

San Francisco Nonprofit Space Investment Fund Grant Program Guidelines December 2018



The Northern California Community Loan Fund (NCCLF) announces the availability of capital grants to help nonprofits finance commercial real estate acquisition projects that create new, nonprofit-owned spaces. **Applications must be received by 12:00 PM, February 22, 2019 to be considered. The online application system will shut down at 12:00 PM and applications will not be received. Applications submitted after 12:00 PM or deemed incomplete will not be accepted.** NCCLF encourages applicants to submit their applications before the February 22nd deadline so that any technical problems that arise can be resolved before the deadline.

All applicants are required to complete a consultation call prior to submitting the application. The consultation calls are available **between December 20, 2018 – February 1, 2019**. The last day to schedule a consultation call is January 25th. An LOI or purchase and sale agreement is not required to schedule a consultation call. It is the responsibility of the applicant to schedule the consultation call by the August 10th deadline, requests made after August 10th may not be accommodated. Information on how to register for a consultation call is available on the application [website](#).

Launched in 2015, the Mayor's Nonprofit Sustainability Initiative (NSI) is funded by the Office of Economic and Workforce Development (OEWD), implemented as a partnership with the Mayor's Office of Housing and Community Development, the San Francisco Arts Commission and other key partners, and administered by NCCLF. The underlying objective of the NSI is to ensure access to quality of life resources as well as education, health and human services for residents of San Francisco. In addition, it is intended to support and stabilize nonprofit businesses, which are a vital economic force in San Francisco, by helping them activate underutilized space, evaluate real estate opportunities and secure permanent affordable space.

The Nonprofit Space Investment Fund (NSIF), a program of the Nonprofit Sustainability Initiative (NSI), provides critical financial support to assist nonprofits in becoming owners of their facilities, and to expand the total amount of nonprofit-owned commercial space in San Francisco. To-date \$4 million has been awarded. It is anticipated that a minimum of \$2 million will be available for distribution in this round. NSIF grants can finance acquisition costs or an upfront payment for a long-term lease (55 year minimum) if the organization can demonstrate financial hardship exacerbated by the real estate market and urgency for the stabilization or relocation.

Priority will be given to nonprofit organizations that:

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- Are deeply rooted in low-income and historically underserved community(ies)¹ in San Francisco,
- Are facing significant financial constraints² within the nonprofit sector but have secured recent public or philanthropic investment,
- Can demonstrate support for their efforts from multiple sectors,
- Clearly identify how new clients and/or audiences will be acquired and existing beneficiaries served effectively by the proposed space, including administrative or office space, and
- Can demonstrate evidence of planning to identify and mitigate financial risk³.

Grants will be made on a competitive basis based on the overall program priorities described above and the particular program criteria outlined below. Applications will be reviewed by a selection committee comprised of public and private sector leaders in the arts, social services, and philanthropy.

Timeline

The anticipated schedule for awarding Round 3 grants is as follows:

Application Workshops – Click here for registration links.	December 20, 2018 at 11:00 AM Webinar January 9 Location and Time TBD
Consultation Calls	12/20/2018 – 02/01/2019
Last Day to Schedule a Consultation Call	01/25/2019
Last Day for Submitting Questions	5:00 P.M. 02/08/2019
Applications Due	12:00 P.M. 02/22/2019
Target Date for Award Notification	04/02/2019
Grant Disbursement Deadline	11/01/2019

Program Eligibility Requirements

¹ Using both the Cultural Equity Endowment Legislation and the Grantmakers in the Arts “Racial Equity: Statement of Purpose,” historically underserved communities include: African, Latino(a), Asian, Arab, Native American, Pacific Islander, LGBTQ, People with Disabilities, and Women. Using the Community Development Block Grant eligibility guidelines, a low- and moderate-income person as a member of a family that has an income equal to or less than the Section 8 low-income limit established by HUD. Organizations that exclusively serve the following groups, presumed to be low-income, may also qualify: Abused Children, Elderly Persons, Battered Spouses, Homeless Persons, Severely Disabled Adults as defined by the Census Bureau, Illiterate Persons, Persons living with AIDS, and Migrant Farm Workers. The HUD income limits are available at: <https://www.huduser.gov/portal/datasets/il.html>

² Business models that constrain organizations’ ability to generate unrestricted operating revenue.

³ These documents can include: multi-year operating projections that include contributions to a capital reserve, Executive Director succession plan, Board approved governance policies, a Board approved policy for making contributions and withdrawing funds from organizational reserves, and completion of a Capital Needs Assessment for the proposed acquisition.

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- 1) In order to be eligible to apply for grant funds the applicant must meet all of the following criteria when the application is submitted⁴:
 - a) Be incorporated and in good standing as a tax-exempt, 501(c)(3) corporation.
 - b) Demonstrate financial accountability by submitting the organization's IRS form 990 or audit for the most recent three fiscal years (all grantees will be required to provide annual audits as an ongoing grant requirement), current year budget, and year-to-date income statement and balance sheet. Arts and Cultural organizations may submit financial data from DataArts (formerly Cultural Data Project).
 - i) City contractors participating in the City's joint monitoring process must submit copies of their Fiscal and Compliance Monitoring Reports for the past three years.
 - c) Demonstrate financial stability (except for the impact of the real estate market forces) for the previous three consecutive years as reflected by the absence of any significant unplanned operating deficit, a positive fund balance, and/or meaningful cash reserves.
 - d) Demonstrate organizational capacity by providing bios for the management team and Board of Directors that highlight their programmatic, financial, and management expertise.
 - e) The property must be located in San Francisco County.
 - f) Have an established track record of providing direct or indirect⁵ services to members of low-income and historically underserved community(ies) in the City and County of San Francisco for at least the past three years. Organizations will be asked to provide:
 - i) Evidence that the organization's mission and/or programs clearly identifies and prioritizes low-income and historically underserved community(ies).
 - ii) Documentation that the organization has a mechanism for program beneficiaries (primary and/or secondary⁶) to provide input that informs the organization's governance.

⁴ Real estate holding companies or developers are eligible to apply but must have letters of intent for 60% of the leasable square footage. The holding company and/or building tenants will be required to meet the eligibility criteria.

⁵ Within the context of the Nonprofit Sustainability Initiative, indirect service refers to the provision of skills, knowledge, advocacy, and services with the intention of supporting a community or an organization(s) ability to fulfill its mission.

⁶ Primary clients receive the bulk of services or resources. Secondary clients receive minor services or are impacted through the ripple effect of the organization's work. (For example, a Counseling Agency's primary clients could be youth receiving counseling services and its secondary clients could be family members that receive minor support services. For a Capacity Building Agency, primary clients could include nonprofit staff & board members registered for workshops and secondary clients could be clients served through the nonprofits that are supported.)

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- iii) Description of primary and/or secondary beneficiaries (clients, audiences, participants)
- g) List of clients and neighborhoods served annually. Clients served should include primary and secondary clients.
- h) Provide a clear plan for community engagement to retain and/or recruit new primary and/or secondary participants as needed due to relocation.
- i) Provide evidence or documentation (a memorandum of understanding or service contract) of up to three community partnerships and collaborations across multiple sectors (public/private partnerships, strong volunteer base, use of pro bono resources). Documentation should not include reimbursement contracts or grants. **Letters of support are not considered documentation of a partnership.**
- j) Demonstrate how the proposed acquisition will contribute to improved financial and programmatic performance. The organization should address the urgency/need for the proposed acquisition to be completed within the next 6 – 9 months.
- k) Demonstrate a high degree of project readiness and technical capacity to plan, develop, and operate the proposed project. The following are required to demonstrate technical capacity and project readiness:
 - i) Fully executed Purchase and Sale Agreement or Letter of Intent.
 - ii) Description of anticipated renovations (if any).
 - iii) List of the current members of the project team along with descriptions of their relevant experience/credentials.
 - iv) Sources and uses budget for the project that includes estimates for any planned predevelopment and renovation expenses. If the property to be acquired is part of a larger development that is being developed by another entity, organizations will also be required to submit a sources and uses for the entire development. Developer fees, if applicable, must be consistent with the maximum allowed by other funding sources included in the sources and uses budget. The budget will need to include a contingency. Contingencies vary from 10 – 20% depending on the type and scale of the renovation. An industry standard is 15%.
 - v) If acquisition financing includes New Markets Tax Credits (NMTCs), organizations will be required to provide Letters of Interest or Reservation Letters from Community Development Entities (CDEs) for the amount of allocation required to complete the project. Priority will be given to groups with Reservation Letters.
 - vi) Development timeline that demonstrates the ability to complete the acquisition by November 1, 2019 and supports the proposed construction start date.

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- vii) Fundraising plan or strategy to raise any uncommitted funds included in the project budget. The components of the plan are the fundraising team, feasibility analysis showing the ability to raise the funds, timeline for raising funds, and status of pledges/commitment to-date. If the applicant plans to sell or lease space to a nonprofit tenant, a financing plan showing the tenants strategy to raise funds to complete acquisition and/or tenant improvements will be required.
- viii) Three-year organizational operating budget including any ongoing operating expenses related to proposed acquisition and capital reserves.
- ix) If an organization is purchasing a parcel in a larger development and another entity is managing the build-out, the grant must be disbursed at the start of construction or after construction is completed.
- l) If co-location is a goal of the project, a list of potential partners/stakeholders⁷. Applicants will also be asked to address how co-location meets any or all of the following goals:
 - i) Below market or stabilized rents.
 - ii) Reduced cost and/or higher quality shared services & amenities.
 - iii) A level of intentional collaboration between organizations.
 - iv) Centralized services or program offerings.
- m) The proposed project does not result in a decline in employees or program activity within San Francisco.

Grant Disbursement and Ongoing Program Requirements

- 1) After a NSIF grant has been awarded, the Grantee must meet all of the following criteria in order for funds to be disbursed. Grantees will be expected to comply with these criteria throughout the lifetime of the project:
 - a) The project's proposed development budget must conform to real estate industry standards for acquisition and development costs per square feet and will need to include a contingency.
 - b) An operating budget that include reserves, sufficient to ensure the long-term viability of the project.
 - c) The Grantee must provide evidence of sufficient funding to complete the acquisition.
 - d) The Grantee must provide evidence of completion of relevant due diligence (appraisal, environmental reports, physical needs assessment).

⁷ Applicants will need to provide Letters of Intent for 60% of the leasable square footage.

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- e) The Grantee must provide a sources and uses budget inclusive of all project costs and including a detailed construction budget (if applicable) and a viable financing plan to complete the project.
- f) The proposed property's nonprofit commercial space must be deed restricted to the nonprofit purpose for its entire useful life⁸.
- g) The Grantee must guarantee compliance with any NSIF grant terms and conditions with a deed of trust and use restriction recorded as a lien on the property.⁹
- h) If the Grantee plans to lease space, the tenant must be a community benefit organization with priority to organizations that serve low-income or historically underserved communities in San Francisco, or a tenant that serves the organization's tax exempt purpose.

Review Criteria

- 1) Grant requests will be evaluated on the following basis:
 - a) The project will create new, commercial nonprofit-owned space.
 - b) Priority will be given to organizations and projects that align with the five program priorities:
 - i) Are deeply rooted in low-income and historically underserved community(ies)¹⁰ in San Francisco,
 - ii) Are facing significant financial constraints¹¹ within the nonprofit sector but have secured recent public or philanthropic investment,
 - iii) Can demonstrate support for their efforts from multiple sectors,

⁸ A period of probable useful life will be assigned to the property based on its condition and the requirements of California Law and, if applicable, the requirements of other City grants. The Project must have a useful life of at least five years after completion or installation in order to be eligible. In general, most Projects involving real property will have longer lives, but not longer than 30 years

⁹ If the Grantee is using New Markets Tax Credits to finance the acquisition of the property, the deed of trust and use restriction can be recorded on the leasehold interest of the Grantee to the QALICB during the compliance period if the lien automatically transfers to the Property upon the dissolution of the QALICB.

¹⁰ Using both the Cultural Equity Endowment Legislation and the Grantmakers in the Arts "Racial Equity: Statement of Purpose," historically underserved communities include: African, Latino(a), Asian, Arab, Native American, Pacific Islander, LGBTQ, People with Disabilities, and Women. Using the Community Development Block Grant eligibility guidelines, a low- and moderate-income person as a member of a family that has an income equal to or less than the Section 8 low-income limit established by HUD. Organizations that exclusively serve the following groups, presumed to be low-income, may also qualify: Abused Children, Elderly Persons, Battered Spouses, Homeless Persons, Severely Disabled Adults as defined by the Census Bureau, Illiterate Persons, Persons living with AIDS, and Migrant Farm Workers. HUD income limits are available at: <https://www.huduser.gov/portal/datasets/il.html>

¹¹ Business models that constrain organizations' ability to generate unrestricted operating revenue.

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- iv) Clearly identify how new clients and/or audiences will be acquired and existing beneficiaries served effectively by the proposed space, including administrative or office, and
- v) Can demonstrate evidence of planning to identify and mitigate financial risk¹².
- c) The extent to which the project will address an urgent need. Urgency is evaluated based on the project timeline, need for funding (is the grant a critical component of project financing), and the impact of the project on service delivery and financial performance.
- d) The applicant can demonstrate that it has or will be able to develop the technical capacity to successfully complete the project in the proposed timeframe, meet fundraising goals, manage a real estate asset, and continue to meet programmatic deliverables.
- e) If the applicant will offer co-location opportunities, the extent to which leasing improves the financial performance of the applicant, increases access to long-term affordable space for other community benefit organizations, or improves programmatic efficiencies/collaboration.

Grant Fund Policies

- 1) Grant proceeds can exclusively be used to fund property acquisition. An upfront payment related to a long-term lease (55-year minimum) is an eligible use of grant funds.
- 2) Grant funds must be used to create new, commercial nonprofit-owned space in San Francisco County.
- 3) The maximum capital grant award is the lesser of \$1 million or 25% of the acquisition cost¹³.
- 4) Organizations may apply for one project per round. Organizations previously awarded a NSIF grant must fully expend their grant funds prior to applying for a new grant for another site. Each project will need to provide new, nonprofit-owned space to 501(c)3 organizations.
- 5) If an organization is not awarded funding they are eligible to reapply in one subsequent round for the same site.
- 6) If an organization is awarded NSIF funding and leases space in the property, tenant(s) is/are ineligible apply for a Nonprofit Space Stabilization Program financial assistance award.

¹² These documents can include: multi-year operating projections that include contributions to a capital reserve, Executive Director succession plan, Board approved governance policies, a Board approved policy for making contributions and withdrawing funds from organizational reserves, and completion of a Capital Needs Assessment for the proposed acquisition.

¹³ If this award is supplementing other City funding, the award may not cause the total City funding to exceed 90% of the costs of the Project up to \$2 million and 50% of the portion of the Project that is in excess of \$2 million.

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- 7) NSSP grantees can apply for a NSIF grant for the acquisition of the same space if the NSSP grant has been fully disbursed. The NSIF grant may be reduced by the amount of the NSSP award.
- 8) All applicants are required to complete a 15-minute consultation call between December 20, 2018 – February 1, 2018 to receive individual feedback on applications. Instructions on how to sign up for the call are available at the application website.
- 9) Grant funds will be disbursed on or after the close of escrow. Organizations that purchased a property but have not received a Certificate of Occupancy can apply for a grant to reimburse a portion of the acquisition costs.
- 10) Once a grant commitment is made all grant conditions must be met and the grant must be closed and funded within seven (7) months. *Grant terms and conditions will be set by a Selection Committee and determined on a case-by-case basis but, in all cases, grant funds may only be used for eligible expenses.*
- 11) Grantees will be expected to comply with the grant terms throughout the life of the grant (maximum of 30 years). *Compliance will be determined by NCCLF and the City and County of San Francisco, at its discretion. Remedies for non-compliance will be determined by NCCLF and the City and County of San Francisco with the understanding that recovery of the grant is a potential remedy.*

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Grant Program Guidelines
December 2018**

Applications are available at: www.ncclf.org/sfsustainability/

Applications must be received by Friday, February 22, 2019 at 12:00 PM to be considered. The online application system will shut down at 12:00 PM. Applications received after 12:00 PM or deemed to be incomplete will not be accepted.

For more information, please contact:
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