

# Nonprofit Space Investment Fund Grant Program Guidelines September 2020



Community Vision (formerly The Northern California Community Loan Fund) announces the availability of capital grants to help nonprofits finance commercial real estate acquisition projects that create new, nonprofit-owned spaces. NSIF grants can finance acquisition costs or an upfront payment for a long-term lease (55 year minimum). In the current funding round, up to \$2.4 million will be available for distribution.

**Applications must be received by noon (12pm Pacific) on Friday, October 9th, 2020 to be considered for the NSIF awards. The online application system will shut down at noon (12pm Pacific) on Friday, October 9th, 2020. Hard copy, postal mail, emailed, and faxed applications will not be accepted.** In fairness to others we cannot accept late or incomplete applications. An application may be deemed incomplete and ineligible if the individual does not provide the complete set of information in the appropriate format by the deadline.

Community Vision encourages applicants to submit their applications before the October 9<sup>th</sup> deadline so that any technical problems that arise can be resolved before the deadline. No deadline extensions will be granted.

All applicants are required to complete a consultation call prior to submitting the application. The consultation calls are available **between September 16, 2020 – September 28, 2020**. The last day to schedule a consultation call is Friday September 25<sup>th</sup>. 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 September 25<sup>th</sup> deadline. Requests made after September 25<sup>th</sup> may not be accommodated. Information on how to register for a consultation call is available on the application [website](#).

This initiative, the Nonprofit Space Investment Fund (NSIF), is aligned with the Nonprofit Sustainability Initiative (NSI). The NSI deploys financial assistance, professional services, assessment tools and other resources to help stabilize nonprofits and overcome barriers to growth. The underlying objective of all NSI programs is to ensure access to quality of life resources as well as education, health and human services for residents of San Francisco. Community Vision administers real estate and financial sustainability initiative programs within the NSI as a multi-agency partnership between the Office of Economic and Workforce Development, the Mayor's Office of Housing and Community Development, and the San Francisco Arts Commission. Since 2017, the NSIF has provided \$8 million to 11 organizations to create 116,000 square feet of nonprofit owned commercial space.

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## Priority Criteria

Priority will be given to nonprofit organizations that:

- Are deeply rooted in low-income and historically underserved community(ies)<sup>1</sup> in San Francisco,
- Are facing significant financial constraints<sup>2</sup> 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, with a focus on retaining or engaging historically underserved communities, and
- Can demonstrate evidence of planning to identify and mitigate financial risk<sup>3</sup>.

Award recommendations will be based on the program priorities and review criteria described below. Applications will be reviewed by a racially and ethnically diverse panel selected for their knowledge of nonprofit finance and governance as well as their experience working with community-focused nonprofits and on capital projects.

## Timeline

The anticipated schedule is as follows:

<p>Application Webinars</p> <p>**Additional webinars may be available on demand. Requests will be evaluated on a case-by-case basis.</p>	<p>Thursday September 24, 2020, 5:00 – 6:00 PM <a href="#">Register here.</a></p> <p>Thursday October 1, 2020, 5:00 – 6:00 PM <a href="#">Register here.</a></p>
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<sup>1</sup> 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>

<sup>2</sup> Business models that constrain organizations’ ability to generate unrestricted operating revenue.

<sup>3</sup> These documents can include: multi-year operating projections that include contributions to a capital reserve, Executive Director succession plan, Board approved governance polices, 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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Consultation Calls	September 16, 2020 – September 28, 2020
Last Day to Schedule Consultation Calls	September 25, 2020
Last Day for Submitting Questions	September 25, 2020
Applications Due	Noon (12pm PST) on Friday October 9th, 2020
Target Date for Award Notification	November 18, 2020
Grant Disbursement Deadline	June 30, 2021

## Program Eligibility Requirements

- 1) In order to be eligible to apply for acquisition funds **the applicant must** meet all of the following criteria when the application is submitted:
  - a) Be incorporated and in good standing as a tax-exempt, 501(c)(3) corporation<sup>4</sup>.
  - b) Demonstrate financial accountability by submitting the organization’s audit or IRS form 990 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) Have an established track record of providing direct or indirect<sup>5</sup> 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).

<sup>4</sup> Real estate holding companies or developers are eligible to apply. The holding company and/or building tenants will be required to meet the eligibility criteria. Tenants must be 501(c)(3) tax-exempt corporations and LOIs will be required for 60% of the leasable square footage.

<sup>5</sup> 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.

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- ii) Documentation that the organization has a mechanism for program beneficiaries (primary and/or secondary<sup>6</sup>) to provide input that informs the organization's governance.
  - iii) Description of primary and/or secondary beneficiaries (clients, audiences, participants)
  - f) Provide the number of clients and zip codes of neighborhoods served annually. Clients served should include primary and secondary clients.
  - g) Provide a clear plan for community engagement to retain and/or recruit new primary and/or secondary participants as needed with a focus on historically underserved communities.
  - h) 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). **Letters of support are not considered documentation of a partnership.**
- 2) In order to be eligible for an acquisition grant, **the project** for which funding is requested must meet all of the following criteria:
- a) The property must be located in San Francisco County
  - b) 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.
  - c) 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 acquisition is part of a

<sup>6</sup> 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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- larger project and another entity is the developer, a sources and uses for the entire development is also required. 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 June 30, 2021 and supports the proposed construction start date. If planning approvals are needed for the intended use, the estimated dates for approval should be incorporated into the timeline.
  - vii) Fundraising plan or strategy to raise any uncommitted funds included in the project budget. The fundraising plan should include the following components: 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 lease space to a nonprofit tenant, a financing plan showing the tenants strategy to raise funds to complete the tenant improvements will be required.
  - viii) Three-year organizational operating budget including ongoing operating expenses related to the acquisition, capital reserve contributions, and debt service payments (if applicable).
- d) The proposed project does not result in a decline in employees or program activity within San Francisco.

## **Review Criteria**

- 1) In addition to the priority criteria referenced on page 2, the review panel will evaluate applications based on:
  - a) The project will create new, commercial, nonprofit-owned space.<sup>7</sup>
  - b) 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.
  - c) 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

<sup>7</sup> If the prior owner is a nonprofit, including a religious institution, the project is ineligible for funding.

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fundraising goals, manage a real estate asset, and continue to meet programmatic deliverables.

- d) 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 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.
  - 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) Provide an updated sources and uses budget inclusive of all project costs, including a detailed construction budget (if applicable) and a viable financing plan to complete the project.
  - c) Provide evidence of sufficient funding to complete the acquisition.
  - d) Provide an operating budget that includes reserves, sufficient to ensure the long-term viability of the project.
  - e) Provide evidence of completion of relevant due diligence (appraisal, environmental reports, physical needs assessment).
  - f) 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.
- 2) Grantees will be expected to comply with these criteria throughout the compliance period:
  - a) The Grantee must guarantee compliance with the nonprofit use restriction for the 30-year compliance period. A deed of trust and use restriction will be recorded as a lien on the property.<sup>8</sup>
  - b) All NSIF properties are deed restricted for nonprofit use. If the Grantee plans to lease space, the tenant must be a tax-exempt, 501(c)(3) corporation with priority to organizations that serve low-income or historically underserved communities in San Francisco or serve the organization's tax exempt purpose. As the grant administrator

<sup>8</sup> 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.

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Community Vision has approval rights, which will not be unreasonable withheld, for any lease executed during the 30-year compliance period.

- c) Grantees are required to submit annual audits and a rent roll for the property (if the organization leases space in the building).

## **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 cost.
- 4) If the NSIF 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.
- 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 selling a property in San Francisco and using the proceeds to purchase a new property in San Francisco, the grant will be pro-rated based on the increased square footage. If the acquisition results in a reduction in square footage, the organization is ineligible to apply for funding.
- 7) 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.
- 8) 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.
- 9) NSSP grantees can apply for a NSIF grant for the acquisition of the same space they received NSSP funding for if the NSSP grant is fully disbursed. The NSIF grant may be reduced by the amount of the NSSP award.
- 10) An organization that receives a NSIF grant it ineligible for funding through Community Cornerstones.
- 11) All applicants are required to complete a 15-minute consultation call between September 16, 2020 – September 28, 2020 to receive individual feedback on applications. Instructions on how to sign up for the call are available at the application website.
- 12) Grant funds will be disbursed on or after the close of escrow. Organizations that acquired their property after January 1, 2019 are eligible to apply.

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- 13) Grantees must demonstrate 100% Board giving as a pre-disbursement requirement.
- 14) 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.*
- 15) Grantees will be expected to comply with the grant terms throughout the 30 year compliance period. *Compliance will be determined by Community Vision and the City and County of San Francisco, at its discretion. Remedies for non-compliance will be determined by Community Vision and the City and County of San Francisco with the understanding that recovery of the grant is a potential remedy.*
- 16) Organizations that require membership in a certain religion or advance a particular religious faith are ineligible to apply. Faith-based organizations may be eligible if they welcome and serve all members of the community regardless of religious belief.
- 17) Independent schools are ineligible to apply.

Applications are available at: [www.communityvisionca.org/sfsustainability/](http://www.communityvisionca.org/sfsustainability/)

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