an intergenerational program along with Palo Alto Community Child Care. To make this happen, the city would have to give its approval for the Senior Day Health Program to move into the Ventura Community Center, where PACCC now has its offices.

Avenidas has submitted official requests to the City Council and the school board, which must give its approval to changes to the former elementary school site.

If this plan falls through, the program has little to fall back on.

"I wish I had a Plan B," Hendrickson said.

It's not for lack of effort either. Hendrickson has been following every lead she's found since October. "I've made phone call after phone call after phone call," Hendrickson said. "When I called the city of Mountain View they said I was the 22nd nonprofit to inquire about land in the city."

The other programs run by Avenidas are run out of the Senior Center, which is located in the old Palo Alto police station on Bryant Street. The rent charged by the city is nearly free--\$1 a year, but Hendrickson said they are running out of space.

"We need to identify additional space. Frequently, we do not have enough classroom space to run our programs," Hendrickson said. "We even have one employee whose desk is in the hallway."

The cost of housing also affects Avenidas ability to hire employees.

"It's hard to find people who can afford to work, or afford to live around here on what we pay," she said.

Avenidas no longer recruits outside the Bay Area, Hendrickson said, because it cannot pay moving costs, nor expect people to afford to live in this area.

Nonprofits that do not have to worry about the rising rents of the Midpeninsula either own their buildings, or have found one of the few low-rent places in the area.

The Peninsula Conservation Center bought their building on East Bayshore Road in 1994, after 25 years of renting. Laurie Mueller, the executive director of the center, said her group had to rely on landlords offering below-market rents, and ended up hopping around town.

"We were in a situation where we used to--every four or five years--we had to move," Mueller said. "That is very disruptive to an organization."

The Center bought its building for a good price, even for the time--\$800,000 for a little under 9,000 square feet of space.

Since the move, the Center has made some changes to its building. Solar panels have been added, to provide about 10 percent of its electricity.

The building also serves as a place where other environmental groups--who themselves struggled for space--can have their offices. Several groups, including Canopy: Trees for Palo Alto, the Sierra Club and the Committee for Green Foothills, pay only \$1.65 per square foot each month for office space.

"Not only do (the other groups) have offices," Mueller said, "but meeting and conference rooms and a library."

Sharing space has become a solution for several other Palo Alto groups.

Kara, which helps people deal with the grief of losing a family member, also shares offices with several other groups. The Palo Alto-based group rents about half of the large Tudor house on Kingsley Avenue known as the Westminster House, which is owned by the First Presbyterian Church of Palo Alto.

The group uses most of the first floor of the building, but shares the conference room with the three other tenants--Midpeninsula Citizens for Fair Housing, the League of Women Voters and the Peace & Justice Center. The groups also share the lease of a copy machine.

The Westminster House is only half of Kara's work space. For evening group therapy sessions, Kara uses Sunday school classrooms in the First Baptist Church, about half a mile away from its other offices.

In an ideal world, Michael Lydon, executive director of Kara, said, he would have all the facilities in one place, instead of counselors shuttling back and forth.

"It would be better if we had one house, but the cost of doing that would be prohibitive," Lydon said.

Lydon said he counts himself lucky that he has a stable situation, though doubt sometimes creeps into his head. "I worry about (losing the space) all the time," Lydon said.

Even organizations that own their own buildings are feeling a squeeze.

Family Service Mid-Peninsula bought its building on Cambridge Avenue in the 1950s, but president Jeanne Labozetta said the building is full and

the organization needs more space.

"Luckily we own our own building," Labozetta said. "But where do we put our growing services?"

Labozetta said nonprofit organizations will find ways to survive, despite the high cost of doing business on the Peninsula.

"I think it's a crisis situation," she said. "I think some people will approach it in creative ways: share space with other organizations, look for people to acquire them because they can't afford the administrative overhead, and some might cut back services."

The Peninsula Community Foundation is seeing more and more of a need, not for money, but for office space, said foundation President and CEO Sterling Speirn.

He said he learned a lot from the efforts to find a group of East Palo Alto nonprofits a home, but he added the situation in East Palo Alto "is just the tip of the iceberg."

"I heard from four or five executive directors of nonprofits since then, saying 'my rent is going up 70 percent,' or 'I just found out my rent is doubling,'" Speirn said.

He still finds willing donors, like a \$250,000 check he got over a lunch recently to provide a down payment for a building for a new Opportunity Center being planned by Palo Alto's Midpeninsula Community Working Group on Homeless Services.

Speirn said the next step may be for the foundation to create an endowment to buy real estate for nonprofits.

Finding land is another matter.

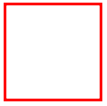
Palo Alto Councilwoman Judy Kleinberg hopes the city's nonprofit survey will be a first step toward solving the problem. "One thing I would like to do, after we have settled the JCC thing is have a building that's an incubator for nonprofits and a transitional space (for those who lose their office space)," Kleinberg said.

With some creative thinking, Kleinberg thinks room can be found.

Palo Alto could redevelop some areas, she said, to make space available for public and community services, such as nonprofits.

"I'm very concerned with (areas) are being underutilized or have lots of parking lots," she said. "We should see what we can do with those areas."

"Palo Alto is built out, but one direction to go is up."



[Back up to the Table of Contents Page](#)

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