

Fall 2010

Planning and Practice - The Rooftops Project: Report Summarizing Results of a Survey of Not-for-Profit Organizations

James Hagy
New York Law School, jhagy@luc.edu

Follow this and additional works at: https://digitalcommons.nyls.edu/rooftops_project



Part of the [Business Organizations Law Commons](#), [Land Use Law Commons](#), [Legal Education Commons](#), [Organizations Law Commons](#), [Property Law and Real Estate Commons](#), [Social Welfare Law Commons](#), [State and Local Government Law Commons](#), and the [Tax Law Commons](#)

Recommended Citation

Hagy, James, "Planning and Practice - The Rooftops Project: Report Summarizing Results of a Survey of Not-for-Profit Organizations" (2010). *Rooftops Project*. 26.
https://digitalcommons.nyls.edu/rooftops_project/26

This is brought to you for free and open access by the Academic Centers and Programs at DigitalCommons@NYLS. It has been accepted for inclusion in Rooftops Project by an authorized administrator of DigitalCommons@NYLS. For more information, please contact camille.broussard@nyls.edu, farrah.nagrampa@nyls.edu.

THE ROOFTOPS **PROJECT**



Report Summarizing Results of a Survey of Not-for-Profit Organizations

Fall 2010

James Hagy
Distinguished Adjunct Professor
Center for Real Estate Studies
New York Law School

Copyright © 2010 Rooftops Group LLC. All rights reserved. These materials may not be quoted, copied, referenced, or reproduced in any way, in whole or in part, whether in printed or electronic format, without express written permission, which may be given or withheld in the sole discretion of Rooftops Group LLC.

The author and copyright holder may be contacted at james.hagy@nyls.edu.

Important Note:

This publication is designed as an overview and introduction only and does not purport to be a complete or exhaustive treatment of each topic. It is intended to promote thought and discussion.

This publication is not intended to be nor should it be construed as legal or professional advice. The information and views expressed in this publication may not apply to individual readers or to their organizations or to any particular specific facts or circumstances.

Sending or receipt of this publication does not create any attorney-client relationship. Engagement and consultation with appropriately qualified, experienced, and licensed professionals should always be sought with respect to planned transactions, investments, and projects.

No representations or warranties are given whatsoever, express or implied, with respect to these materials or to the accuracy of information contained in this publication, and any representations or warranties that might otherwise exist, whether by statute, common law, or otherwise, are excluded and disclaimed.

The authors, editors, copyright holder, and publisher expressly disclaim and do not accept any liability for any loss resulting from following or applying principles or views expressed in this publication, including without limitation any liability for direct, indirect, consequential, exemplary, or punitive damages or for loss of profits or business opportunity, whether by tort, negligence, breach of contract, or otherwise.



THE ROOFTOPS PROJECT | Property Perspectives for Not-for-Profit Organizations

Project Mission and Goals

The Rooftops Project is a new initiative founded and directed by James Hagy, Distinguished Adjunct Professor with the Center for Real Estate Studies at New York Law School. It provides real estate programs, workshops, Web and print resources for not-for-profit organizations, with several goals:

- To be the host of an ongoing dialogue within the community of not-for-profit executives and managers, not-for-profit board members and volunteers, and real estate industry professionals about topics relating to the effective occupancy, use, and management of real estate in the social sector.
- To highlight and celebrate the diverse roles played by real estate (as physical space) in supporting the missions of not-for-profit organizations of every type, from museums to places of worship, from social and human services to education and advocacy.
- To increase awareness of the contribution that a disciplined approach to real estate can make in not-for-profit organizations of every size, from those with a single location to those with a national or international presence.

This survey by The Rooftops Project was designed to explore the attitudes and approaches of not-for-profit organizations with respect to the owned and leased real estate that supports their core operations. Given the enormous audience—there are more than 1.9 million registered not-for-profit organizations in the United States—the survey was not envisioned as a scientific sampling, but rather as a means to introduce our field of research and to elicit viewpoints about the role of real estate from the perspectives of a representative cohort of executives and staff, board members, and volunteers of not-for-profit organizations.

We were very gratified by the enthusiastic response that we received from participating organizations across the country. Representatives of 200 not-for-profit organizations from all parts of the United States and its possessions participated in our work.

Many not-for-profit organizations may understandably view real estate as a merely supporting resource to their primary mission and purpose. Some may even be tempted initially to think that they don't have real estate. But every organization needs to be somewhere (hopefully out of the rain!). As a result, some organizations were intrigued while others were genuinely surprised when we approached them to join our study.

Once engaged in conversation, however, organizations quickly launched into animated and engaging stories about their locations or physical facilities, those they occupy now or those they may dream about for the future—from the purchase, sale, or lease of a property; to staffing models, board involvement, and funding issues; to that leaking roof or “greening” project.

Every viewpoint was different and valuable to us. This report is merely an overview; if you participated in the study and offered your own favorite question or topic, be assured that we have listened and that your contribution will influence our project.

Our study included the assurance that answers would not be attributed by name to individuals or to their organizations. So while organizations are not named in this report, we offer a tremendous thanks to all those who participated, as well as to the many lawyers, real estate professionals, and friends who expressed enthusiasm for our work and referred not-for-profit organizations to include.

In this report, we present a summary of the survey results, suggest a few interpretations, and provide a glimpse into the wealth of questions on the minds of not-for-profits about the role of real estate in their organizations. Their comments reflect the challenges and opportunities that real estate—physical space—may pose not only at key moments when an organization commits to a new location, but in day-to-day operations from a functional as well as a financial perspective.

The results of the survey also happily served to validate and will inform our future plan of work for The Rooftops Project here at the Center for Real Estate Studies at New York Law School. With the involvement of talented faculty, experienced volunteer professionals from the private sector, and enthusiastic and able students, our Center plans to offer programs and Web and print resources that will further advance an awareness of the role of real estate in strategy and organizational performance within not-for-profit organizations. You can follow our project on our Web site at www.nyls.edu/The_Rooftops_Project. The site also allows you to take an abbreviated version of this survey online, to include your own viewpoints in our future work.

Central to that plan of work is the announcement of Rooftops Conference 2011, the Center's first national symposium regarding the role of real estate—physical facilities—occupied by not-for-profit organizations in connection with their charitable purposes. This conference will be held on May 20, 2011 at New York Law School in Lower Manhattan.

We hope that you will find this first chapter in our project to be informative and that it will stir your interest to come along with us. If you have comments or ideas we would welcome hearing from you at any time. You can contact me directly at james.hagy@nyls.edu.

James Hagy
Distinguished Adjunct Professor
Center for Real Estate Studies
New York Law School

December 2010



WHO PARTICIPATED IN OUR SURVEY¹?

Our study benefited from the perspectives of not-for-profit organizations across a wide range of mission types, from museums to places of worship, from social and human services to advocacy and education. We heard from organizations from Maine to California, from Washington State to Florida, from Hawaii to the Caribbean. Of invited organizations nationwide, more than 60 percent accepted and participated. Organizations offered their experiences coping with circumstances as different as a direct hit from Hurricane Katrina to a myriad of funding challenges—and an increase in demand for charitable services—in an exceptionally difficult economy.

More than 65 percent of our survey respondents were chief executive officers, chief operating officers, or executive directors. Survey respondents also included finance, treasury, business, administrative, programmatic, and property staff, and members of boards of trustees.

TAX-EXEMPT CATEGORY

Charitable organizations under Section 501(c)(3) of the Internal Revenue Code	92%
Private foundations under Section 501(c)(3) of the Internal Revenue Code	8%

¹ Technical notes: (1) All tables and charts reflect information and responses from organizations participating in the survey. (2) Certain percentage totals equal slightly less than 100 percent due to the effect of rounding. (3) Organizations were permitted to leave individual questions blank; some results do not include responses from all participating organizations.

MISSION AND PURPOSE²

Human services, housing, youth, social or child welfare	45%
Education	26%
Religious	21%
Arts, culture, history, humanities	17%
Health, public safety	15%
Advocacy, civil rights, social justice	14%
Economic or community development	10%
Environmental, conservation, animal welfare	8%
Scientific investigation or research	4%
International, foreign affairs	3%
Farming, agriculture	1%

There was dispersion across the United States and its territories and possessions. Sixteen percent of participating organizations have locations in more than one geographic area, and 5 percent also have locations outside the United States. While many of the participating organizations are from large urban areas, we also heard from organizations in smaller communities.

ORGANIZATIONS BY GEOGRAPHIC REGION



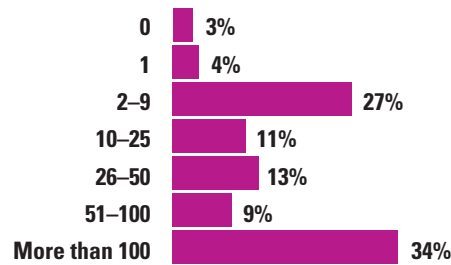
POPULATION SIZE OF MARKET LOCATION

A single U.S. census metropolitan area, population of 2.5 million or more	47%
A single U.S. census micropolitan area, population of 50,000–2.5 million	27%
A single geographic area, with a population of 50,000 or less	10%
Multiple locations in more than one geographic area of the U.S.	16%

² For several questions, totals equal more than 100 percent. Participating organizations were invited to select more than one applicable reply for certain topics.

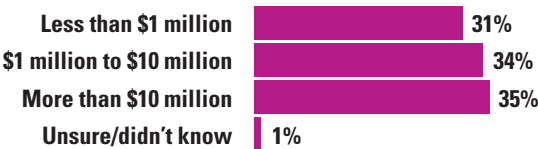
The study includes the viewpoints of organizations both large and small, based on numbers of staff and annual operating budget.

STAFF SIZE



Figures presented include both full- and part-time employees.

BUDGET SIZE



The survey was provided in an electronic format. Most of the questions were multiple choice. There were several opportunities to provide narrative comments in response to specific forward-looking topics. Narrative responses were aggregated into categories and themes, a number of which are represented under the heading “Organizations Also Told Us They Care About” in sections of this report.





SURVEY FINDINGS

Real Estate as a Strategic Asset

Just as with for-profit businesses, real estate is typically one of the largest categories of repeat operating expense for many not-for-profit organizations. It also can require significant capital investments for acquisition and expansion, tenant build-out, and renovations and repairs. Space design and utilization can support, or detract from, its effectiveness for the organization's mission. And flexibility to accommodate changing needs can have a major effect both on program and finance.

Organizations were asked how they regard real estate (location, space design and function, cost) within their organizations.

GENERAL REGARD FOR REAL ESTATE

Real estate is a strategic asset important to our core mission	48%
Real estate is an inevitable operational necessity	38%
Real estate is not significant to our organization's mission and operations	11%
Unsure/don't know	2%

Among respondents to the survey, organizations focused on human services, housing, youth, social or child welfare, and health and public safety were most likely to regard real estate as a strategic asset (59 percent), followed by religious organizations (53 percent). Only 41 percent of arts, culture, history, and humanities organizations view real estate as strategic to their mission.

Whether organizations regard real estate as a strategic asset or an inevitable necessity does not stop them from longing for that perfect space. Fifty-two percent of the reporting organizations mentioned that they eagerly await acquiring or constructing a new building, in many cases one that they have already designed but are awaiting funds to achieve and sometimes on land they already own.

When invited to indicate how organizations would spend a one-time gift of \$50,000 specifically designated for real estate and facilities, 28 percent said that they would choose to direct the money to a fund for the acquisition of a new owned or leased location rather than to invest it in repairs or improvements to existing space.

ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

how the real estate industry works and the players’ roles • market review of choices beyond existing space • opportunistic acquisitions of property or space in a down economy • positioning and marketing surplus space for lease or sale • management of multi-site portfolios • master planning for campus environments • reducing frequent moves associated with short-term leased locations • real estate as a gifted asset • adjoining properties as buffer or expansion space • using space and visitor traffic to raise visibility of an organization and its mission

Occupancy Models

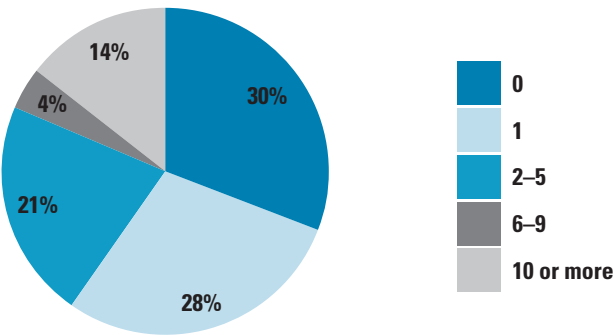
The participating organizations have in the aggregate more than 1,000 locations.

More than 67 percent of responding organizations indicated that they have at least one owned location, and of these more than half own two or more locations. The same number, 67 percent, indicated that they lease at least one location, and of these almost half lease two or more locations.

While most sites are either owned or leased by the organization, many organizations (36 percent of those responding) are guests at one or more locations hosted by others at no cost to the guest.

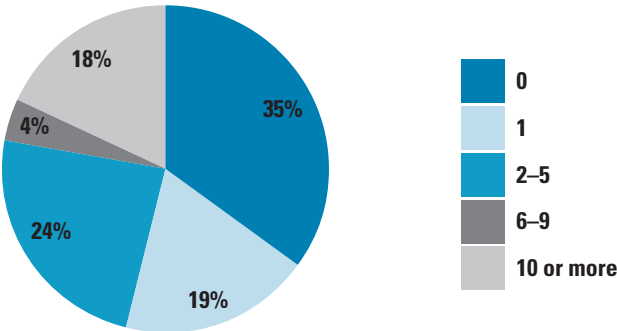
Owned Locations

NUMBER OF LOCATIONS THE ORGANIZATIONS OWN



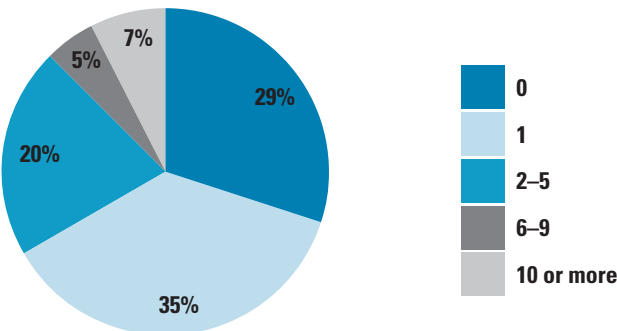
A high percentage of worship organizations (71 percent) reported operating from a single, owned location (for example, a church, synagogue, mosque, or temple). If these organizations are subtracted, the percentage of *all other types of participating organizations* with at least one owned site looks like this:

NUMBER OF LOCATIONS THE ORGANIZATIONS OWN (EXCLUDING PLACES OF WORSHIP)



Leased Locations

NUMBER OF LOCATIONS THE ORGANIZATIONS LEASE

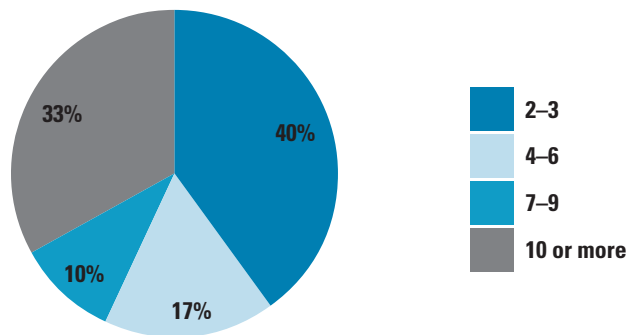


Organizations were also asked to indicate, where their organizations are the tenant, how long before the end of the lease term they typically begin an active decision process of whether to renew in their current location or to look at space alternatives. Given choices from 1–3 months to more than 12 months before the renewal date of the existing lease, participants reported a fairly dispersed range of responses, with 6–12 months and more than 12 months being the most popular answers. As a general proposition, longer planning times may permit fuller consideration of alternatives as well as better benchmarking of market rent conditions to test even a “stay in place” landlord proposal.

Multi-Building Complexes or Campuses

More than half of organizations owning at least one property reported having at least one owned location where there is more than one building (for example, a campus or complex). The scope of some of these campuses or complexes can be sensed by the following statistics, indicating the largest number of buildings at a single location for each of these organizations:

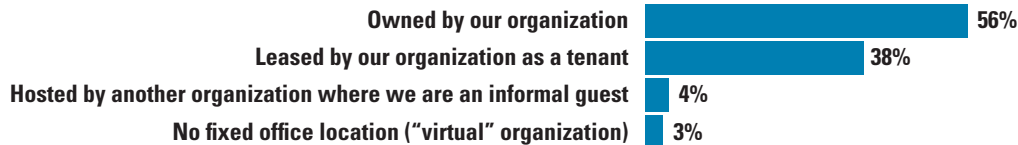
LARGEST NUMBER OF BUILDINGS AT SINGLE LOCATION



Primary or Headquarters Locations

Organizations were also asked about the approach to occupancy used at their primary location (defined as their central administrative headquarters if they have more than one location).

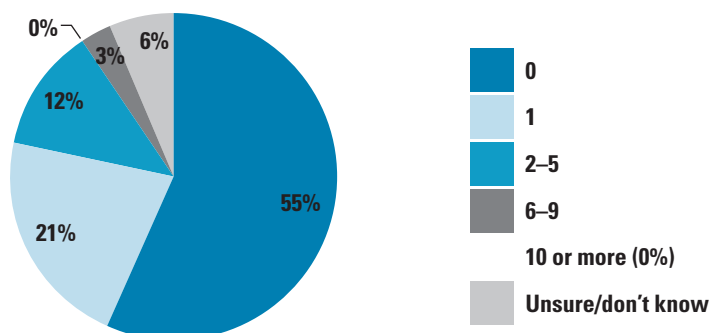
PRIMARY OR HEADQUARTERS LOCATION



Hosted Locations Where the Organization Is the Guest

A significant number (36 percent) of the participating organizations also reported, in addition to the numbers above, that they are guests occupying hosted locations (that is, locations made available by a donor, sponsor, or other third party without cost to the hosted organization). Responding organizations together operate at more than 160 hosted sites. More than 40 percent of these organizations occupy more than one (generally two to five) hosted spaces. These numbers may be understated; some 6 percent of respondents were unsure or did not know whether their organizations operated in hosted locations.

NUMBER OF LOCATIONS MADE AVAILABLE BY A THIRD PARTY WITHOUT COST TO THE HOSTED ORGANIZATION



Additional Models

Other models in which responding organizations expressed interest include shared “co-locations” for multiple charities in a single building (especially those with complementary charitable purposes), the use of executive suites, and temporary project space. Several advocacy, training, and educational organizations indicated that they use hotel meeting spaces for their conferences and programs and as a result are able to operate “virtually” with no fixed location.

ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

own versus lease decisions for not-for-profits • buy versus build analysis • judging market rates and leasing norms • return on investment methodology • feasibility study criteria • length of lease term, length of lease strategies • alternatives for tenant build-out, capital repairs and renovations in leased space • stay versus go decisions • strategies for exiting lease commitments early • commercial office condominium alternatives • maximizing tax exempt status • real estate tax implications in buildings with a mix of for-profit and not-for-profit tenants • unique considerations of “virtual” or “hosted” models without a permanent location

Hosted Space Where the Organization Is the Host

Unsurprisingly, many not-for-profit organizations make their space available in one way or another for use by other not-for-profit organizations, while also offering space for events or meetings held by both charitable and for-profit organizations. Others told us that they aspire to own or control a space in the future that they can share and to host other not-for-profits.

With respect to their existing locations, organizations responded to the following question: “Do outside persons or organizations rent (where you are the landlord) or use your space or real property for any of the following purposes? (Please select all that apply).”

PURPOSES FOR HOSTING OTHERS

Events or meetings by other not-for-profit organizations	53%
Events or meetings by for-profit organizations or individuals	29%
Office or program space for other not-for-profit organizations (with missions related to ours)	31%
Office or program space for other not-for-profit organizations (with missions not related to ours)	18%
Office or program space occupied by for-profit organizations or individuals	10%
Parking for persons other than employees or visitors to your organization	13%

Parking

Thirteen percent of responding organizations provide parking to persons other than employees and visitors to their own organizations.

ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

redesigning and positioning excess space to generate rental income • determining pricing strategies for outside use • calculating and recovering fixed and variable costs • effective management of leased space and event rentals • managing staff time demands required by guests and tenant users • the potential impact of rental uses on property tax exemption • understanding and addressing unrelated business taxable income

Real Estate Organization and Management, Governance, Leadership, and Resources

Reporting Structure and Oversight of Day-to-Day Activities

In answering the question “What part of your organization has general oversight of real estate, physical facilities and related costs?” almost half reported that the CEO, COO, or ED has personal oversight of property functions. This high level of involvement by not-for-profit chiefs may be for a variety of reasons, including lean organization staffing, limited occasions to build a base of transactional experience across the organization, personal preference, and the significant implications of property decisions in capital investment, effects on program, and ongoing operating cost.

DAY-TO-DAY REAL ESTATE REPORTING STRUCTURE

Chief Executive Officer, Chief Operating Officer, Executive Director	48%
Finance, Treasury	10%
Business or office administration	13%
Separate real estate or facilities department	11%
Volunteer board member or other volunteer	17%

Only 11 percent of responding organizations have a separate real estate or facilities department, and these tend to be the largest organizations by employee count and size of operating budget. But less than half of these organizations are among those with a portfolio of 10 or more owned properties, and only slightly more than half own rather than lease their headquarters or primary administrative office. So it would seem that it is more about headcount (and presumably size of space and daily operational needs) than purely number or type of locations.

Less than half (44 percent) of responding organizations have any employees whose sole or primary job responsibility is the day-to-day management of their organizations’ real estate and facilities. In every other case, management and daily administration of real estate and occupancy-related duties fall to someone whose primary responsibilities, background, and attentions are intended to be elsewhere. And 17 percent of responding organizations rely upon volunteers rather than staff. Some organizations compensate through the outsourcing of selected real estate tasks (*see Facilities Management – Operations and Maintenance on p.20*).

Reporting Structure and Oversight of Major Projects

If a major real estate project arose within the organization (for example, a major acquisition or sale of real estate, a major building or renovation project, or a major lease commitment), who inside the organization would be most likely to lead the project? Responses reflect an understandable tendency for major decisions to move up in the organization to the chief or, occasionally, to the finance department or a board volunteer. But given the already high concentration at the top for day-to-day property matters, the shift is not as noticeable as it might be in many for-profit businesses.

REPORTING STRUCTURE FOR MAJOR REAL ESTATE PROJECTS

Chief Executive Officer, Chief Operating Officer, Executive Director	55%
Finance, Treasury	10%
Business or office administration	5%
Separate real estate or facilities department	9%
Volunteer board member or other volunteer	19%

What level of involvement do boards of trustees typically have in projects or discussions relating to real estate? At our participating organizations, the board tends to be very involved.

BOARD OF TRUSTEES INVOLVEMENT IN REAL ESTATE PROJECTS

Very involved in step-by-step project decisions and details	42%
Involved on a limited basis to approve final commitments	43%
Kept informed but not required to approve	6%
Generally uninvolved, projects rest with internal staff	3%
Unsure/don't know	6%

While only 48 percent of organizations regard real estate as a strategic asset, 42 percent expect step-by-step involvement by the board in the real estate project process and only 9 percent anticipate that the board merely be kept advised or be generally uninvolved.

Only a small percentage of organizations (11 percent) have a separate real estate or facilities department, and only 44 percent have one or more members of staff whose sole or primary job responsibility is real estate. Even in these cases, staff may primarily focus on facilities management (operation and maintenance) without the opportunity to develop significant experience in real estate transactions or major projects. This may often mean that staff and volunteers are drawing on whatever past employment or personal experience with real estate they may have, significant or tangential, in managing real estate transactions or project decisions. Frequently, respondents emphasized in their comments the perceived benefits of a project manager, owner advocate, or other outside advisor in the project process.

Legal Advice on Real Estate Matters

Organizations reported addressing requirements for legal advice with respect to real estate transactions or projects in a variety of ways (respondents were permitted to select more than one answer).

TYPICAL SOURCES OF REAL ESTATE LEGAL ADVICE

A lawyer who is a paid member of our internal staff ³	8%
An outside lawyer or law firm on a paid fee basis	52%
An outside lawyer or law firm on a pro bono services basis ⁴	51%
Informal comments from board members who happen to be lawyers	23%
We sometimes make do without legal review	6%
Unsure/don't know	5%

ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

knowledge and training opportunities for key staff about real estate topics, from strategy and finance to operations and maintenance • hiring or developing staff with real estate and facilities experience • enhanced training programs for all staff on life safety and selected facilities topics • organizational models for internal property management staffing • managing real estate in the all-volunteer organization • identifying and working with pro bono and paid professional resources

³ Several respondents identified that they may rely informally upon staff in non-law positions that happen to have law training or background.
⁴ We had originally anticipated that this answer would apply whether or not an outside lawyer from the pro bono firm also was on the organization's board.

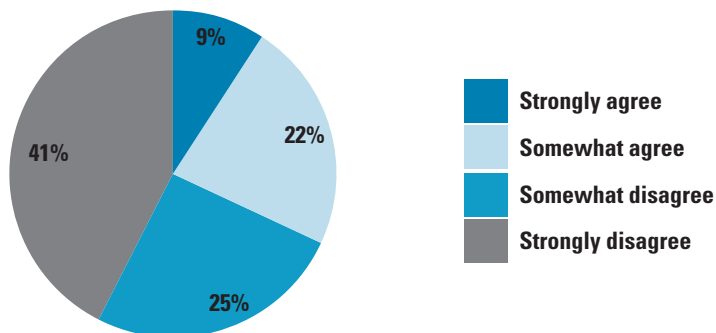
Real Estate Portfolio Planning

Location Analysis

Real estate is often said to have only three rules: “location, location, location.” While only 31 percent of responding organizations agree that location of space is a constraint on their mission, and only 9 percent agree strongly, location selection and analysis was a prominent theme in narrative text comments from many of those surveyed.

LOCATION AS A CONSTRAINT

Location of space is a constraint on our mission/programs.



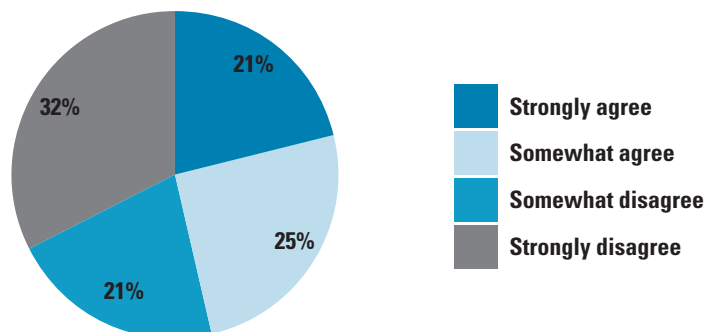
The 66 percent who disagreed with this statement (41 percent of all respondents felt strongly that location of space is **not** a constraint for them) may reflect a number of factors. Certain not-for-profits, such as major museums, hospitals, and university and college campuses, may anchor and define the community around them. Charitable organizations offering direct services may need to be close to their chosen clients, participants, or audience.

And places of worship tend to remain for a lifetime in the neighborhoods where they first establish (although this may be changing with shifting demographics and flat or declining membership in many denominations).

Real estate commitments (owned or leased) are often by nature more inflexible than other asset classes, too. Some 54 percent of all organizations indicated in narrative comments that if they had sufficient time, professional resources, and funds they would pursue some change to their location strategy (one of the top answers overall in narrative comments, second only to space planning and space utilization). And almost one-half of responding organizations agreed that they have at least one location where they would probably not select the same property or location if they had the chance to start over now, which in some cases reflected the quality or characteristics of the particular property rather than location.

VIEWS OF CURRENT FACILITIES

We have at least one facility where we would probably not select the same property or location again if we had the chance to start over now.



ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

site selection criteria • the role of location in supporting organizational purpose • adding locations in underserved areas or to be closer to clients or mission • access to public transport • availability of adequate and safe on-site or off-site parking • the impact of location on visibility • consolidating business and programmatic operations from multiple sites to a single location

Occupancy and Space Forecasting

One of the most surprising results of the survey is the outlook of participating organizations with respect to future space needs over the next three years. Very few organizations (less than 8 percent) expect to need *less* space, whether due to funding constraints or due to changes in programming unrelated to funding. Another 6 percent responded that they are unsure or do not know what their space requirements might be over the next three years. The vast majority either expect space needs to be the same or to require more space due to changes in programming.

More than 50 percent of responding organizations predict needing more space over the next three years. Given the state of the general economy, widespread declines in donor revenues, and in particular the dramatic cutbacks and payment delays in state and local funding of programs, this confidence in projected, growing occupancy needs is interesting. One possible factor is increased demand, in an economic downturn, for services offered by charitable organizations.

FUTURE SPACE NEEDS

"Which statement best expresses your view about your organization's future space needs over the next three years?"

We expect to need LESS space due to funding constraints	6%
We expect to need LESS space due to changes in programming unrelated to funding constraints	2%
We expect to need MORE space due to changes in programming	53%
We expect to need about the same amount of space as now	33%
Unsure/don't know	6%

Whether organizations presently expect to need more space or less, it is unsurprising that organizations feel the challenge to manage space commitments effectively, and the premium to be placed upon flexibility in both space commitments and adaptability of design. Finding the right balance between too much and too little space can be hard even for the largest for-profit organization, and this same challenge seems reflected in the answers to the following question about organizations' space that is available for future expansion, excess to their current needs, or leased or subleased to third parties:

SPACE AVAILABLE FOR FUTURE EXPANSION

"Please select any of the following statements that are applicable to your organization."

We currently have extra space in our facilities for future expansion	30%
We currently have extra space in our facilities that we no longer need	3%
We currently have extra space that we lease or sublease to third parties	13%
We have sold one or more pieces of real estate or terminated one or more real estate leases within the past three years to address our reduced needs for space	4%

Of course, some answers overlapped within a single organization. Some current space may be unsuitable for the particular organization’s needs, some organizations may be leasing or subleasing to organizations for other reasons (for example, compatible missions or sharing of administrative services and costs), and some organizations indicated making deliberate decisions to take or retain space for future expansion and to lease it until needed at a future point.

But while only 4 percent of organizations reported selling property or terminating a lease within the past three years to address reduced needs for space, there **is** a significant amount of transactional activity both with respect to owned and leased space.

RECENT REAL ESTATE ACTIVITY

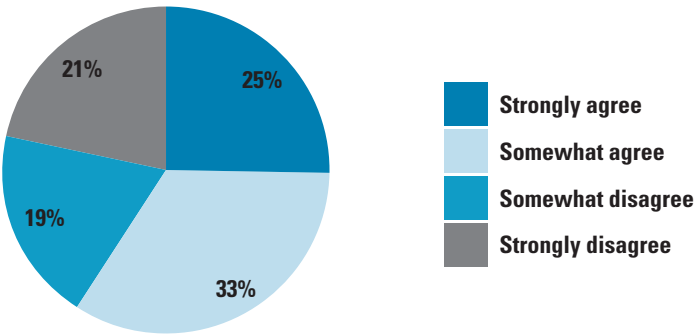
“Within the past three years, has your organization done any of the following?”

Purchased any real estate	23%
Renewed the term of a real estate lease where you are the tenant	40%
Entered into a real estate lease at a new location where you are the tenant	30%

Notwithstanding this level of reported new space activity, a majority of responding organizations believe that space limitations are still a negative factor today in their operations.

LACK OF SPACE AS A CONSTRAINT

Lack of space is a constraint on our mission/programs.



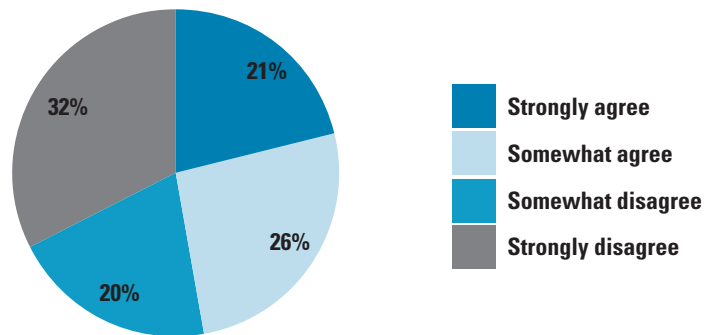
Space Planning and Workplace Design

For every organization (for-profit or not-for-profit), matching available facilities and space commitments to operational needs can be a constantly moving target. Space design was prominent in the narrative comments of respondents. More than 30 percent indicated that if they had additional access to outside resources they would hope for space planning advice. And when asked what they might do with a one-time gift of \$50,000 designated specifically for physical space, an amazing 25 percent replied that they would invest it in space planning, redesigning, or reconfiguring space to suit better their programmatic and operational needs. This percentage approached the number (30 percent) that would invest in maintenance, repairs, upgrades, or renovations of existing facilities.

Quality of space was also a dominant concern for responding organizations.

QUALITY OF SPACE AS A CONSTRAINT

Quality of space is a constraint on our mission/programs.



ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

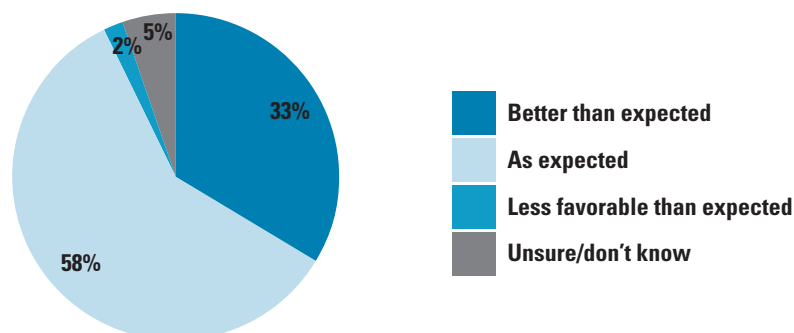
making space more suitable, comfortable, and professional for staff, clients, and the public • workplace design efficiency • finding the right balance between “necessity and luxury” • traditional versus “open” and collaborative spaces • understanding measurement standards • benchmarks for space requirements specific to not-for-profit programming • lobby and reception area design • workstation and furniture selection • storage, storage, storage (and warehouse space) • building in flexibility, recognizing inevitable change

Construction and Renovation

Along with a high level of acquisition and leasing transactional activity, 43 percent of responding organizations reported having constructed a new facility or a major renovation or expansion of an existing facility within the past three years or being in the process of doing so now.⁵ Of those organizations, we wondered about their reflections on the outcomes of these projects.

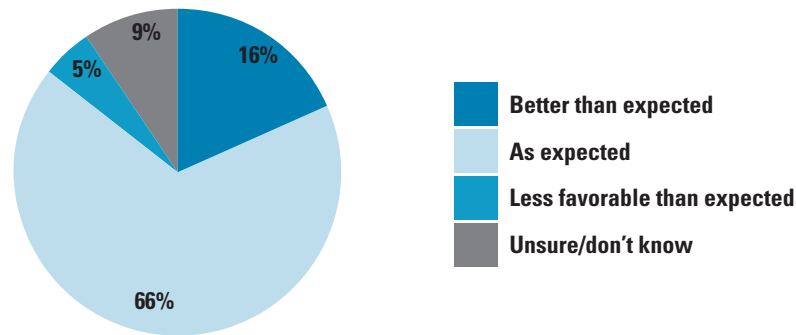
Level of satisfaction with the final result was a refreshing surprise.

QUALITY OF WORK AND MATERIALS



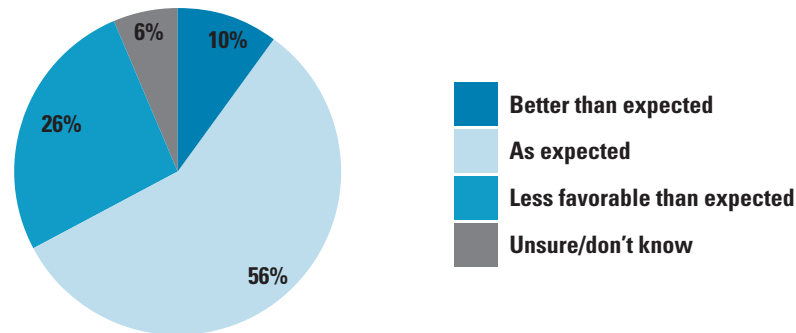
⁵ Keep in mind, as we reported earlier, that another 52 percent of the responding organizations have a dream or plan to acquire or build a new facility, many times with a design already prepared and sometimes with the site already acquired.

SUITABILITY OF FINAL DESIGN/CONSTRUCTION FOR YOUR NEEDS

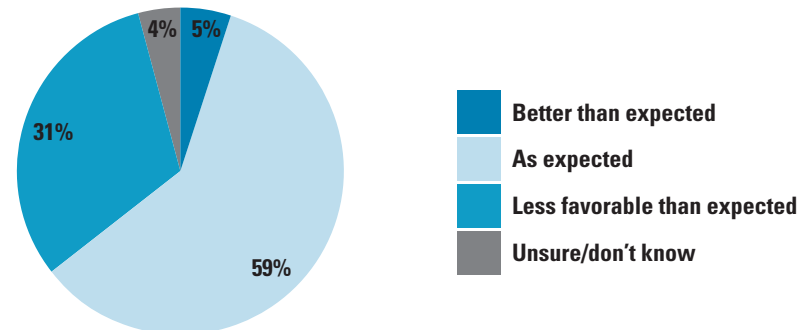


Responses regarding performance against budget and timely completion, always challenges even for the most experienced construction project teams, were less surprising.

FINAL COST COMPARED TO ORIGINAL BUDGET



TIME TO COMPLETION



ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

funding to design and construct property to fit the intended mission • “green” construction • alternative models for the design and construction process • internal and external alternatives for managing project activity • equipment selection (building systems, elevators and vertical transportation, technology, “green” solutions)

Facilities Management – Operations and Maintenance

Operations and Maintenance

Some 64 percent of responding organizations outsource cleaning and janitorial services to third party vendors, while 76 percent outsource maintenance and repair of building systems (such as heating and cooling, plumbing, and other mechanical systems).⁶

WHAT RESPONDING ORGANIZATIONS OUTSOURCE

Cleaning, janitorial	64%
Maintenance and repair of building systems (heating and cooling, plumbing, other mechanical systems)	76%
Security	41%
On-site food service operations ⁷	23%
Parking management	10%

Organizations suggested other categories where they outsource functions to outside vendors, such as landscaping and snow removal and the operation of mission-related on-site retail stores.

ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

integrated space planning, facilities management and project tracking capabilities • staffing to keep up with maintenance and repair calls • evaluating outsourced versus internal, self-performed staffing models • technology and building systems • integrating technology with physical design • the all-volunteer organization • outdoor spaces • landscaping and property maintenance • anticipating long-term O&M needs from point of property selection • permitting and governmental compliance programs • risk management and premises liability

Reactive versus Preventive Maintenance

At locations where the responding organization has responsibility for maintenance and repair, only 9 percent reported that maintenance and repair is done solely on a “preventive” basis in accordance with a scheduled plan. Twenty-five percent use a solely “reactive” approach (where maintenance and repairs are performed on an “as-needed” basis when something is broken or worn out). Most organizations (65 percent) reported using a mix of these two approaches.

Naturally, having an unexpected need for repairs and no available source of funding can be an unwelcome strain on any organization (or household). Our follow-up question asked: “If an unexpected and unbudgeted need arose for an expensive repair to your facilities, what would be the most likely source(s) of funding?” Only 46 percent of responding organizations reported having reserved or special funds set aside for property repairs.⁸ This leaves 54 percent to cope with an unexpected maintenance or repair cost through other means, which the responding organizations were asked to identify by category.

⁶ This 76 percent figure was even higher than the 67 percent that said they have owned locations. The most likely explanation is that some respondents included maintenance and repair performed by landlords or hosts (although the question asked that these situations be excluded). It is also possible that some organizations, while tenants, have responsibility for maintenance and repair of building mechanical systems.

⁷ Many organizations noted separately that they use catering services to bring in food.

⁸ A few organizations reported having unrestricted endowment funds that could be used for property repairs.

FUNDING SOURCES FOR UNEXPECTED REPAIRS

“If an unexpected and unbudgeted need arose for an expensive repair to your facilities, what would be the most likely source(s) of funding? (Please select all that apply.)”

Reserved or special funds set aside for property repairs	46%
General operating funds	53%
Solicitation of donations	32%
Bank loan/borrowing	16%
Repair might not be made due to lack of funds	23%
Unsure/don't know	9%

Raising funds for maintenance and repair needs can pose different challenges than a capital campaign for new building or expansion. The repairs merely restore the status quo, are often invisible when complete, and the naming rights may be less romantic (think about a plaque stating “The Mr. and Mrs. Smith boiler”).

Consistent with these challenges, more than 30 percent of respondents replied that if they were given \$50,000 as a one-time gift specifically designated for real estate and facilities, they would invest it in one or another repair or enhancement to worn or antiquated building systems or for ongoing property operations.

ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

- wishing for a comprehensive facilities inventory with an assessment of conditions and future anticipated needs
- transitioning from reactive to preventive maintenance programs
- budgeting and predictive tools for routine and unexpected maintenance, repairs, and expected capital replacements
- creating or increasing maintenance reserves

Americans with Disabilities Act (ADA)

Most responding organizations indicated that they believe ADA requirements for their spaces are relatively easy to understand. Organizations tended to focus most on physical barriers to mobility, but there were also comments on vision and hearing impairment and other elements of the ADA—who better to understand than not-for-profit organizations, many of which serve populations with special needs as part of their mission?

While they may view the ADA as easy to understand, 50 percent of respondents indicated that accessibility projects can be complex to design and oversee, with another 20 percent saying that they were unsure or didn’t know.

Many organizations (36 percent) indicated that accessibility and ADA compliance have required them to make a significant investment. Moreover, 49 percent of respondents would like to make additional enhancements to accessibility in their facilities if they had funds available. Yet only 3 percent of “wishes” involved accessibility enhancements and ADA compliance as a top priority.

Lack of accessibility features was noted as a constraint to the mission or programs of 18 percent of responding organizations. Only 6 percent indicated lack of accessibility posing a constraint to their funding, although a few of the narrative stories we heard caused enormous stress on the organizations involved. Another 8 percent answered each of these questions by saying that they were unsure or didn’t know. The majority of organizations do not believe that lack of accessibility is a constraint either to programming or to funding.

ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

promoting better understanding of accessibility throughout the organization • assuring ADA compliance • retrofit elevators and vertical transportation solutions • restroom accessibility • design and space enhancements for persons with vision and hearing impairments

Sustainability, Energy Efficiency, Air Quality

It comes as no surprise that not-for-profit organizations cited an interest in sustainable design and “green” operating habits, a trend that mirrors both the business community and society. Energy efficiency, particularly topical these days, has the dual advantage of providing potential energy bill savings as well as being good for the planet. How to achieve these objectives in a thoughtful, affordable, and cost-effective way can be more complex, of course, than a statement of principle.

Responding organizations were asked to indicate their viewpoints about balancing costs of operations and sustainability in occupying and operating real estate and facilities. Thirty-four percent replied that sustainability is a priority, even if it increases costs of operations. Another 44 percent are interested in sustainability, where it is achievable without increasing costs. Twenty-two percent do not have sustainability as a current priority.

Given current conditions in the general economy, it seems understandable that many organizations in philosophical agreement with a commitment to sustainability may not be able to act on those principles if they require an investment or increase costs when funding for core programming or even survival is difficult. Implementation of sustainability enhancements may also be more difficult where the organization feels that it lacks the background and experience to sort through the many available technologies, assess competing products and services, and judge the effects on operations and the likely payback periods, setting aside issues of allocating funds for implementation.

ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

more proactive management of energy consumption and costs • energy audits • better temperature control and air circulation/ventilation • roof repair • insulation • estimating and measuring savings • selecting proven technologies and predictable payback periods • executing basic lighting enhancements • new technologies: wind, solar, “green” roofs, etc. • benefits, costs, and process of LEED® or equivalent certification • trends among peers in LEED® or similar certifications in both new and existing buildings • funding alternatives for sustainability enhancements • green trends and solutions in specialized spaces (e.g., child care facilities, education)

Funding

Naturally, funding both capital investment in real estate and day-to-day operation of facilities was an important consideration in the narrative comments from participants in the study.

ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

alternative funding strategies for property acquisitions, expansions and renovations • balancing development messages for building and for core program operations • appropriate budgeting for ongoing facilities operations • affordable shifts to a preventive maintenance model • assessing true total costs of leasing space • funding “green” and energy efficiency projects • a wish for a comprehensive, collaborative capital planning tool • managing endowments for property • REITs, investment funds and partnerships, bonds, other structured or complex financing sources • pre-development funding • special considerations with HUD financed properties

Specialized Facilities

Many responding organizations have specialized uses within their spaces to serve clients and participants, visitors, and sometimes the public. The functions are diverse, from residential housing to hospitals and health care, from libraries to museum exhibition and storage spaces, from retail stores to swimming and aquatic facilities.

Residential Living

Providing residential accommodations is in many ways a world of its own. There is no down time in a residential property; the students, clients, or participants are depending upon safe, inviting, and reliable accommodations 24/7 and often 365 days a year. A significant number of our responding organizations know this from their own constant experience.

RESIDENTIAL LIVING SPACES

“Does your organization provide residential living spaces for any of the following purposes?”

Students enrolled in your organization’s programs	6%
Clients or participants receiving services from your organization	18%
Clients or participants in need of shelter or housing as a basic service	13%
On-site housing for staff to manage property or to provide security	9%
On-site housing for staff to provide treatment, supervision or services to clients or participants	4%
On-site housing for staff as a benefit of employment	6%

ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:
effective management and cost containment for residential properties • need for additional housing for students, faculty, staff • better solutions for clients who prefer self-sufficiency with support to residential care

A number of organizations also noted another challenge, separate from their own real estate facilities: locating affordable housing for the staff they recruit into high-cost urban areas.

Other Specialized Spaces

A significant percentage of responding organizations own, lease, or manage other specialized facilities as well.

SPECIALIZED FACILITIES AND USES



We also recognized hospital and health care organizations as a unique category with special, complex, highly regulated, and often mission-critical facilities needs.

Landmark Status

Several organizations reported owning buildings dating to well before the Civil War, and in one case an organization has owned and occupied the property continuously since 1717! In total, 33 percent of responding organizations viewed at least one of their locations as being an historic site or architectural landmark. Of those, 58 percent regard the property as having a history or significance directly related to their organizations' missions. The other 42 percent do not regard the property's status as directly related to their missions.

ORGANIZATIONS ALSO TOLD US THEY CARE ABOUT:

modern space for collections housed within historic structures • offices within or separate from an architecturally significant structure • care and restoration, both for organizations the mission of which is historic preservation and for organizations where occupying a landmark or architecturally significant structure is coincident to the organization's stated purposes • grants and alternative funding sources for historic preservation and restoration





POSTSCRIPT

Few not-for-profit organizations would describe themselves as in the real estate business. But once engaged in a dialogue, each has a story to tell about a success or challenge concerning physical space—the one it has now or the one it dreams of having someday. All face decisions about how best to forecast and address their occupancy needs in a way that promotes the organization's core purpose and mission, that provides an efficient, suitable environment for staff, clients, and visitors, and that is consistent with the organization's budgetary resources from both a capital investment and an operating perspective.

Every real estate decision has a potentially profound impact on the future of the organization—whether to own or lease; whether to be hosted by others or to operate “virtually” without a fixed location; whether to stay or to move; whether to “dream big” or “stay small”; whether to renovate or build anew; whether to outsource or to self-perform; whether to become “green” or stay whatever that other color is.

It has been my long-standing hope to encourage conversation within the not-for-profit sector about the role played by the real estate and facilities these organizations occupy in the pursuit of their purposes and missions. Through The Rooftops Project here at the Center for Real Estate Studies at New York Law School, we look forward with enthusiasm to hosting an independent, national dialogue and exchange of ideas about the effective ownership, design, use, maintenance, and funding of real estate in furtherance of social sector missions. We hope that you will join our community and that our upcoming programs and resources may engage you.

James Hagy
Distinguished Adjunct Professor
Center for Real Estate Studies
New York Law School

ABOUT THE CENTER FOR REAL ESTATE STUDIES

The Center for Real Estate Studies provides students with a unique educational opportunity to study both the private practice and public regulation of real estate. Launched in 2007, the Center offers an extensive selection of classroom courses, advanced seminars, and independent study projects, as well as externships in governmental offices and real estate firms. It also sponsors conferences, symposia, and continuing legal education programs on a broad spectrum of issues for New York's real estate community. The Center aims to bridge the existing gap between the private practice and academic study of real estate, and is one of the premier research centers in the country for the study of real estate. www.nyls.edu/realestate

ABOUT NEW YORK LAW SCHOOL

Founded in 1891, New York Law School is an independent law school located in lower Manhattan near the city's centers of law, government, and finance. New York Law School's renowned faculty of prolific scholars has built the School's strength in such areas as constitutional law, civil and human rights, labor and employment law, media and information law, urban legal studies, international and comparative law, and a number of interdisciplinary fields. The School is noted for its nine academic centers: Center on Business Law & Policy, Center on Financial Services Law, Center for International Law, Center for New York City Law, Center for Professional Values and Practice, Center for Real Estate Studies, Diane Abbey Law Center for Children and Families, Institute for Information Law & Policy, and Justice Action Center. New York Law School has more than 13,000 graduates and enrolls some 1,500 students in its full- and part-time J.D. program and its four advanced degree programs in financial services law, real estate, tax, and mental disability law studies. www.nyls.edu



Center for Real Estate Studies

185 West Broadway
New York, NY 10013-2921

T 212.431.2135

E realestate@nyls.edu

www.nyls.edu/realestate

NEW YORK
LAW SCHOOL