

Nonprofit Doesn't Have to Mean Noncomfortable

In search of the perfect space? Next time your lease is up, use these tips from Points of Light.

BY CHRIS OURAND

Reconciling an organization's nonprofit status with its need for a healthy work environment can be a dilemma: There must be enough benefits to attract and keep qualified staff, but nonprofits can't appear extravagant or they could lose their support.

These competing ideals are especially challenging because some items are essential. Staff must have tools, such as computers and telephones, to do their work. Other factors, such as the amount of space and its layout, are easier to characterize as exces-

sive. However, all these elements affect how well people do their jobs.

The Points of Light Foundation, a national organization that promotes volunteerism to help solve community problems, faced this problem recently. Its lease would soon expire, and its staff worked in extremely crowded quarters in an old building in Washington, D.C.

"We could have just gone out and leased another space somewhere, but we were at a point in our organizational life where our offices needed to convey the right image," says Ray

Crabbs, chief operating officer of the nine-year-old Points of Light. "Our business is not real estate, so we really needed guidance about how to undertake the process." Here are the steps they took:

SIZE UP THE ISSUES

The Points of Light Foundation partnered with the Staubach Company, a real-estate firm that rep-

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The open layout of the Points of Light Foundation's office allows more natural light and interaction.

resents tenants, to refine its ideas on what it needed and what options were available. It was evident that Points of Light had outgrown its 19,000-square-foot building and needed a more contemporary structure, but these problems indicated deeper issues. Staubach explored these issues by asking the following questions:

Is it possible to adapt the current space? Renovation is often the best solution for nonprofits, but in Points of Light's case it was impossible. The six-story building in which they were housed was originally designed as a residence for corporate VIPs on government business. Thus, there were inappropriate amenities—such as fireplaces in many rooms—which were an inefficient use of space but couldn't be replaced. Even

Leasing is less risky than purchasing if your lease is flexible.

if the landlord would have permitted renovation to make the space more user friendly, the 93-year-old building's historic designation prevented any alteration to the structure.

Is the organization likely to grow, downsize, or maintain its current level? This question isn't always easy to answer, especially more than a few years out. That was the case with Points of Light. After only nine years in business, Points of Light couldn't be sure if it was on a continuing growth track or if circumstances would force it to downsize its

staff of 68 people.

Because of this uncertainty, Staubach suggested that leasing was a better option than buying. "If you own a building and grow beyond its capacity, you have to sell it and move—a losing proposition because little equity has accumulated—or lease extra space elsewhere," says David Houck, the Staubach executive who worked with Points of Light. "Leasing is less risky than purchasing if you can structure a lease with flexible terms."

Points of Light agreed. "We needed a building with extra capacity that



David Houck of the Staubach Company and Ray Crabbs of Points of Light found a cost-effective solution to growth.

would allow a young organization like ours to grow,” says Crabbs. “But we needed more history and consistency in size before we could consider owning a building.”

What type of space does the organization need most? In Points of Light’s case, the organization desperately needed meeting rooms in which to hold training sessions for volunteers. The lack of appropriate space was so bad that Points of Light had to reserve hotel conference rooms for its staff meetings.

In addition, Points of Light needed offices for staff involved in fundraising, grant review, information technology, and corporate volunteer programs. Staff in all these areas wanted more windows and more light

in their new space.

SEARCH AND NEGOTIATE

Armed with Points of Light’s criteria, Staubach began a search for suitable space. Class A buildings—newer and more costly structures with many amenities—weren’t reviewed because they didn’t convey a nonprofit image. However, the desire for more window space limited the possibilities to freestanding offices.

“Sometimes the best space in a market is so-called ‘hidden space’ that will soon become available because tenants have expiring leases and want to move,” says Houck. “We find these places by having our finger on the pulse of the tenant market-

place, so we know who is moving, expanding, or contracting.”

One 30,000-square-foot space in the center of the business district was appealing because it offered many of the features sought by Points of Light. At first the high renovation cost for the space seemed daunting. But Staubach found a way to condense the 10-week construction schedule by a week, saving \$120,000 that was put toward rent.

The landlord also agreed to a flat, fixed-rate, 10-year lease with only one rent increase in the sixth year. Leases of 10 years or more offer nonprofits better deals than short-term leases. The flip side, however, is that long-term deals can reduce flexibility for growth or downsizing. To offset this disadvantage, Staubach negotiated for expansion rights and a partial termination option, which lets Points of Light give up as much as 50 percent of its space if downsizing becomes necessary.

“A critical outcome from the negotiation process involves leveraging the value that tenants bring to landlords,” asserts Houck. “By doing so we ensured that Points of Light got the value of a long-term lease by agreeing to a fixed commitment for a portion of the space but also got a flexible deal. It’s an ‘accordion’ lease that can expand and contract.”

In essence, long-term leases can be both flexible and cost effective. “We will have saved \$2.3 million over the 10-year period versus the amount that would have been spent by staying in our former location,” notes Crabbs.

GET BOARD MEMBERS ON BOARD

When a nonprofit relocates, the board must endorse the decision. “Boards want to know why a lease is better than a purchase and why a certain location was picked,” remarks Houck. “Staff need to be

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don’t convey a nonprofit image.**

Points of Light saved \$2.3 million by moving.

prepared with a variety of data, such as demographics and comprehensive rental costs, to support their recommendation.”

And remember, space and cost aren't the only factors that may make it advantageous to move. You may also need access to hotels and transportation for visitors and public transportation for staff. If your location is hard to reach by subway or bus, you may incur the costs of parking and time lost to staff commuting. And when you promote public transportation among your staff you're

making a statement about improving efficiency, the environment, and the quality of life. Whatever decision you make next time your lease is up, be sure it improves the life of your community and fulfills your mission. ■

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