Essential and At-Risk:

The Power of Community-Based Organizations and the Danger of Displacement

HESTER ST

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“There should always be a beautiful space for people to feel comfortable in, in every community. Residents deserve to feel like they own a piece of their community.”

- Jill Eisehnard, Red Hook Initiative

Cover photo courtesy of RiseBoro Community Partnership

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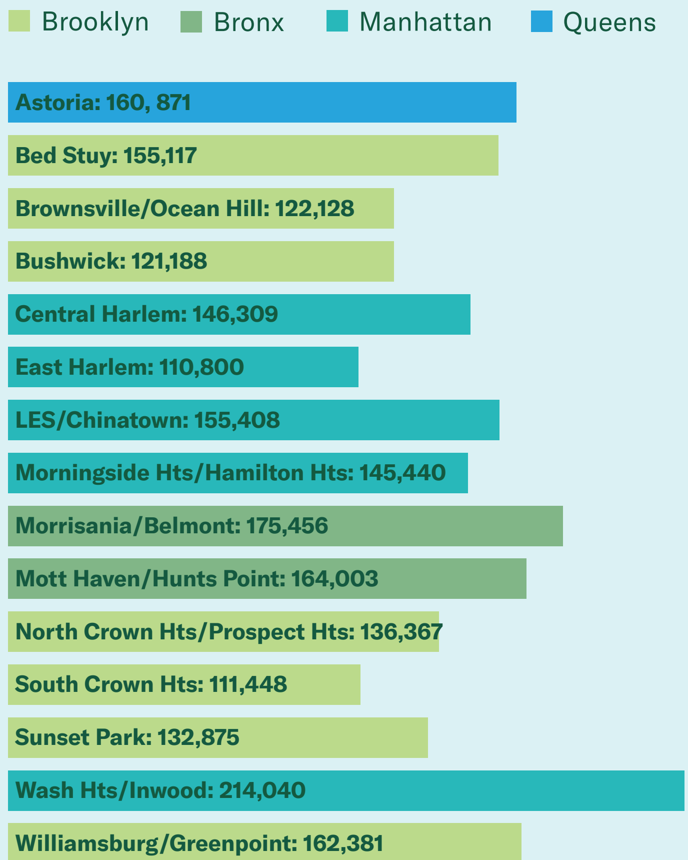
A needs assessment conducted by Chhaya CDC found that the City's South Asians lack shared community gathering spaces devoted to civic engagement and arts and culture that embrace their diversity. Photo courtesy of Chhaya CDC.

I. INTRODUCTION

Population of Gentrifying Neighborhoods



Total: 2,213,831

Cities across the country are facing an existential threat. Long before the COVID-19 crisis and the national uprisings against police violence, long-time, low-income residents of color were being pushed out of rapidly changing neighborhoods as land values and rents increased, high-income residents moved in, and broken systems exacerbated the unequal living conditions in vulnerable communities. This threat came into sharp focus as the global pandemic ravaged communities of color and laid bare the consequences of racist policies and historic disinvestment. As the socioeconomic toll of the pandemic persists in Black, Brown, working-class immigrant and Native populations, so does the likelihood that low-income people of color will be increasingly forced out of their neighborhoods in cities across the U.S.

This national phenomenon has roots in causes as varied as the disconnection between real estate value and the basic human right to shelter; renewed interest and investment in historically disinvested neighborhoods; weak renter protections, and; perhaps most directly, an increase in average rent (up by 22%) paired with a decrease in average income (6% decline) nationwide.[1] The result is a rise in homelessness and the radical transformation of neighborhoods nationwide, which undoubtedly will be compounded by the economic fallout from COVID-19.[2]

In New York City, displacement is a real and present danger in neighborhoods throughout the city. A recent NYU Furman Center report on gentrification finds that 15 of NYC's 55 neighborhoods are gentrifying – defined as low-income areas that have experienced high neighborhood rent growth since 1990.[3] The average rent increase across the 15 neighborhoods ranges from a high of almost 80% in Willamsburg/Greenpoint to a low of 18% in South Crown Heights. Along with rising rents, those neighborhoods have experienced an increase in single, or non-family households, and fewer Black and more White residents. Combined, these 15 gentrifying neighborhoods are home to more than 1 in 4, or over 2.2 million, New Yorkers.

It is important to remember that there are two dimensions to gentrification and related displacement: the displacement of long-time residents, and the cultural transformation of neighborhoods.[4] Much and deserved attention is focused on the former, with fearless NYC advocacy organizations fighting for – and winning – historic rent protections for NYC renters in 2019.[5] Significantly less attention is focused on the harder-to-define impact of displacement on the culture or character of NYC neighborhoods. From Brownsville to East Harlem, Astoria to Mott Haven, **as long-time residents are being pushed out, so too are the organizations and small businesses that serve them.** These community institutions are what make neighborhoods feel like home. And, as we've seen throughout the COVID-19 pandemic, neighborhood groups are often the first place people turn to in times of crisis.

Community-based organizations (CBOs) contribute deeply and mightily to the NYC neighborhood ecosystem. Nonprofit New York estimates that there are more than 40,000 nonprofit organizations in NYC addressing the urgent needs of the communities they serve.[6] A cornerstone of NYC neighborhoods for more than a century, CBOs provide much-needed programs and services, local jobs, connections to resources, vital places for community organizing, gathering and connection. They support the most vulnerable populations at the same time that they preserve a sense of belonging, safety and community.

During moments of crisis and uncertainty, CBOs serve on the front-lines and provide critical services to the most at-risk people, as we have witnessed during hurricanes, floods, pandemics and more. The unprecedented COVID-19 crisis saw CBOs disseminating life-saving public health information, raising funds for laid-off workers, delivering food to seniors, supporting out-of-school students, and fighting for the inclusion of those excluded from government relief programs. And, when #BlackLivesMatter protests against police brutality and systemic racism ignited in our cities in 2020, these CBOs heeded the call – they led protests and supported protestors, organized community members, shared resources, and advocated for the sort of radical systems change many have been seeking for years.

Despite all of these recent reminders of how very crucial CBOs are for healthy, equitable, just and resilient neighborhoods, their existence is in danger in many places. **Low ownership rates, high operating expenses, limited commercial tenant protections and real estate development pressures pose an increasing threat of displacement to CBOs, and therefore to the survival of our neighborhoods as we know them.**

THE OPPORTUNITY

Ownership can protect CBOs from the vagaries of the real estate market and the very real threat of displacement. When CBOs own their offices and community spaces, they reduce their operating costs and can dedicate a larger portion of their revenue to the programs and services their communities want and need. Ownership contributes to the long-term sustainability of CBOs: CBOs can more deeply invest in their neighborhoods and plan for sustained programs and services when they know they'll be around for the long term. On top of that, **CBO ownership is a line in the sand, a clear statement of community control at a time when NYC neighborhoods are increasingly at risk of wholesale change.**

The NYC Capital Grants (CapGrants) program presents an important opportunity to support CBO ownership through discretionary grants awarded by the City Council and Borough Presidents. The program is the largest of its type in the country: $615 million in grant funds were made available for fiscal year 2020 to support the acquisition, construction and renovation of program and office spaces for nonprofits. However, the process for securing and managing a Capital Grant is needlessly complex, expensive and time-consuming. **The result: unspent capital dollars; expensive, inefficient capital projects; and the inequitable distribution of public funds.**

53% **of all City Capital projects are behind schedule,**

47% **are over budget**

In this report, we make the case for CBOs as essential place-based social infrastructure that support a vibrant, just and equitable city. In the current context of growing inequity, rapid neighborhood change and rising rents – residential and commercial – CBOs are at risk of being displaced from the neighborhoods they serve. We must take definitive action now to preserve the services residents need and the places that make neighborhoods feel like home. CBO ownership is the clearest, most durable and readily available method to ensure that CBOs are here to stay.

The CapGrants program presents a remarkable opportunity to advance the community ownership objective: millions of public dollars dedicated to the acquisition and construction of neighborhood assets. Here, we make pragmatic recommendations for equity and efficiency in the CapGrants program, for immediate impact on individual CBOs and in the low-income communities and communities of color they serve. At a time when our identity as a city of diverse, culturally vibrant and inclusive neighborhoods is at risk, **CapGrants can fuel this strategic intervention to combat displacement and preserve the vibrancy and vitality of New York's neighborhoods.**

> "The market has gone through the roof. It doesn't matter where you are anymore. There's no neighborhood that's not being gentrified. There's nothing that's not being examined as a development site. The sort of money that's coming into the city – they don't seem to have any constraints."
>
> – Benjamin Warnke, Alembic Community Development

CHANGE IS POSSIBLE

As escalating rents impact neighborhoods across the city, the displacement of CBOs poses a real threat to everything from support services to local jobs to neighborhood preservation. Ownership can ensure that CBOs continue to serve their communities and preserve the thriving neighborhoods that they have helped to build. As one CBO leader replied when asked what it has meant for her organization to own their building: "It means everything."

It is time for all of us to recognize CBOs as critical social infrastructure and take bold steps to keep them in the neighborhoods they serve now and long into the future. To that end, our recommendations include:

- **Prioritize CBOs.**

  Given the central role CBOs play in the City's strategy to support vulnerable populations, the City must do all that it can to ensure CBO longevity. Long-term or permanent tenure will require a relatively small investment – many CBO acquisition and moderate renovation projects can be pulled off for under $5 million – for a large and lasting payoff – ongoing quality programming and services for neighborhood residents and their families.

- **Make existing City tools effective and efficient.**

  CapGrants funding – also known as Resolution or Reso A funds – are deployed regularly, efficiently and successfully in affordable housing projects throughout the city. Many of the requirements that make Reso A funds in CBO community facility projects onerous and expensive to use are waived in affordable housing projects. If those requirements are waived for affordable housing – a recognized City priority – they can be lifted for community facilities, too.

- **The right tools in the right hands at the right time.**

  The City must recognize that most CBOs do not have the real estate development expertise necessary to plan and manage capital projects in house. In fact, most CBOs do not even consider capital projects given the barriers to entry of the NYC real estate market. To ensure that a diversity of CBOs – including smaller CBOs in outer boroughs – are afforded the same opportunity for City capital support as large, Manhattan-based organizations, the City must invest in everything from marketing and information sharing, to technical assistance and pre-development funds for eligible CBOs before they apply.

- **Think big!**

  Given the scale of the challenge, it is time for out-of-the-box thinking by the City, lenders, private foundations and CBOs alike. Figuring out how best to equip CBOs to participate within the confines of the NYC real estate market; developing mechanisms to allow for large-scale, multi-site acquisition, including land trusts and/or land banks, and; developing low/no-interest pre-development and bridge financing tools for priority neighborhoods are among some ways we can tackle CBO displacement now, before it's too late.

METHODOLOGY

Over the past 5 years, Hester Street has been providing technical assistance to nonprofit CBOs across the city to plan, acquire and renovate their offices and neighborhood homes. We have documented the outsized rents CBOs pay, tackled the challenges of capital project planning and financing in a resource-constrained environment, witnessed the inefficiencies and expense of the CapGrants program and, we have come to understand how powerful these projects are for the CBOs that undertake them, their communities, and their neighborhoods.

With support from Citi, we set out to research the nonprofit real estate landscape in NYC, to gather data on past and present City Capital projects and to identify pain points, inefficiencies and inequities in the City's funding program.

We conducted a literature review of the qualitative and quantitative impact of nonprofit CBOs, particularly in low-income communities and communities of color, to understand the breadth of what ownership can preserve. We researched displacement and gentrification in the national context and within NYC's real estate landscape. More than 70 NYC CBOs – located across the 5 boroughs, serving diverse populations and addressing a variety of issues with a range of services – participated in a survey that asked questions about their physical space, displacement threat and opportunity for ownership. On top of that, we interviewed dozens of CBOs across the 5 boroughs, as well as lenders, developers and other experts in the field.

This paper makes the case for CBOs and it makes the case for community control of neighborhood assets. The City's Capital Grants program presents a remarkable opportunity to invest in the long-term sustainability of CBOs, and, therefore, in the preservation of neighborhood culture and the future of equitable neighborhoods. In its current form, the program is inefficient, expensive and inequitable. Included herein are recommendations for some common-sense improvements to the program that will ensure that it delivers on its promise.

In the case for ownership, it makes recommendations for equity, efficiency and access in the City's Capital Grants program. The way we see it, real estate development for CBOs is a powerful strategy to combat displacement, but the tools available to CBOs require changes in order to build and preserve thriving neighborhoods in low-income communities and communities of color in NYC.

To make this work, we will need all CBO allies and lovers of vibrant, diverse neighborhoods to come together to develop creative solutions. Here we lay out the beginnings of a neighborhood preservation strategy roadmap. The threat of CBO displacement is real and the time to act is now.

[1] Florida, 2016.
[2] Van Dam, 2019.
[3] NYU Furman Center Special Report on Gentrification, 2016
[4] "Background: Gentrification and Displacement."
[5] Ferré-Sadurní, Luis et al., 2019.
[6] Nonprofit New York.

“Community space is really important in Queens. People are hungry for spaces to come together, and there are not enough of them.”

– Ben Thomases, Queens Community House

II. COMMUNITY-BASED ORGANIZATIONS: ESSENTIAL INFRASTRUCTURE

Community-based organizations (CBOs) are nonprofit, mission-driven and place-based institutions that provide a range of social, cultural, economic, health, housing and other survival services. CBOs stabilize neighborhoods and support thriving families, often among communities otherwise underserved by public infrastructure and investment. They are critical institutions, especially for low-income communities and communities of color, and central hubs for community organizing, civic engagement and local power.

Deeply rooted in their neighborhoods and driven by strong community relationships, CBOs are created to address a community-identified need with a community-developed solution. Often formed and staffed by residents of the surrounding neighborhood, CBOs build local economy and institutionalize self-determination with deep place-based knowledge, lived experience and cooperation combined to administer appropriate solutions for local challenges and to bring direct benefits to community residents.

Most CBOs form in low-income communities or communities of color with high rates of poverty and unemployment, low rates of homeownership and/or high rent burden, high rates of incarceration, poor education and health outcomes, high rates of crime and alarming exposure to environmental risk. CBOs deliver education, food, housing, health, workforce, safety, legal and other essential services to people of color, immigrants, refugees, English language learners, working families and people who are homeless, unemployed and/or disabled.

CBOs represent safety, strength and resiliency – they are the first responders in moments of crisis and the first to celebrate in moments of joy. In the wake of Hurricane Sandy in 2012, it wasn't the City but Ocean Bay Community Development Corporation in the Rockaways that worked with a local daycare to rapidly transform the school into an emergency resource hub. Staff trained and mobilized neighbors to bring information, food, medical and construction supplies to community members affected by the storm. The same was true of University Settlement House in the Lower East Side and Red Hook Initiative on the Brooklyn waterfront, among countless other CBOs in hard-hit areas.

Less quantifiable, but arguably as important, CBOs create space to forge fundamental social connections and build power in low-income communities and communities of color. Created by and for the community, CBOs provide spaces to share struggles and imagine alternatives to broken systems. Often with memberships or governing boards comprised of neighborhood residents, CBOs promote democracy and collective decision-making, develop local leadership and advocate for policy change to advance the common good. CBOs fight for change and cultivate the community connections and the social networks we all need to thrive.

IMPACT

CBOs transform outcomes at the individual, family, neighborhood, city and national levels, across a multitude of issues. The impact that CBOs have is multi-faceted, deep and broad, and largely underrepresented. Limited quantitative data exists, and thus CBO impact is grossly understudied. The following presents the impact of CBOs through 4 major themes. CBOs:

1. **Provide frontline service for populations most at risk;**
2. **Increase civic participation and build power;**
3. **Deliver emergency response in moments of climate and other crises; and**
4. **Improve neighborhood quality of life.**

1. FRONTLINE SERVICE FOR AT-RISK POPULATIONS

7,665
City contracts with nonprofit service providers

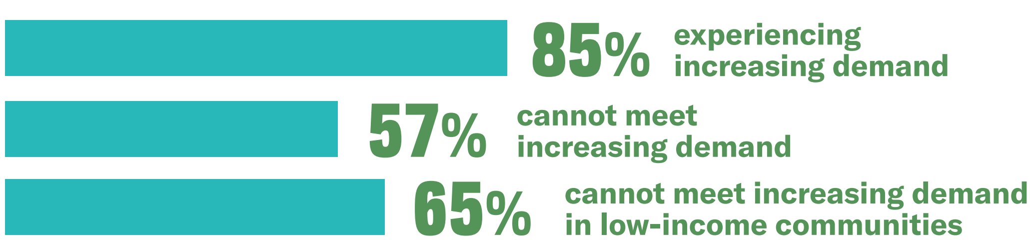
$4.2b
Contracted

52,678
Nonprofit jobs supported

Federal, state and local governments depend on CBOs to deliver critical services for 3 key reasons: 1) CBOs' scale and independence allows faster implementation; 2) their proximity to communities fosters local programs that effectively address local needs, and; 3) CBOs are often the only option accessible for some individuals and populations.[1] As a result, CBOs are often powered, at least in part, by public funds.

New York City relies heavily on CBOs to provide critical services to New Yorkers of all ages, races and income. According to NYC Comptroller Scott Stringer, in FY16 the City's 6 primary human service agencies registered a total of 7,665 contracts (representing $4.2 billion) with nonprofit service providers.[2] Services included everything from adult education to healthcare enrollment, legal services for immigrants and shelter access for LGBTQIA+ youth. Many of these contracts stipulated that program participants earn incomes below the poverty line. In total, these contracts directly supported 52,678 CBO jobs, compared to 34,254 employees at the same 6 City human service agencies.[3] Of the CBOs surveyed for this study, 60% have operating contracts with the City at a total median value of $190,000 or average total of $1.4 million of contracted City services for each CBO.

CBOs provide a multitude of place-based, culturally competent, low-cost or free services to those most vulnerable populations otherwise unreached by public or private providers. And demand is high. In 2018, 86% of nationwide nonprofit leaders said demand for their services was rising, and 57% said they couldn't meet that demand. That number increased to 65% among nonprofits that serve low-income communities.[4] Top areas of need nationwide identified by the Nonprofit Finance Fund Survey of Nonprofits in 2018 included: affordable housing, youth development, job availability, access to health care and mental health services.[5]



Of the organizations surveyed for this paper,

95% serve low-income individuals

93% serve Black or African-American constituents

90% serve Latinx constituents

70% serve Asian or Asian-American constituents

79% serve foreign-born constituents

75% serve un- or under-employed individuals

74% serve members who are undocumented

66% serve members that identify as LGBTQ

64% serve community members who are homeless

61% serve those living with a disability

Further, the connection between vulnerable populations and the disinvested neighborhoods they live in underlines the critical importance of place-based services. Poverty lines largely follow neighborhood boundaries and can be tracked to historical redlining practice. Neighborhoods deemed too "risky" for investment by the federal government were 'redlined" in the 1930s, making it difficult, if not impossible to secure a federally-backed mortgage to purchase a home in those areas. The practice led to predatory lending to people of color, White flight to the suburbs and large-scale disinvestment in Black, Brown and previously integrated neighborhoods across the nation.[6] Many of these same neighborhoods were sites of destructive Urban Renewal redevelopment projects in the 1950s and 1960s. Today, those neighborhoods are home primarily to Black, Latinx and immigrant families and face worse outcomes for education, health and employment compared to White families in neighborhoods that were not redlined or redeveloped under Urban Renewal.

CBOs in low-income communities and communities of color transform outcomes across housing, employment, youth development, health and more to address disparate impacts and correct historic injustices among populations most at risk. **Research shows that the presence of a CBO in historically marginalized neighborhoods can markedly reduce poverty and its concentration, improve life chances and change the structure and isolation of communities of concentrated poverty over time.**[7]

Housing

The number one need in almost every NYC neighborhood is affordable housing. Driven by a five-fold increase in income inequality and skyrocketing rents, getting and keeping housing is a struggle for the more than 42% of New Yorkers who are rent burdened, or who spend more than 30% of their annual income on rent. Almost a quarter (23%) of renters are severely rent-burdened, spending more than 50% of their annual income on rent.[8] It is no wonder that homelessness is on the rise: according to the Coalition for the Homeless, the number of homeless New Yorkers sleeping each night in municipal shelters has risen by 62% over the past 10 years.[9]

CBOs are on the front lines of this desperate housing crisis, working for solutions on multiple fronts. They develop and manage permanent affordable housing, transitional and supportive housing, emergency and temporary housing. CBOs provide legal support for eviction prevention and mobilize their constituents to fight for rent protections.[10] They provide housing counseling for low-income homebuyers, including foreclosure prevention. And they weatherize the apartments they own or manage and those of their neighbors, to decrease operating costs and increase indoor air quality.

Henry Street Settlement in the Lower East Side, for example, provided social services, employment and housing assistance for 1,579 individuals residing in their transitional and supportive housing facilities, as well as helped 61 families transition to permanent housing, in 2019.

77 formerly homeless single adults live in Henry Street Settlement's permanent supportive housing. Photo courtesy of Henry Street Settlement.

Youth in Brotherhood/Sister Sol's Environmental Program working in the Frank White Community Garden. Photo courtesy of Brotherhood/ Sister Sol.

Youth Development

More than 2 in 5 Black youth aged 16-19 are unemployed nationwide, compared to 1 in 5 White, Asian or Latinx youth.[11] For every 20-year-old out of school or the work force, one study estimated the average lifetime cost of lost tax payments, law enforcement, Medicaid and other public resources to be $235,680. The same study showed that programming for 500 youth per year, with half securing some credential and finding employment, would yield $58.9 million in taxpayer revenue and cost savings.[12]

CBOs provide a range of educational and employment, leadership development and civic engagement opportunities for youth. Red Hook Initiative (RHI) in Brooklyn, for example, serves 6,500 residents of local public housing annually, 450 of whom are youth from 6th grade through age 24. RHI offers year-round support for middle schoolers, high schoolers and young adults, with an emphasis on academic success, career development, life skills, social support systems and leadership development. As a result of their work, 100% of middle schoolers enrolled in RHI programs graduated and enrolled in their first choice for high school and 95% of their high school Youth Leaders gained admission to college in the past year.[13]

Health

Health outcomes vary significantly by neighborhood, income and race in New York City. For example, in Battery Park, Manhattan, one of NYC's wealthier neighborhoods where more than three-quarters of the residents are White, residents can expect to live 11 years longer (86 years old), than their fellow New Yorkers in Brownsville, Brooklyn (75 years old), where over 90% of residents are Black and Brown and where the median household income ($30,207) is five times less than that of Battery Park ($144,878).[14]

CBOs provide direct healthcare services, referrals and advocacy to improve health equity and access. They facilitate insurance enrollment; host blood drives and exercise classes; run food pantries; set up farmers' markets and subsidized Community Supported Agriculture (CSA) programs; send locally hired and trained Community Health Workers on home visits; and much more.

Public Health Solutions, for example, enrolls more than 20,000 individuals citywide in health insurance every year – immigrants, seniors and New Yorkers with disabilities.[15] VOCAL-NY in Downtown Brooklyn provides overdose prevention training to hundreds of New Yorkers affected by drug addiction and homelessness and operates a syringe exchange that distributes over 50,000 clean syringes annually.[16]

Employment

CBOs are embedded in local economies and sometimes are a neighborhood's largest local employer. In addition to directly employing neighborhood residents, CBOs develop place-based networks that help local residents overcome barriers to employment. They cultivate trusting relationships with local employers; understand employer and job-seeker needs; facilitate networking; and provide high quality resume, interview and other skills support.[17] CBOs also help low-wealth entrepreneurs overcome social and structural barriers to launch or sustain businesses, and governments are increasingly funding CBOs to facilitate entrepreneurship opportunities, including financial support.[18]

Cypress Hills Child Care Center (CHCCC) in East New York, for example, reaches nearly 700 low-income and immigrant families with early childhood education programming. The majority of these families are served through CHCCC's Family Day Care Network (FDCN), a job creation vehicle and entrepreneurship program. The FDCN provides professional development, employment skills and entrepreneurship training to low-income women in the neighborhood to open and support their own childcare business staffed by local residents.[19]

Queens Community House offers free intensive English classes for adults. Photo courtesy of Queens Community House.

2. CIVIC PARTICIPATION AND POWER BUILDING

In addition to providing direct services among vulnerable populations, CBOs increase civic engagement and representation.[20] They create opportunities for neighborhood residents to share concerns, elevate collective demands, fight for change, and mediate with public institutions.[21] In many cases, CBOs develop local leadership to lead policy initiatives and have governing boards comprised of neighborhood residents that help make democratic decisions for the organization.

Make the Road New York (MRNY) in Queens, Brooklyn, Staten Island, Long Island and Westchester, has more than 24,000 low-income, immigrant and working family members who lead organizing committees and campaigns as well as elect representatives to the organization's Board of Directors. In 2019, MRNY and its members helped secure historic statewide rent laws and tenant protections, the Green Light law that allows undocumented immigrants to obtain driver's licenses, and the New York State Dream Act that allows undocumented college students to apply for financial aid.[22]

CBOs work to elevate collective and local demands, making government more responsive and increasing trust that government is able to act on behalf of diverse needs.[23] CBOs increase political engagement, potentially increasing voter turnout and ultimately, supporting a more inclusive and representative democracy. Building from this civically engaged base, CBOs are uniquely positioned to challenge the status quo and advance social justice and equity. CBOs advance broad social objectives of collective good beyond specific outcomes that benefit their members.[24]

We Act for Environmental Justice (WE ACT), for example, rose out of the needs of low-income communities and communities of color and influenced an Environmental Justice movement that addresses "economic equity, cultural liberation and the political participation of people of color."[25] WE ACT championed the passing of the first Safe School Water Act, which mandates testing and remediation for lead in all New York State schools, and pioneered the campaign for stronger bus pollution standards that led to the Metropolitan Transportation Authority's switch from diesel fuel to hybrid electrics, reducing emissions by 95%.[26]

In addition to increasing participation and building local power, CBOs build social capital, or trust and reciprocity among community members.[27] Strong social capital leads to increased tolerance, increased ability among neighbors to support one another, reduced conflict, better health outcomes and a stronger sense of community.[28]

"For our members, [our space] is a place to call home, a place to strategize, a place to be safe. To have a place to sit, get a coffee, get out of the cold or the heat, means a lot. For folks that are street-based, it's a community of people that are kind of keeping an eye on them, checking in on them and notice when they haven't been in the office in a few days – that can mean some community and some semblance that people care about me."

– Alyssa Aguilera, VOCAL-NY

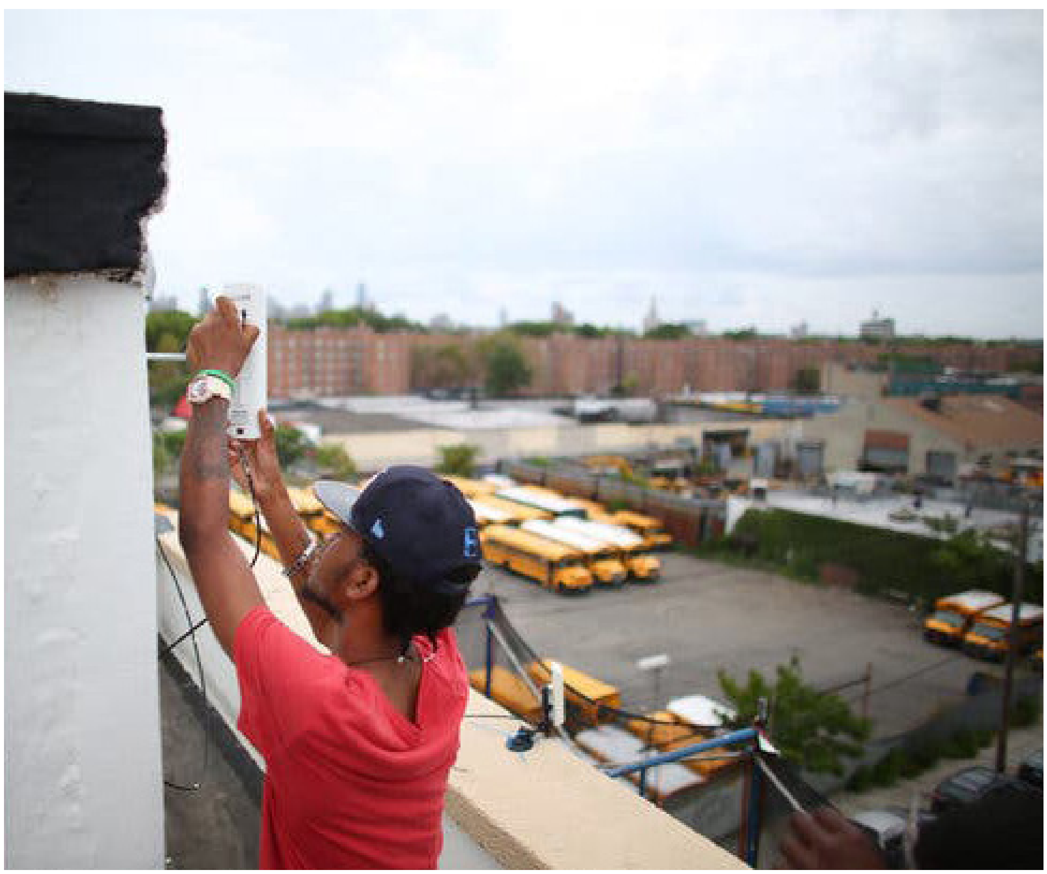
3. EMERGENCY RESPONSE

Further, CBOs positively impact response in times of crisis, as we continue to witness during the COVID-19 pandemic. They are closest to their constituents, have networks in place to deliver rapid relief and can often act more quickly than a bureaucratic institution. Many fill critical gaps in government's disaster response and recovery.[29] CBOs foster social and community resilience: the capacity to cope, learn and bounce back after experiencing disaster and unexpected change.

In 2012, NYC CBOs played a central role in health and human service provision after Hurricane Sandy. LESReady! in the Lower East Side formed when residents, businesses and CBOs lost power, water, heat and communications after the storm. This coalition of community groups and institutions coordinated immediate response and resources, as well as ongoing preparedness in the event of future disasters.[30]

An analysis of community preparedness in 12 neighborhoods in New York and New Jersey affected by Hurricane Sandy suggested that investments in social networks may create resilience at the community level that is comparable to, or exceeds, that of investments in physical infrastructure. New York University sociologist Eric Klinenberg argues that strong social infrastructure is a prerequisite for social resilience. According to his study of the 1995 Chicago heat wave, neighborhoods with strong social infrastructure – informal networks, associations, community networks and CBOs – experienced significantly lower loss of life than neighborhoods where those spaces and networks were eroded or non-existent.[32]

Red Hook Initiative (RHI) operates Red Hook Wi-Fi, a free internet service for the neighborhood that was crucial in helping RHI coordinate disaster relief services post-Hurricane Sandy. Photo courtesy of Chang W. Lee, New York Times.



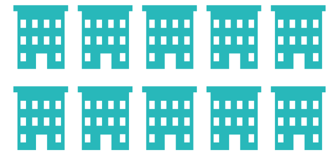
4. QUALITY OF LIFE

Finally, CBOs contribute to higher-quality, safer neighborhoods. A national study demonstrated a direct relationship between the presence of nonprofit organizations and lower crime rates, estimating "that 10 additional organizations focusing on crime and community life in a city with 100,000 residents leads to 9% reduction in the murder rate, a 6% reduction in the violent crime rate and 4% reduction in the property crime rate."[33] CBOs steward public spaces and address issues of safety with a holistic approach that includes both place and policy that dramatically improves neighborhood quality of life.[34]

Arts and culture CBOs also play a significant role in boosting local economy while improving neighborhood quality of life. In a 15-year study of Philadelphia neighborhoods, the presence of nonprofit arts organizations helped to decrease poverty rates and increase property values with no correlation to housing displacement.[35] Another study of Greater Philadelphia revealed that cultural organizations (including larger cultural institutions, in addition to CBOs) generated a $3.3 billion economic impact and provided 44,000 jobs.[36]

"For the identity of the organization, it's like home. Our headquarters, Henry Street and all of the buildings on Henry Street are like the nerve center of the organization."

–Jeremy Reiss, Henry Street Settlement



10 community-based organizations in a city with 100,000+ residents leads to a:

9% reduction in murder rate

6% reduction in violent crime rate

4% reduction in property crime rate

[1] Saidel et al., 2003 cited in Fredericksen and London, 2000.
[2] "Strengthening the Frontline: An Analysis of Human Services Contracts in NYC."
[3] These include: Administration for Children's Services, Department of Homeless Services, Department of Youth and Community Development, Human Resources Administration, Department for the Aging and Department of Health and Mental Hygiene.
[4] Nonprofit Finance Fund. "2018 Nonprofit Finance Fund Survey of Nonprofits."
[5] Nonprofit Finance Fund. "2018 Nonprofit Finance Fund Survey of Nonprofits."
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[11] Steinberg and Almeida, 2015.
[12] Belfield, Levin, and Rosen, 2012.
[13] https://rhicenter.org/
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[15] https://www.healthsolutions.org/
[16] http://www.vocal-ny.org/
[17] Spaulding and Blount, 2018.
[18] Casey, 2013.
[19] http://www.cypresshillschildcare.org/
[20] Shier et al., 2014; Milligan and Conradson, 2006; Putnam, 1993, 2000; Weisbrod, 1986 cited in Handy et al., 2014.
[21] Speer and Perkins, 2002; Berger and John, 1977; Meyer, 1982; Woodson, 1981; Glazer 1989 cited in Smith, 2003.
[22] https://maketheroadny.org/
[23] Browns, 1998; Van Slyke and Roch, 2004; Wuthnow, 2004 cited in Shier et al., 2014.
[24] O'Neill, 1989 cited in Andrews and Edwards, 2004.
[25] Dawson, 2010.
[26] "Our Story."
[27] Kallman et al., 2016.
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[29] Kapucu, 2011.
[30] https://hesterstreet.org/publications/getting-les-ready/
[31] Cagney et al., 2016.
[32] Klinenberg, 2019.
[33] Sharkey et al., 2017.
[34] Snyder, 2014.
[35] Stern and Seifert, 2010.
[36] Greater Philadelphia Cultural Alliance.

“For the immigrant groups we serve, our space means making them visible – a physical place for this community, for their recognition, and for inclusive programming.”

- Chhaya Chhoum, Mekong NYC

VOCAL-NY members during the 2018 Pride Celebration. Photo courtesy of VOCAL-NY.

III. THREAT OF DISPLACEMENT + THE PROMISE OF OWNERSHIP

THE IMPORT + IMPACT OF PLACE

Essential to the impact of CBOs are the physical spaces where they operate. Whether a storefront commercial office, donated basement or multi-level community center, a CBO's space represents safety, understanding, shared identity and sometimes a second home for its participants. These spaces foster "contact, mutual support, and collaboration among friends and neighbors," building social cohesion, community and civic participation.[1] At a national moment of divisive political rhetoric, heightened physical threat and social isolation, CBOs provide the physical conditions that build and sustain the social infrastructure necessary to stay safe, fight and win.

Just as important as the place itself is its location. Where a CBO is located plays a fundamental role in everything from service delivery to political agenda to identity. CBOs are often open late into the evenings and on weekends in locations that are within walking distance or accessible by public transit for the communities they serve. When asked to rate various qualities of their program and office space, the CBOs surveyed for this study rated an accessible location as the highest, reporting that location was more important than the size, type, quality, affordability or longevity of their spaces.

For our direct services, the space issue is so important. If you're somebody who presents as a street homeless active drug user, there's pretty much nowhere that anybody wants you. You have the cops that are patrolling subways to make sure you're not sleeping there. If you go into a Starbucks to use the bathroom, they're not going to want you there. Really the library and our office are some of the only places. Even if you're going to a hospital or a healthcare setting, the stigma of being a drug user can be really difficult. A lot of our participants say that coming to a place where they don't have to lie about that, they don't have to hide that part of themselves, and they won't be judged, is really important."

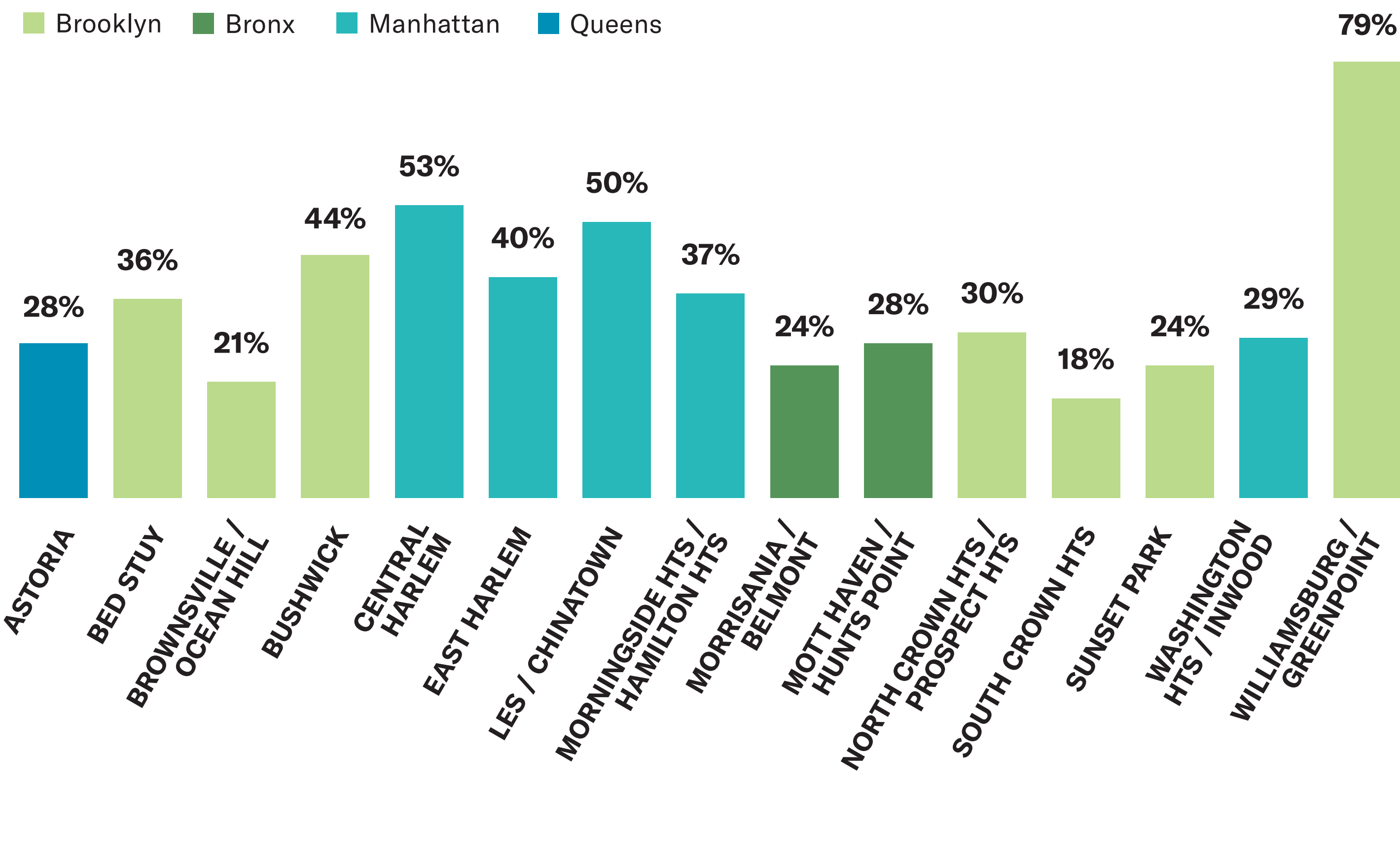
– Alyssa Aguilera, VOCAL-NY

As demand for CBO services and space for safety and connection increases, the threat of CBO displacement is also increasing. Great Communities Collaborative in the Bay Area of California defines displacement as the condition when current residents are priced out of their homes by new development or due to tax or rental increases, speculation and/or higher property values.[2] Both low-income residents and the CBOs that serve them have little recourse when rents spike due to relative affordability compared to surrounding areas, tight housing markets, a jobs/housing imbalance, targeted investment and renewed interest in urban life and amenities. As new, higher income residents move in to historically disinvested neighborhoods and rents rise, long-time residents are forced out to outlying areas often further from public transportation and employment. For CBOs, moving out of the neighborhoods they serve poses an existential threat: is a community-based organization still a community-based organization if it is no longer located in the community it serves?

In 2016, New York University's Furman Center studied gentrification, or rapid rent growth, in low-income neighborhoods throughout NYC. The study found that 15 of New York City's 55 neighborhoods – or 27% – are gentrifying. Combined, the 15 gentrifying neighborhoods are home to over 2.2 million – or more than 1 in 4 – New Yorkers. The majority of gentrifying neighborhoods are in Brooklyn – 7 or 47% – with Manhattan neighborhoods close behind at 5 or 33%, then the Bronx with 2 (13%) and Queens with 1 (7%).

Rent in these neighborhoods has increased by anywhere from 18% to almost 80%, with an average increase of 36% across all 15 neighborhoods. Not surprisingly, rent burden – paying more than 30% of household income on rent – has also increased in these neighborhoods.

% Increase in Rent (1990 to 2014)



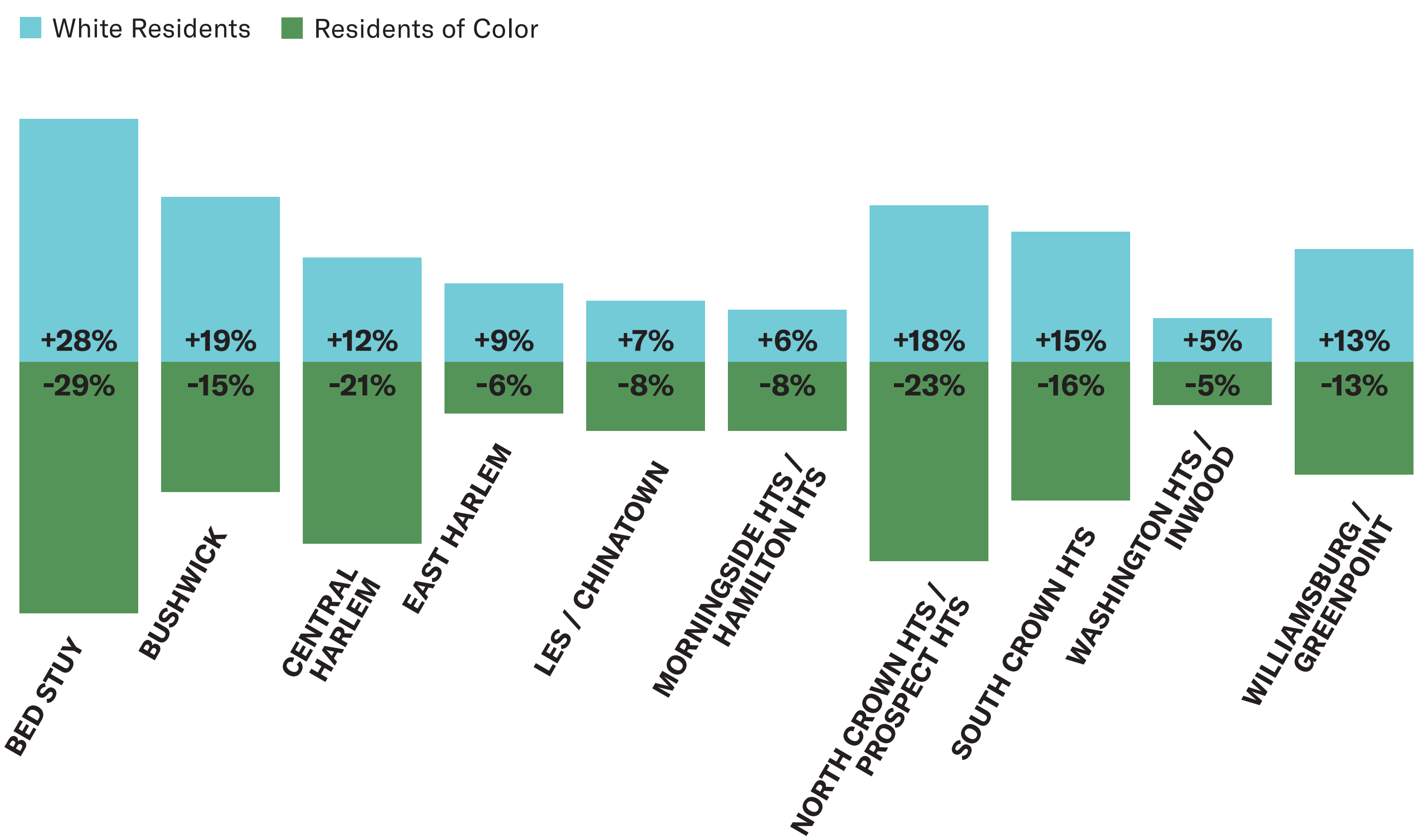
For the residents that are able to withstand the increase in rent and stay in their neighborhoods as they gentrify, the demographic shift in about half of these gentrifying neighborhoods is extreme. The White population increased anywhere from about 2% to a whopping 28% between 2000 to 2018. Bedford-Stuyvesant is home to the largest jump in the White population – a 28% increase or approximately 40,000 people. Bushwick comes in second with a more than 19% increase, and North Crown Heights at almost 18%.

It is important to note that this is not a one-for-one shift. Often, the decrease in the Black population over time is higher than the increase in the White population. For example, in Central Harlem, a historically Black community, the White population increased by about 12% between 2000 and 2018. During that same time, the Black population decreased by more than 21% – almost double. The same is not true for the Latinx or Asian populations. For example, in Williamsburg, while the White population increased just over 13%, the Latinx population decreased by just over 12%.

In addition to the shift in racial makeup, the number of single or non-family households has also increased significantly, nearly three times as much in gentrifying areas compared to citywide.[3]

This change in neighborhood makeup impacts more than rent levels. While all residents arguably may benefit from increased investment that is related to gentrification – for example, improved City services (sanitation, public transportation, improved schools), new neighborhood amenities (grocery stores, sit-down restaurants, banks and pharmacies), reduced crime rates and, for some fortunate long-time homeowners, increased home values – the impact on one's sense of belonging in a neighborhood that looks radically different is not to be underestimated.

% Demographic change (2000-2018)



CBO DISPLACEMENT

"In general, the real estate prices around here – even deep in Brooklyn in Brownsville – and the surrounding areas have been going up. People are moving. The cost of doing business is high and we're all concerned about our long-term sustainability."

– Quardean Lewis-Allen, Youth Design Center (f.k.a. Made in Brownsville)

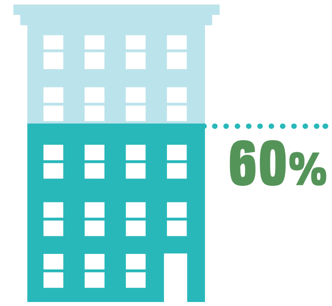
Local residents are not the only ones impacted by dramatic neighborhood change. In hot market cities like New York, finding affordable rent is a primary challenge for low- and middle-income households looking for a place to live, and for the place-based nonprofit organizations that serve them. The majority of NYC CBOs – including 2 in 3 of those surveyed for this study – are commercial renters with retail storefronts or commercial offices in the communities they serve, often those same neighborhoods most threatened by gentrification. Like residential rents, commercial rents are also escalating, and CBOs' second largest expense (after personnel) tends to be occupancy costs (rent, utilities, maintenance).[4] CBOs pay an outsized amount of their limited resources on rent, and CBOs with commercial leases are subject to short lease terms, expensive renewals and no long-term protections.

Among the CBOs surveyed, the median lease term is 3 years, and the overwhelming majority (74%) have a lease that is 5 years or less. The majority of surveyed CBOs face a rent increase of 3-5% each year. Three in five have moved in the past 10 years, with half moving once and the remainder moving between 2 and 5 times. Reasons for moving primarily included a need for more/larger space (61%) or better quality space (57%), with some moving due to an expired lease with no renewal (26%), landlord harassment (21%) or an unaffordable rent increase (17%).

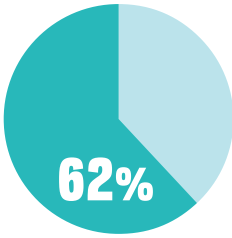
Among this survey group, only 15% felt confident in the longevity of their organization's office and program space, or the physical capacity to meet the anticipated needs of programs, staff, members or participants in the next 10 years.

"We're in a fight for the city. You're going to see more segregation that will reverberate to where policing happens, where education and good schools are, along with transit deserts and food deserts."

– Alyssa Aguilera, VOCAL-NY



increase in commercial rent in Manhattan since 2008



of nonprofits nationwide claimed financial sustainability as a top challenge, and it was the top challenge for NYC nonprofits (33%).

Displacement also endangers small businesses, and emerging policy to address small business displacement could also be used to protect nonprofit CBOs with commercial leases. A survey conducted by the Association for Neighborhood and Housing Development (ANHD) of 90 immigrant small business owners in Chinatown/Lower East Side, Jackson Heights and Kingsbridge, NYC found that 77% of owners believed they are overburdened by their rent. Nearly half said they had raised prices because of their rent, and more than a quarter reported having laid off employees to close the gap between revenue and rent.[5]

The Small Business Jobs Survival Act (SBJSA), first introduced in 1986 and brought to NYC City Council hearings 12 times since, proposes commercial rent protections through a minimum 10-year lease for small businesses with the right to renewal and arbitration in the case of unfair terms at renewal, and other key protections.[6] The Small Business Congress, who authored the bill, estimated that 1,200 small businesses close their doors in NYC each month.[7] The SBJSA has yet to pass, and last year the NYC Council introduced Intro 1796 to establish commercial rent regulations. By including professional, services and offices of less than 10,000 square feet, this new legislation could help protect CBOs who operate functionally as commercial tenants.

Rent insecurity and the threat of displacement to NYC CBOs today further shake a nonprofit sector facing enormous fiscal challenges. Regular and reliable funding has not grown proportionally to increased demand for CBO services. The 2018 Nonprofit Finance Fund's annual State of the Nonprofit Sector Survey revealed that 62% of nonprofits nationwide claimed financial sustainability as a top challenge.[8] It was the top challenge for NYC nonprofits (33%), followed by raising funding that covers full costs (23%).

In 2016, SeaChange Capital Partners found that 10% of NYC nonprofits are insolvent, meaning their liabilities exceed their assets; 40% have virtually no cash reserves; and over 40% lost money over a 3-year period. According to their analysis, fewer than 30% of NYC nonprofits are financially strong.[9] And if revenue is tight, mission-driven organizations prioritize programs over space improvements. Very few CBOs have capital budgets or long-term space improvement plans that preserve their existing spaces, let alone project for growth.

Of the CBOs surveyed for this study, 4 in 5 reported that their office or program space caused them medium to high stress. Close to 80% expressed being moderately to highly concerned about the cost of rent on their organization's long-term financial sustainability. That said, CBOs recognize the essential value of ownership in solidifying their financial and geographic foothold: 2 in 3 CBOs surveyed have thought about purchasing their own building or office space, and 71% have considered ownership for financial stability or displacement protection.

"There's an opportunity cost with high rents – we need every single dollar to grow our programming and to make more impact for the NYCHA residents we work with because concerns around sustainability, resources and funding are always such a big factor."

– Lisbeth Shepard, Green City Force

COMMUNITY OWNERSHIP

"Community-based organizations are often the lifeblood of their neighborhoods, delivering critical services and connecting economically vulnerable residents to opportunities that bolster their stability and well-being. Faced with rising rents and continued high demand for services, we must help nonprofits stay rooted in their communities for the long-term by strengthening pathways to ownership."

– Gregory Schiefelbein, New York Tri-State Director, Citi Community Investing and Development

Community ownership has long been deployed by community development corporations (CDCs) and other activists as a tactic to strengthen and stabilize neighborhoods. Community-controlled neighborhood assets – from land to housing to small businesses and nonprofit institutions – can preserve affordability, strengthen diverse, equitable neighborhoods, support healthy places to live and stem the tide of speculation. Community ownership can build wealth and economic opportunity, increase democracy and participation, and create the conditions for inclusion and equity. As gentrification and related displacement threatens low-income communities of color across the country, community control is more important now than ever.

CASE STUDY: MAKE THE ROAD NEW YORK

Make the Road New York (MRNY) is New York City's largest immigrant-led community-based organization working for dignity and justice for immigrants and workers citywide and nationwide. With more than 200 staff across offices in Bushwick, Brooklyn; Jackson Heights, Queens; Port Richmond, Staten Island; Brentwood, Long Island and White Plains, Westchester, MRNY provides critical community organizing, legal, adult education and youth development services in addition to critical community organizing and advocacy. Each year, approximately 16,000 low-income and immigrant NYC residents visit the MRNY Queens community center seeking classes, services, community meetings and a hot meal. To meet overwhelming demand, MRNY rents up to 3 satellite spaces in addition to their core Queens address.

In 2015, as rents steadily climbed all around them, MRNY saw the writing on the wall. In order to reduce their costs, increase and improve their working and community space, and preserve their place in their neighborhood, MRNY began to take steps toward ownership. They brought on Hester Street to help them determine their vision - what they wanted and needed in terms of space; assess the feasibility of a capital project; identify a site, and; secure acquisition funding. By August of 2016, MRNY owned their own piece of Queens – a 9,000 square foot vacant lot under the elevated train on Roosevelt Avenue.

Make the Road New York staff at the site of their future community center. Photo courtesy of Make the Road New York.

From there, we set out to design, finance and construct a brand new, $30 million, 25,000-square foot full-service community center. The goals of the project are to:

- **Provide adequate, appropriate and beautiful space to house and expand MRNY programs;**
- **Consolidate locations and eliminate the need to rent satellite spaces;**
- **Reduce operating costs and administrative burden;**
- **Strengthen organizational sustainability and build equity;**
- **Secure MRNY's place in the neighborhood now and into the future.**

As a result of the project – set to finish construction in 2021 – MRNY will be protected from the vagaries of the real estate market in this rapidly changing neighborhood. The project will increase their program space by more than 60% and reduce their operating costs by half. On top of all of that, the project makes an important political statement in a time of growing division and anti-immigrant rhetoric. Designed with world renowned architect Enrique Norten, the new building will express increased invisibility and permanence for the MRNY community, telling the world, "aqui estamos y no nos vamos!" (we are here to stay!).

> "If you rent something, you're beholden to whomever, whoever's in the office at the moment, to the landlord, to city budget constraints. You're at risk in a way that you're not if you own. The value of ownership is that you have a recognized stake and a recognized place when it comes to conversations about neighborhoods."
>
> – Benjamin Warnke, Alembic Community Development

For the constituent-driven CBOs buying and building community centers and offices in NYC, ownership represents the chance to lower operating costs and secure financial stability and long-term sustainability. For local residents, community ownership of the CBOs that serve them ensures that critical programs and services are delivered in convenient locations by trusted providers for the long term. Community ownership allows for adaptability to growing and evolving neighborhood needs. It boosts visibility, status and service of the organization, and it enhances stability, economic opportunity and equitable development of the neighborhood. Ownership combats the displacement of the organization and, in effect, of the communities they serve.

About one-third of the CBOs surveyed for this study own their program and office space. When asked about the value of ownership for their organization, many reported stability, long-term sustainability and increased ability to predict expenses and plan for the future. Others reported that ownership alleviated a fear of being priced out of their neighborhood and allowed them to put down roots in their communities to serve them for as long as needed. Still others reported that the physical asset had created a degree of freedom, and that control of their space allowed them to make upgrades and adapt as community needs evolved. In response to the question, “What has ownership meant for your organization?” one CBO replied, “Everything.”

In Hester Street’s experience working with CBOs on capital projects across the city, the projected immediate and long-term benefits of ownership include essential financial sustainability markers, including:

- A decrease in operating expenses – not only do CBOs who own their space pay less over time for building expenses, those expenses also become predictable – no longer subject to the vagaries of private landlords and the real estate market.
- An increase in program capacity, allowing CBOs to serve more constituents with more and different programs, and, since program dollars are significantly easier to raise than general operating, increased program capacity opens the door for additional program funds.
- Increased staff satisfaction, and therefore less attrition. Staff turnover leads to a loss of valuable institutional memory, and hiring and training new staff is expensive and time consuming.

“All social infrastructure requires investment, whether for development or upkeep, and when we fail to build and maintain it, the material foundations of our social and civic life erode.”

– Eric Klinenberg, author of "Palaces for the People: How Social Infrastructure Can Help Fight Inequality, Polarization, and the Decline of Civic Life"

COMMUNITY CONTROLLED ASSETS

Community developers and advocates across the country are responding to the urgency of gentrification and the risk of displacement with tremendous creativity, infusing the community ownership movement with new ideas, innovative strategies and new energy in order to mitigate the displacement of people, nonprofit organizations and small businesses from their neighborhoods. NYC Capital Grants provide funds for the private and sole ownership of property by individual CBOs. There are also a variety of collective or cooperative acquisition, development and ownership models, including:

COMMUNITY DEVELOPMENT CORPORATIONS (CDCs)

Some of the originators of the community control movement, CDCs are nonprofit, neighborhood-based organizations formed “to fight urban renewal and redlining, and actively promote local control, fight community wealth-stripping, and combat neighborhood displacement.”[10] Most focus on acquiring and developing affordable housing for economic and community development in typically low-income, underserved neighborhoods that have experienced significant disinvestment. Many also provide social services, youth development programs, community organizing and leadership development, and small business supports.

Since the 1960s, governments and foundations have invested in CDCs as organizations uniquely positioned to benefit local communities and involve residents in their governance and development. Typically, CDCs require one third of their board to be composed of community residents, allowing for direct, local participation in decision-making. Many CDCs also own and manage portfolios of affordable apartments. While acting as a landlord presents challenges, it also directly links CDCs to their constituents, providing the opportunity to connect residents to additional services – from education and family supports to job training and financial planning. On top of the human connection, managing real estate provides a source of income (management fees) outside of grant and government funding that contributes to more financial stability as compared to CBOs without significant assets.[11]

As the number of City-owned sites – at one time, the primary source of land for CDC development – has steadily dwindled, CDCs increasingly have had compete in the private real estate market. One way CDCs have leveraged their strength as community stabilizers is to pool their resources across neighborhoods. The Joint Ownership Entity (JOE NYC) is a partnership of 12 NYC CDCs who jointly own and manage the assets of their property portfolios. The scale of their collective assets has increased operating efficiencies, reduced expenses and enabled bulk purchase of utilities, thus increasing JOE NYC’s financial and development capacity. On top of that, the collective balance sheet of the JOE allows the member CDCs to compete for large development sites that would have been out of reach for each individual CDC without a for-profit joint venture partner.

COMMUNITY LAND TRUSTS (CLTs)

CLTs are land-owning entities with rules and terms for owners and tenants, including resale regulations and mechanisms for community decision-making about land use. The model operates by removing land and properties from the real estate market through a community trust. The Trust retains ownership of the land and sells properties to qualifying individuals with shared-equity resale restrictions. It localizes ownership and control within the neighborhood, ensures permanent affordability for homeowners and maintains stewardship interest. CLTs are governed by equal representation of residents, community members and external experts or stakeholders.

The CLT is a particularly useful tool for establishing community control in historically disinvested neighborhoods at highest risk of new speculative private investment. They make resources available to populations most at risk of discriminatory relationships with landlords, banks and developers.[12] CLTs have typically been used for ensuring housing affordability and access, but more recently, commercial land trusts are being explored, and such a model may be of interest for CBOs interested in collective ownership in their neighborhoods.

INVESTMENT COOPERATIVES

Investment cooperatives enable communities to pool local resources for neighborhood preservation and stability. One example, The East Bay Permanent Real Estate Cooperative (EBPREC) in Oakland, California believes that housing is a right, not a commodity. EBPREC organizes local residents to collectively invest (at $1,000/person) in multi-family and mixed-use housing. The residents of the purchased properties stay in their homes and neighborhood investors steward those properties.

Another example of collective investment for neighborhood preservation is Nico, a neighborhood-based, real estate investment trust in Los Angeles. Because “too many people are left out of earning wealth created within their own neighborhoods,” Nico makes it possible for people who love their neighborhood to build a long-term financial stake in their community by investing in local real estate. Neighborhood investors own a collective stake in a portfolio of properties, all located in Echo Park.

These collective ownership models provide innovative ways for communities to pool their resources and present an alternative to an economy built on private property ownership and land rights. Collective ownership presents opportunities for permanent affordability and sustainability while also promoting collective decision making and representation. These models can mitigate the risk of displacement for residents, small businesses and CBOs while they formalize the ties that connect community members to each other.

[1] Klinenberg, 2019.
[2] Great Communities.
[3] NYU Furman Center, “Focus on Gentrification” 2016
[4] Ettlin et al., 2019.
[5] Association for Neighborhood Housing and Development.
[6] Surico, John. “Are Small Businesses Really Fleeing New York? This Tool Can Tell.”
[7] Surico, John. “Empty Stores Are Killing New York City. Is This the Fix?”
[8] Nonprofit Finance Fund. “2018 Nonprofit Finance Fund Survey of Nonprofits.”
[9] Nonprofit New York.
[10] Harper and Feierstein, 2019.
[11] Levi, 2009.
[12] Crabtree, 2008; Williams and Pierce, 2017 cited in Williams, 2018.

“If we’re to safeguard equity, democracy and rights in urban areas, we must first ask ourselves: who owns the city?”

– Saskia Sassen, Sociologist, Columbia University

Residents of the Project Renewal Third Street Shelter planting in their newly renovated yard space. Photo courtesy of Hester Street.

IV. NEW YORK CITY CAPITAL GRANTS: OPPORTUNITIES + CHALLENGES

NYC CAPITAL GRANTS FOR NONPROFIT ORGANIZATIONS

The NYC Capital Grants program (CapGrants) presents an incredible opportunity for NYC-based nonprofit organizations to acquire and renovate and/or construct permanent facilities. In FY19, there was a pool of $615 million available for the acquisition, renovation and/or construction of community facilities that support front-line service delivery by CBOs to NYC residents. This kind of investment has the potential to strengthen proven community assets in NYC's most vulnerable communities. There is no other city-funded and administered discretionary grant program of this size and caliber available in the country.

That said, most CBOs have neither the real estate development expertise nor the funds to pay for the technical assistance necessary to apply for these funds, let alone successfully secure and manage them. As a result, the majority of discretionary City capital commitments are awarded to large nonprofits and cultural institutions in higher income Manhattan, rather than smaller, community-based organizations in the outer boroughs and highest-need districts. Further, inefficiencies in the CapGrants program add time and cost to projects or stall them altogether.

For the CapGrants program to fulfill its opportunity as a powerful strategy to combat displacement of NYC CBOs, significant improvements for efficiency and equity must be made.

CapGrants are funded largely by the issuance of bonds purchased by financial institutions and New Yorkers.[1] Every April, the Mayor submits an Executive Capital Budget that proposes funding for the new fiscal year (June-July annually) and estimates funding for the following 3 years. The City Council adopts the Budget, and individual Council Members allocate spending through discretionary awards (also known as Reso A funds) in response to requests made by nonprofit organizations.

The Office of Management and Budget (OMB), NYC's chief financial agency, reviews those awards and issues a "certificate to proceed" that assigns the award to a city agency that will manage the project. The NYC Department of Design and Construction (DDC) typically manages library and cultural projects, while the NYC Economic Development Corporation (EDC) typically manages all others, particularly the CBO projects that are the focus of this study. Funds not committed in the same fiscal year in which they were awarded are re-appropriated in the next year or withdrawn.[2]

For full guidelines on eligibility, terms and use of the CapGrants program please refer to the Appendix. The following includes key program requirements, as well as an overview of the life cycle of a capital grant, common pain points experienced by CBOs, and recommendations for improvements to the program.[3]

> "Capital funding is the only way we'd be able to get that amount of money to move forward. It's the best option."
>
> – Alyssa Aguilera, VOCAL-NY

BASELINE ELIGIBILITY

- New York State not-for-profit organization;
- 3 years of contracts with the City of at least $50,000 per year (to operate a program, site, or other City-funded initiative) – including a current Fiscal Year contract;

TERMS AND USE

- **City Purpose** – the project must host front line services offered directly to NYC residents during typical business hours without discrimination.
- The project must carry out that purpose for its entire **Useful Life** – a period of time determined by the City, according to engineering estimates and State Finance law (usually between 5 and 30 years).
- A **City Purpose Covenant** declares a restrictive covenant on the project – giving the City senior lien and requiring all other liens or mortgages on the property to subordinate to the City.
- The **City Contribution** to the project must be at least $500,000 and cannot exceed 90% of the cost of the project up to $2 million and 50% of the cost above $2 million (the 90/50 rule).

EXISTING ANALYSIS AND GAPS

Before examining the life cycle of a capital grant and the common pain points experienced by CBOs, a grounding in the existing analysis of NYC capital contracts is helpful. NYC Council Member Brad Lander, NYC Comptroller Scott Stringer, the Center for an Urban Future, among others have published studies analyzing the City's contracting process and performance. These recent studies have examined the City's general operating contracts between nonprofits and various agencies, as well as capital contracts for libraries, cultural institutions and large capital infrastructure projects primarily managed by DDC. While they do not analyze CBO capital projects managed by EDC (the primary focus of this report), existing analysis finds 3 major issues that speak to the City's capital granting system more broadly:

1. LACK OF INFORMATION

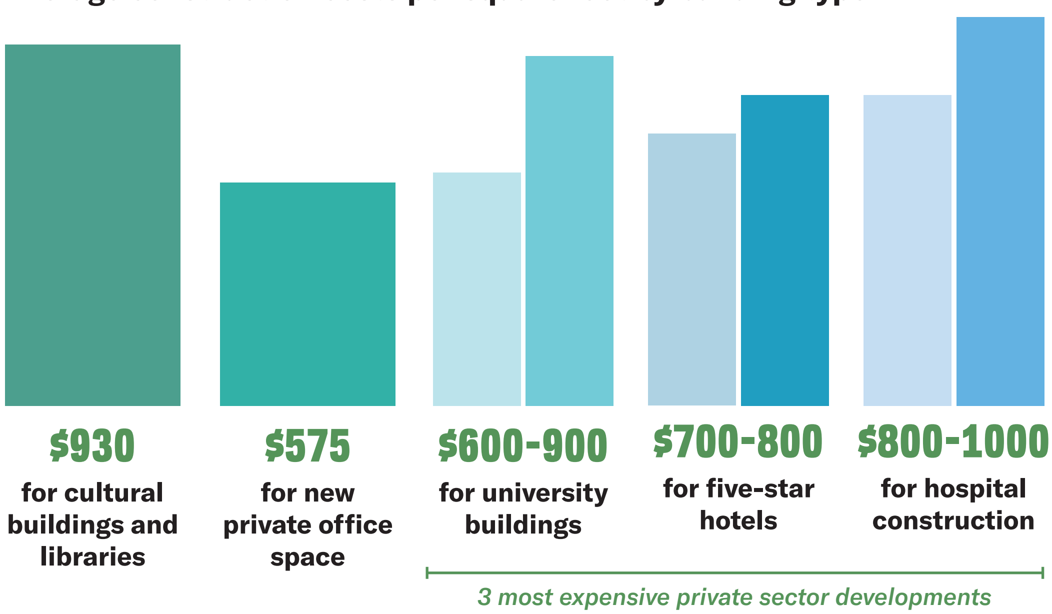
The City has a publicly accessible, online Capital Projects Dashboard that reports on the status of capital projects citywide that should be updated quarterly. The Dashboard, however, only reports on projects over $25 million and primarily those citywide infrastructure projects managed by DDC. These kinds of projects represent less than 2% of the City's approximately 15,000 capital projects.

There is no database or report that tracks CBO capital projects managed by EDC. The City Council's website includes a Capital Funding database and allows you to "Search Capital Funding" for discretionary awards made by Council Members but only includes current Fiscal Year awards. In FY20, 1,664 awards were made, totaling just over $700 million. Of those, 55 (or 3%) were for CBO, community center or community-based services projects.[4] There is no way to track if those awards proceed to contract and completion, and no database that includes all historic allocations with updated project status, making monitoring and evaluation difficult or impossible.

2. EXPENSIVE AND SLOW

Projects supported by NYC Capital Grants take longer to complete and are significantly more expensive than privately supported projects or those managed outside of the CapGrants system, including affordable housing development. The City's Capital Projects Dashboard listed 264 projects – again, only those infrastructure projects over $25 million and exclusive of any CBO capital projects – in February 2019. Of those City Capital projects, 53% were behind schedule and 47% were over budget.[5] In 2017, the Center for an Urban Future (CUF) published a comprehensive report on the time and cost burden of capital projects for NYC cultural organizations and libraries. Key findings include:

Average construction costs per square foot by building type[6]



3. LACK OF ACCOUNTABILITY

Despite known schedule and budget impacts, DDC's internal evaluation metrics record little to no delay in project timelines. Of the sample set DDC provided to CUF, the design phase was completed "on time" or "early" at least 88% of the time, and the construction phase at least 76% of the time, indicating discrepancies between DDC's metrics and project realities, or a flawed evaluation system. The City's financial accounting system does not retain historical data – only budget expenditures and updates – so rigorous evaluation or project-level analysis is impossible. Finally, there is no coordinated project review or management process between the many agencies and entities that have oversight of capital projects: DDC, EDC, OMB, City Council Finance, City Law, among others.

CAPGRANTS LIFE CYCLE AND PAIN POINTS

The following outlines the life cycle of a Capital Grant through 4 phases: Application, Contract Review, Project Implementation and Disbursement. Each section lists the tasks required of the CBO and the most common "pain points" – or challenges faced by CBOs that cause delay, additional cost or other difficulty – during that phase. It also includes pain points that result from the structure of the program, regardless of phase. The list is not exhaustive but a summary of key trends among the CBOs Hester Street has worked with over the years and those that we surveyed and interviewed for this study.

Of the CBOs surveyed, 38% applied for CapGrants; 13% were not aware of the program and the remainder had not applied. Among those who had not applied, nearly 1 in 3 were interested but were not eligible or did not have the capacity to apply.

Among the survey group, 63% experienced challenges in the application, 31% in contract review, 44% in project implementation and 31% in the disbursement phase. Challenges ranged from technical barriers to communication with the City, legal requirements and delays from the time of application to allocation or disbursement. Overall, the following pain points surfaced as the most common and impactful:

PAIN POINTS SUMMARY

APPLICATION
Accessibility
Equity
Timeline
Capacity

CONTRACT REVIEW
Accessibility
Timeline
Cost
Capacity

PROJECT IMPLEMENTATION
Timeline
Cost
Capacity

DISBURSEMENT
Timeline
Cost

OVERALL
Equity
Timeline
Cost

EQUITY

The requirements and challenges of the program result in inequitable distribution of capital funds among NYC CBOs. CapGrants allocations by and large are awarded to larger, better resourced and politically connected organizations. According to our CBO survey, of those who have previously applied for and/or received CapGrants awards, 65% have operating budgets of at least $3 million.

CAPACITY

CBOs are expert at the programs and services they provide their communities, most are not real estate development experts. Technical assistance is required for all stages of the CapGrants process – from application to implementation. There are few available resources for CBOs – especially for early stage project planning.

TIMELINE

The CapGrants timeline is out of synch with the real estate market, putting CBOs at a distinct disadvantage when it comes to negotiating with private owners for acquisition. On top of that, CapGrants are reimbursement based. In other words, the CBO must front payment for all City-eligible expenses and then submit invoices before they see the City funds. This means that CBOs must have their own reserves and/or private loan financing to bridge the City funds. Most CBOs operate on fairly thin margins and do not have available reserves at this scale. It is also safe to assume that CBOs will need to carry bridge loans for at least a year, and some for significantly longer. Depending on the loan size, this could add anywhere from 6-8% to a project budget in Hester Street's experience, which translates into thousands of dollars for already cash-strapped CBOs.

ACCESSIBILITY

CBOs report a lack of transparency about program requirements as well as a lack of clarity and coordination between project decision-makers that adds time and cost.

COST

Capital projects are resource-intensive. Procurement, prevailing wage and reimbursement requirements make CapGrants projects some of the most expensive construction projects in NYC.

APPLICATION

Fall of the FY to February of the FY

TASKS

- Begin application in late fall
- Complete primary application document and 6 accompanying attachments, as well as up to 35 additional exhibits
- Submit application in February (to City Council and Borough President) or March (to City Council only)
- Meet with local elected officials – Councilmember/s and Borough President – to discuss the project
- Respond to clarifying questions and comments from OMB as they review the application
- Officially notified of award in June (when City budget is adopted)

PAIN POINTS

ACCESSIBILITY

Lack of transparency

Every CBO interviewed reported difficulty understanding the requirements and terms of the funding, which resulted in errors in their applications, and, more importantly, project and budget planning. Overly complicated instructions and inconsistent feedback require countless staff and consultant hours to liaise with OMB, City Council Finance or EDC to decipher and resolve. CapGrants program Guidelines come with the following disclaimer:

"These Guidelines are intended solely to assist prospective applicants by providing a general summary of current standards with respect to Projects. However, these Guidelines do not establish rules and are not intended to be a comprehensive description of all standards, procedures and legal requirements governing funding for such Projects. These Guidelines are subject to change at any time without notice to any party.[7]"

Without comprehensive and transparent terms, criteria and instructions, CBOs may include information in their applications that is not relevant or eligible for the program and may omit critical information that OMB will look for later. Because disbursement is ultimately held to the scope and budget proposed in the application and resulting Funding Agreement, it is crucial to get those right. Opacity in the requirements and terms also makes room for subjectivity among decision-makers in reviews.

Lack of clarity and coordination

Every CBO interviewed reported difficulty in getting clear answers when they asked agency staff a question on their application or when confusion arose in review. Some reported receiving conflicting information from OMB, NYC Council Finance or EDC project managers. Some reported being asked for information from one agency that had already been provided to another. During the application phase, there is no designated project manager or primary point of contact that the CBO can reach with questions, and other than the "general" and "not comprehensive" Guidelines (referenced above), there is no list of requirements and/or clear process description or diagram.

"We have had the long-term goal of creating a Mekong Community Center since our founding, but it has really taken all the years leading up to this point, both budget-wise and capacity-wise, for us to even begin talking about our capital funding needs, and there's just a general lack of knowledge and information available."

– Chhaya Chhoum, Mekong NYC

TIMELINE

Project timeline in conflict with OMB timeline

The CapGrants program is fundamentally in conflict with the NYC real estate market. First and foremost, applications are submitted in February, but expenses incurred before June – assuming a CBO is awarded funds – are not eligible to be reimbursed.

Acquisition with CapGrants support, then, is almost impossible in a real estate market as hot as New York City's. A CBO must provide evidence of site control for the application but cannot sign a sales contract. The site owner, then, must agree to hold the property off the market for at least 7 months – between February, when the application is submitted, to closing at earliest in August, after funds are allocated – without the assurance of a sales contract in place. This barrier is, perhaps, the most significant one that CBOs face as they try to deploy CapGrants funds for acquisition. Of the CBOs surveyed, only 3 had applied for acquisition support. One CBO interviewed lost their opportunity to purchase their building for this reason: the private landholder found another buyer while the CBO was waiting for CapGrants funds officially to be allocated.

Second, to prepare an application – and project – for success, many expenses must be incurred before CapGrants funds are allocated, including technical assistance consultant support to complete the application, conduct feasibility analyses and develop project scopes and budgets; due diligence reports including environmental reviews, appraisals and surveys; attorney retainers to negotiate terms of sale and financing, and more. None of these are eligible as reimbursable project expenses because they are incurred before the funds are allocated.

CBO CAPACITY

CBOs do not have real estate development expertise in house

To even get to the application phase, CBOs must commit significant time and resources to pre-development and project planning that, at minimum, outlines project scope and an industry-informed budget with financing plans. The CapGrants application itself requires technical expertise – including preliminary architectural program and drawings, and a development budget. One CBO interviewed reported spending over 140 staff hours – split between the Executive Director and the Chief Operating Officer – on the application alone. Among the survey group, 28% hired a technical assistance provider to help prepare the application. Because CBOs do not have the real estate expertise in house to perform this work, they must hire technical assistance consultants which are hard to find, and often not familiar with either the CapGrants process and/or with the nonprofit context.

CONTRACT REVIEW

July of the next FY – ongoing, for no minimum or maximum number of months*

TASKS

- Capital allocations assigned to managing agency
- Project scope and budget reviewed by managing agency project managers, OMB, NYC Council Finance and City Law
- CBO produces quarterly progress reports for the managing agency
- Funding Agreement drafted, reviewed and executed

PAIN POINTS

ACCESSIBILITY

Lack of clarity and coordination among agency decision-makers

In this phase, every CBO interviewed reported not being able to anticipate what OMB, City Law or EDC would ask of them for the Funding Agreement. One CBO reported repeatedly having asked the EDC project manager for a list of requirements necessary to draft the Funding Agreement, and never receiving it. The CBO provided the information that was requested, then was asked for 2 new items that were not requested initially. This exchange repeated itself several times. The EDC project manager on this particular project changed 3 times, and each project manager requested slightly different requirements from the CBO.

In the Contract Review phase, negotiating the terms of the Funding Agreement becomes even more difficult if the CBO also has capital grants from New York State. For example, the City requires prevailing wage on contracts, but the State does not. The granting State agency may have MWBE contractor requirements that conflict with the City's MWBE requirements.

Some CBOs reported not knowing who their managing agency was or what the initial project kickoff requirements were. Again, every CBO reported difficulty in getting questions consistently or clearly answered by the many parties involved in Contract Review. Some reported getting different answers based on which agency was asked, and one CBO even reported receiving different answers from different staff at the same agency. One CBO reported that their Funding Agreement was held up with City Law because they were reviewing something that already had been reviewed by OMB and EDC, but there had been no coordination between EDC and City Law on the review.

"The people who go through it talk about this being one of the most inefficient processes in the city. At every level, OMB often tells you something different from the NYC Council. Elected officials often tell you something different from agency representatives. We have a world-class team representing us on this project and it's still been a constant form of interruption, complexities not explained, and lack of clarity."

– Khary Lazarre-White, Brotherhod/Sister Sol

*One CBO interviewed received contract – formally known as the Funding Agreement – 3 years after receiving notice of their capital award. Another CBO was still in contract review after 40 months.

"We wish more of those in government would recognize the true value of having physical community spaces in neighborhoods like ours."

- Jill Eisenhard, Red Hook Initiative

TIMELINE

The most extreme delays occur in the Contract Review phase

Contract Review requires hours of liaising between the CBO and EDC, OMB, NYC Council Finance and City Law. Every point of the project budget and scope is scrutinized before a Funding Agreement is drafted that will set the terms of the project and eligible expenses going forward. A signed Funding Agreement must be in place before a CBO can request reimbursement. One CBO interviewed received their City Capital award in June 2016. Their first of 2 Funding Agreements was not signed until June 2019, and the second Funding Agreement was still pending review as of November 2019. That CBO was not permitted to submit their first request for reimbursement until October 2019 – more than 3 years after the funding was awarded.

COST

CBOs incur significant additional project cost due to long Contract Review

Every month that a project is in review adds significant costs to the CBO. These costs include fees to the property owner to continue holding the property off of the market; legal fees to retain legal counsel during contract negotiations; architect fees for pre-development and design; GC fees if construction has already mobilized; project manager fees to manage the project; site specific analyses, such as geotechnical reports, surveys and environmental investigations; and, most significantly, interest fees for the bridge financing supporting the project until City reimbursement is possible.

As mentioned above, one CBO interviewed received a capital award for construction in June 2016 and as of November 2019 still did not have their Funding Agreement in place. Meanwhile, the CBO was paying interest on a loan that bridged those funds – an expensive price for the CBO to pay for the City's inefficiency.

"We had to secure a bridge loan, which is costing us significant money in interest, to be able to begin construction and start paying vendors while we are waiting to get reimbursement from the city. That's another expense that we are bearing the brunt of and having to raise money for. It diminishes the value of the amount of money that the City's giving us. Their money costs us more money that we need to raise from another source."

– Khary Lazarre-White, Brotherhood/Sister Sol

PROJECT IMPLEMENTATION

July of the next FY – ongoing, no specific number of months

TASKS

- CBO allowed to incur reimbursable project expenses after award announcement
- Close on acquisition, construction and/or bridge loan financing
- Design development: Prepare Request for Proposals, review responses, interview and secure architecture, engineering, general contracting and other services
- CBO produces quarterly progress reports for the managing agency

PAIN POINTS

TIMELINE

Project timeline in conflict with OMB timeline

According to CapGrants guidelines, reimbursement-eligible expenses can only be incurred following award announcement. Almost all CBOs who receive awards begin incurring expenses immediately after that date – in the case of acquisition, to sign a sales contract and purchase their property; in the case of construction, to contract with a design team and close on financing – even though a Funding Agreement has not been signed. The decision to proceed before the Funding Agreement is in place is risky, as the Agreement will set the final terms – on eligible expenses and otherwise – and is the official signal that the project is funded/that the City money is secure. Because it takes the City at least 12 months, and in some cases, 2 or more years to finalize the Funding Agreement, CBOs are forced to take this risky step in order to push critical community projects forward.

CBOs must secure private financing to bridge City funds

Given that CapGrants funds are reimbursement-only, CBOs must use capital reserves or secure a private loan to acquire their property or initiate design and construction. This puts CBOs in the unenviable position of deploying precious and limited unrestricted funds typically saved for program or rainy day expenses and/or adding significant interest expense to the project.

One CBO interviewed found a property owner that agreed to hold the property off the market for the 5 months between application submission and award allocation if the CBO paid the owner a monthly fee. This fee is not eligible for reimbursement by City funds, as it was paid before the CBO's award was announced, and it was a risk assumed by the CBO. To negotiate that agreement with the property owner and secure the loan financing necessary to take the property off the market, the CBO hired outside technical and legal assistance, incurring those additional CapGrants-ineligible expenses.

COST

City Capital requirements add costs to the project

CapGrants require a 15% contingency budget line for both acquisition and construction projects. The industry standard is anywhere from 5-10% for construction – for reference, NYC Department of Housing Preservation and Development (HPD) requires a 10% hard cost contingency on affordable housing development deals. While contingency on a construction project is essential – given the changes in construction costs over the course of a project's lifetime and the "unknowables" – from underground conditions to weather. That said, contingency on an acquisition project makes very little sense. The purchase price is set by the sales contract (required for closing) and any additional costs – legal fees, financing costs, and due diligence items (survey, appraisal, environmental investigations) are typically set long before closing and subject to very little change. That said, the additional 15% tacked on to the project is money that the CBO must raise in order for the project to be fully funded according to CapGrants guidelines.

Second, CapGrants require that funded projects pay prevailing wages. Prevailing wage is the wage and benefit rate set annually by the Comptroller for each trade or occupation for employers performing public works projects and building service work on government-funded work sites. According to a 2017 report, prevailing wage requirement adds an estimated 25% in hard costs to the total budget.[8] It is important to note that prevailing wage requirement is waived for affordable housing projects.

Prevailing wages require an additional layer of administrative work for General Contractors (GCs) – including certified payrolls and other reporting requirements. As a result, fewer GCs, especially GCs accustomed to working on smaller jobs, are set up to administer a prevailing wage job. GCs that can run a prevailing wage job are either unionized and/or accustomed to working on larger, more complex projects. The economies of scale on a large project offset the administrative burden of prevailing wages.

Because many nonprofit capital projects are relatively small in scale – less than $25 million total project cost – oftentimes, union and larger contractors do not bid on them. This results in fewer GC choices for community facility projects and a fundamental mismatch between project budget/size and GC capacity that oftentimes leads to less competitive pricing.

That said, many CBOs support living wages and Unions and would be happy to pay the additional costs, if those additional costs were supported by sufficient City funding. One CBO reported that the prevailing wage requirement triggered tension between their support for living wages and union contractors and the significant, unfunded increase in project cost.

CBO CAPACITY

Project Implementation requires significant CBO staff time

One real estate technical assistance provider interviewed identified the lack of capital development capacity as the top challenge to City Capital projects. For successful projects, CBOs need the support of someone who has executed these projects many times and who knows the steps to take, where potential challenges could arise, how to formulate the appropriate solutions and navigate relationships with the City. An Executive Director or high-level Operations staff member often spends a huge amount of time getting up to speed on the ins and outs of real estate development, instead of administering programs and/or raising money for their organization.

The CBOs interviewed reported the following external supports as team members necessary to the successful implementation of their projects: project manager, government relations consultant, Owner's Representative, architect, expeditor, General Contractor with CapGrants experience and a highly expert legal team.

One CBO reported spending in the high hundreds of hours of the most senior level staff time on project implementation and management, as well as contracting hundreds of hours of time of an external consultant, representing $240,000, for the government relations consultancy alone.

"In terms of the City's Capital process, we don't really have much knowledge of it – but because of our limited staff and resources, it's mainly my responsibility to learn about it, in addition to everything else."

- Quardean Lewis-Allen, Youth Design Center (f.k.a. Made in Brownsville)

DISBURSEMENT

ongoing, for no minimum or maximum number of months

TASKS

- CBO files documentation required for reimbursement request
- CBO submits semi-annual reporting to managing agency
- CBO submits annual compliance report for remaining useful life

PAIN POINTS

UNCERTAINTY, DELAY AND COST OF REIMBURSEMENT

Uncertainty, delay and cost of reimbursement

Filing for reimbursement requires extensive paperwork and rounds of review, and even still, CBOs are not guaranteed reimbursement at time of filing. The City makes payments on many capital grants at any given time; those projects may have received capital allocations in the present fiscal year or many years before. Depending on the capital pipeline and City budget at the time of filing, a CBO may not receive reimbursement in a timely manner. And any delay in reimbursement adds further cost to CBOs, as they continue floating expenses with loan financing and incur additional interest. One CBO interviewed reported hearing from their contracting agency that each request for reimbursement would likely take at minimum 4 exchanges between the CBO and agency for clarification and review before any disbursement would be made.

"It's one thing if you're a huge nonprofit and you can front the money and wait for reimbursement 2 years, 3 years. We are all familiar with the delays in reimbursement from the City for program and operations contracts. That [delay] is manageable for a large nonprofit or somebody with an endowment, but essentially what the City is asking us to do is to carry the debts of the city. At the end of the day, you are not paying in a timely fashion so we're paying for what the City said it would pay for. For a small- to mid-size nonprofit, where does that capital come from?"

– Khary Lazarre-White, Brotherhood/Sister Sol

OVERALL

PAIN POINTS

EQUITY

Inequitable distribution in access and success

A general scan of City Capital grant awards over $1M for FY2020 revealed that nearly 20% went just to large, Manhattan-based nonprofits, such as museums and theatres. This is not a surprise, given the opacity of the application and contract review phases, the technical challenges of the implementation phases, and the need to bridge City funding, sometimes, for years at a time.

"Queens Community House was awarded capital dollars in the recent budget process [that] will make it possible for us to continue to have access to this space at well below the market price. There is no way that Queens Community House could continue to operate at the current high level of service that we provide without those funds."

– Ben Thomases, Queens Community House

Lack of diversity in CapGrants contractors

Union contractors often are not interested in small-scale renovation or construction projects. Smaller and MWBE contracting firms have difficulty working with the requirements of the CapGrants program – including prevailing wage, and primarily working under the rigorous reviews, delays and reimbursement structure of the program. One of the CBOs interviewed identified themselves as pro-union and pro-labor and as sharing the City's commitment to minority and women-owned businesses but articulated difficulty finding union and MWBE contractors to bid on their project.

[1] The City Of New York. “Preliminary Ten-Year Capital Strategy Fiscal Years 2020-2029.”
[2] New York City Independent Budget Office.
[3] These terms and use items are not exhaustive or legally binding. HST recommends any CBO interested in the CapGrants program read the full guidelines at https://www1.nyc.gov/site/capitalgrants/guidelines/guidelines.page.
[4] The New York City Council.
[5] Office of New York City Council Member Brad Lander.
[6] New York Building Congress.
[7] The City of New York. “Guidelines for Capital Funding Requests for Not-For-Profit Organizations.”
[8] McMahon and Gardner, 2017.

Demonstration on End Mass-Incarceration Legislative Awareness Day. Photo courtesy of VOCAL-NY

V. CBO OWNERSHIP: CALL TO ACTION

We saw it after Hurricane Sandy, after Hurricanes Maria and Irma, and, most recently, we saw it during the COVID-19 crisis and the national uprising for Black lives: community-based organizations (CBOs) stepping in where government can't, stepping up when government doesn't, and supporting families, workers, vulnerable populations, and whole neighborhoods both in the face of *and* in the wake of disaster.

If ever we needed a reminder about the vital role CBOs play in the neighborhood ecosystem – providing essential services, building local power, organizing action, and unmistakably holding our communities together – we certainly have witnessed it in 2020. We saw CBOs raising funds for affected workers; making food for health care providers; disseminating life-saving information to hard-to-reach populations; providing emergency services to vulnerable seniors; supporting remote learning for kids with no internet access; protecting homeless and incarcerated New Yorkers; organizing thousands upon thousands of community members, and; fighting for lasting systems change and a just recovery. And the data backs up our collective experience with CBOs: research shows that the presence of a CBO in historically marginalized neighborhoods can markedly reduce poverty and its concentration, improve life chances and change the structure and isolation of communities of concentrated poverty over time.[1]

We know that the social, economic, racial, public health and infrastructure challenges New Yorkers faced post-Sandy – and will continue to face with COVID-19 – were not created, but only exacerbated, by these respective disasters as well as the long-standing institutional disaster of violent over-policing. It is therefore essential that we take definitive action to preserve the community institutions that residents need before skyrocketing rents displace them from the neighborhoods they serve. This is our opportunity to invest in the CBOs that strengthen low-income communities of color, to support local culture and foster social connection, and to lock in community control of neighborhood assets – now, and long into the future.

CBO ownership is one of the clearest, most durable ways to ensure that CBOs and community institutions are here to stay and, at the same time, invest in the future of a more just, equitable and resilient city. The benefits of ownership are many, and include:

- Reduced operating costs and predictable building expenses
- Enhanced, and, in some cases, increased program space
- Control: protection from private landlord whims; ability to shape how CBO space looks and feels
- Organizational sustainability
- Ability to plan for the future
- Significant material assets – build CBO equity
- Political power – we are here to stay

We recommend a handful of key actions for the City, lenders, and the larger CBO community to take now in order to advance the CBO ownership objective.

1 Prioritize CBOs and strengthen social infrastructure.

New York City must elevate the critical role played by CBOs and prioritize the CBO ownership objective. The NYC Mayor recently named nonprofit employees essential workers – alongside doctors and nurses and emergency responders – during the COVID-19 crisis. CBOs play a vital role on the front lines, disseminating life-saving information, connecting communities to essential resources, and serving as a lifeline to NYC's most vulnerable populations. There is almost universal acknowledgement of the importance of CBOs during a disaster – the City must sustain this social safety net by protecting CBOs for the long-term, fortifying them as a bulwark of safety and security in NYC's most vulnerable communities. One important way to do that is to facilitate the purchase of their sites, guaranteeing that they will be there for their communities before, during and after disaster strikes.

On top of that, the City already invests billions of dollars ($4.2B) in CBOs in the form of annual program and service contracts. Ownership helps rationalize that investment – ensuring the long-term sustainability of the organizations delivering essential services. Long-term or permanent tenure will require a relatively small investment (most CBO capital projects fall well under the $25 million floor set for tracking City-funded capital projects) for a big payoff – critical social infrastructure that strengthens and stabilizes NYC's neighborhoods.

2 We have the tools – make them work!

NYC has in its arsenal a remarkable tool to combat CBO displacement right now. The CapGrants program presents an unique, only-in-NYC kind of opportunity to advance the CBO ownership objective: millions of public dollars dedicated to the acquisition and renovation and/or construction of neighborhood assets. At a time when we need our CBOs more than ever due to public health emergencies, climate change, gentrification and displacement, CapGrants can fuel this strategic intervention to strengthen critical social infrastructure in New York's most vulnerable neighborhoods.

In order to ensure that the CapGrants program delivers on its promise, there are several common-sense tweaks we recommend that will make the program more efficient, projects less expensive and ensure that CapGrants offers an equitable opportunity for CBOs across the city.

→ **Clarify program guidelines and streamline communication**

- Provide clear list of application requirements synched with program timeline
- Centralize communication – provide dedicated email address for all CapGrants questions during the application process, before grantees are assigned project managers

→ **Make pre-development expenses eligible for reimbursement**

- CBOs incur significant expenses in their pursuit of a CapGrant – from real estate development technical assistance to appraisals and environmental investigations. This expense is often a barrier to application for CBOs operating on very tight budget margins. Recognizing that these expenses are unavoidable, the City should reimburse the CBO for those expenses after funds are awarded.

→ **Accelerate project review**

- Eliminate excessive risk and expense for CBOs by reducing the time between contract award and finalized Funding Agreement. Be clear about requirements and accountable to a set timeline.

→ **Community facility development should mirror affordable housing development**

- Eliminate expensive bridge financing
    - CapGrants or Reso A funds should be made available at closing on acquisition and/or construction financing – like in affordable housing projects – not on a reimbursement basis.

→ **Adequately fund prevailing wage requirements – support CBOs in their efforts to pay living wages to the workers on their construction sites.**

- Currently, the 25% hard cost increase associated with prevailing wage has an outsized impact on smaller projects ($5-$25 million) that do not have economies of scale to absorb the increase.
- The number of qualified GCs is limited by the requirement – often, GCs who are set up to administer a prevailing wage project work on larger projects and cannot offer competitive pricing on smaller projects, like small, stand-alone community facility renovation projects.
- Current levels of CapGrants funding are inadequate to cover the additional expense making the prevailing wage requirement an unfunded mandate.

3 Treat CBOs like small businesses – and implement protections.

The federal government took a big leap forward by including nonprofit organizations in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The legislation paves the way for no and low-interest loans, grants and tax relief for small businesses and nonprofits affected by COVID-19.

NYC needs to build on the CARES momentum to pass the Small Business Jobs Survival Act (SBJSA) – and to include CBOs in the definition of small business. In addition to short-term emergency measures, CBOs need long-term protections on what is one of their biggest and most volatile expenses. SBSJA proposes a minimum 10-year lease for small businesses with the right to renewal and arbitration in the case of unfair terms at renewal.[2] In 2019, the NYC Council introduced Intro 1796 to establish commercial rent regulations. By including professional, services and offices of less than 10,000 square feet, this new legislation could help protect CBOs who operate functionally as commercial tenants.

4 Examine the projected impact on CBOs in major land use actions, like re-zonings.

To get out in front of gentrification and its impact on low-income communities of color, policy makers and community developers must consider the impact of zoning, investment and development decisions on neighborhood demographics.

→ **Conduct health and racial impact studies in all major land use actions**

- Ensure that the impact of the action on CBOs is an important part of the analysis

5 Funders and Lenders – we need YOU!

While the City can prioritize CBO ownership and make much needed and long overdue changes to the CapGrants program, the scale of the challenge requires that lenders, private foundations and individual donors work together with CBOs to figure out grant, financing, acquisition and other mechanisms that best equip CBOs to advance the ownership objective. Navigating the confines of the NYC real estate market for community benefit and a social purpose is nothing new. We need to take a page out of the nonprofit affordable housing development book and develop innovative financing tools like the Acquisition Loan Fund and the Joint Operating Entity (the JOE).

- **Develop mechanisms to allow for large-scale, multi-site acquisition, including land trusts and/or land banks;**
- **Develop low/no-interest pre-development and bridge financing tools for priority neighborhoods (including rapidly gentrifying neighborhoods)**

Conclusion

To make this work, we will need all CBO allies and lovers of vibrant, diverse neighborhoods to come together to recognize the powerful role CBOs play in the support and function of our neighborhoods and to prioritize the long-term sustainability of CBOs as a powerful neighborhood preservation strategy. Here we lay out the beginnings of a neighborhood preservation strategy roadmap. The threat of CBO displacement is real, the time to act is now.

[1] Crubaugh, 2018.
[2] Surico, John. "Are Small Businesses Really Fleeing New York? This Tool Can Tell."


EXIT

Groundbreaking on Make the Road NY's new community center in Queens. Photo courtesy of Make the Road NY.

APPENDIX

CITY CAPITAL GRANTS

TERMS AND USE REQUIREMENTS

- **Useful Life:** The City assigns a period of probable useful life to the project according to engineering estimates, the requirements of New York State Local Finance Law, and the period of time during which the City will repay the funds it borrows to finance the project. Useful life of a capital project is at least 5 years and no more than 30 years.
- **City Purpose:** The city purpose is defined by the applicant but at minimum must include use for Front Line Services offered directly to NYC residents during typical business hours of the applicant organization without discrimination.
- **Front Line Services:** Front line services are services provided directly to the public through physical public access or on the phone and must occupy the majority of the space supported by City Capital funds.
- **City Purpose Covenant:** A declaration of restrictive covenant takes senior lien against the land or as a use/security agreement and requires that the project be used for its declared City Purpose for its entire useful life, even if another entity takes control of the project. Any other liens or mortgages on the property must be subordinated to the City Purpose Covenant.
- **City Contribution:** The City contribution to acquisition, construction or renovation projects must be at least $500,000, cannot exceed 90% of the costs of the project up to $2 million and 50% of the cost of the project beyond $2 million.
- **Additional Funding:** For acquisition, construction and renovation projects, the lower of 50% or $1 million of the non-City portion of the budget must be received or pledged, and documented with signed commitment letters from donors, pre-approval letters from banks or other proof.
- **Use:** The project must be used directly and solely by the recipient organization, and not leased or rented out.
- **History, Staff and Financials:** Audited financials must be provided for the immediately preceding 3 fiscal years of the Applicant. In addition, applicants must provide a projected operations plan for the upcoming 5 fiscal years. Funding is not be provided to startup organizations, organizations with no current, paid, full-time staff or organizations that cannot demonstrate a history of operating those services proposed to be provided.
- **Reimbursement:** Funds are paid only as reimbursements upon requisition by the recipient. Requisitions must include invoices along with proof of payment of those invoices in order to be reimbursed. It is the responsibility of the recipient organization to advance funds from its own sources and provide proof of payment prior to reimbursement from the City for eligible costs. The City has no obligation to reimburse an organization until a Funding Agreement is executed between the City and the organization and registered with the City Comptroller. Although an organization may spend its own funds prior to the execution and registration of a Funding Agreement (provided such spending is after the date of appropriation), any such prior expenditure is at the organization's sole risk and may not ultimately be reimbursed.
- **Prevailing Wages:** The New York State prevailing wage laws apply to all construction contracts and the recipient must ensure that subcontractors and consultants pay their staff and laborers in accordance with prevailing wage requirements, titles, and pay rates, consistent with Section 220 of the New York State Labor Law.

CITY CAPITAL GRANTS

GUIDELINES APPLY TO PROJECTS ON:

- Property not owned or leased by the city
- City-owned property that is leased by a nonprofit for the entire useful life of the project
- Property owned by state or federal government entities or affiliates if the affiliates have demonstrated interest in a City purpose for the entire useful life of the project
- Privately-owned property where the lease is at least as long as useful life, the landlord agrees to a City purpose covenant in senior position, the applicant nonprofit has the ability to fulfill its obligations under the lease AND one of the following: the affiliate owner is also a nonprofit and the applicant nonprofit does not pay rent, OR the affiliate owner is also a nonprofit and the applicant nonprofit pays rent but both entities are under common corporate control, OR the applicant is a senior center provided there are no liens or mortgages on the property

GUIDELINES DO NOT APPLY TO:

- Housing: projects in New York City Housing Authority property and housing projects identified with a housing loan program of the NYC Department of Housing Preservation and Development
- Cultural projects: the maximum City contribution, requirements for funding in hand and requirements for front line services do not apply
- Schools: private elementary or secondary schools, except schools where 100% of the student body are special education students with disabilities whose tuition is covered by the NYC Department of Education, and the school is not located in the building of another school

RESOURCES FOR CBOS

For more information on capital projects, CapGrants and resources for CBOs, please visit **www.hesterstreet.org** or contact Hester Street for details.

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INTERVIEWS

Alembic Community Development
Ali Forney Center
Banana Kelly Community Improvement Association
BronxWorks
Brotherhood/Sister Sol
Chhaya Community Development Corporation
Fifth Avenue Committee
Green City Force
Henry Street Settlement
Youth Design Center (f.k.a. Made in Brownsville)
Make the Road New York
Mekong NYC
Nos Quedamos/We Stay, Inc.
Queens Community House
Red Hook Initiative
Robin Hood Foundation
RiseBoro Community Partnership
VOCAL-NY

SURVEYS

ARTs East New York Inc.
BioBus
Brownsville Community Justice Center
Business Center for New Americans
CAAAV Organizing Asian Communities
Chhaya Community Development Corporation
Coalition for the Homeless
Crossover Baptist Church
FamilyCook Productions
Fifth Avenue Committee
Fourth Arts Block (FABnyc)
Franciscan Handmaids of Mary St. Edward Food Pantry Inc.
Friendly Hands Ministry, Inc.
Grand Street Settlement
Greater Jamaica Development Corporation
Greenpoint Reformed Church Hunger Program
Heights and Hills, Inc.
Holy Ghost Upper Room Food Pantry
Holy Temple Church
International Pentecostal Church
Kennedy Children's Center
La Jornada
Leap, Inc. dba Brooklyn Workforce Innovations
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Pratt Area Community Council, Inc. dba IMPACCT Brooklyn
Purelements: An Evolution in Dance, Inc.
Red Hook Initiative
Sadie Nash Leadership Project
SAGE Advocacy
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St. Johns Bread and Life
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Start Small Think Big
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