

that co-location of organizations with complementary missions improves quality of services and increases use of services through easier access for clients and ease of establishing a continuum of care.¹ The study also found such arrangements reduce financial burdens on the organizations involved and can generate positive economic impacts for the communities served. These and other benefits associated with Teal Street Center are described below.

Shared Space Efficiencies and Other Cost Advantages

Teal Street Center will house nine tenant agencies² and provide itinerant space for five more, as well as flexible shared space. These tenant agencies are now scattered across the community, many in low quality, poorly equipped spaces. The benefits of co-locating these agencies and their services are numerous, and include more efficient, more effective use of space. The principal benefit is to realize greater utility from money spent on office and client contact space. Another potential future benefit is reduced monthly rental expenditures.

Table 2. Teal Street Center Agencies

Tenant Agencies	Itinerant Agencies
Southeast Alaska Independent Living (SAIL)	Bartlett Regional Hospital Behavioral Health
Alaska Legal Services Corp.	Four As: Alaskan Aids Assistance Association
National Alliance on Mental Illness (NAMI) Juneau	SEARHC Front St. Clinic
Disability Law Center of Alaska	SERRC: Alaska’s Educational Service Agency
Big Brothers Big Sisters of Alaska	Division of Vocational Rehabilitation, AK Dept. of Labor
Cancer Connection	
Central Council of Tlingit & Haida Indian Tribes of Alaska	
United Human Services of Southeast Alaska	
United Way of Southeast Alaska	

Co-located agencies may also share administrative expenses, such as those associated with IT equipment and technical support, other office equipment, reception services, utilities, janitorial services, storage space, conference or consultation rooms, and others. With lower costs in each of these areas, agencies can spend more of their limited resources on direct client services. Most human services non-profit organizations are budget constrained; there is rarely enough funding to fully meet the needs of the people they serve.

The Teal Street Center’s non-profit ownership status brings important long-term cost-savings and sustainability benefits. Some debt financing will be required to fund construction of the Center. Once that debt is retired, lease rates paid by tenants will be set to cover maintenance and management of the building. There will be no debt service or return on capital that would otherwise be built into monthly payments made

¹ Eggleston and O’Neill. 2017. *Nonprofit Co-Location and Opportunities for Community Development Financial Institutions*. Community Development Department, Federal Reserve Banks of St. Louis/

² While this analysis was being prepared, Central Council of Tlingit & Haida Indian Tribes of Alaska signed on as tenant, bringing the number of tenant agencies to nine. CCTHITA made a three-year commitment.

to a for-profit landlord. Table 3 illustrates this benefit. In this hypothetical analysis, tenants would pay \$2.25 per square foot (sq. ft.) over the period the loan is being repaid, then see a substantial drop in lease rates after debt is retired. In this analysis, all costs are held constant over a 15-year loan period, except building maintenance which rises at an annual rate of 5% (to reflect increasing maintenance costs as the building and equipment age). All costs shown in Table 3 are hypothetical and provided for illustrative purposes only. Actual lease rates before and after debt retirement will depend on the amount of the loan and terms, notably number of years for repayment and interest rate charged on the borrowed money.³

Table 3. Hypothetical Analysis of Teal Street Center Tenant’s Monthly Lease Payments

	Years 1 to 15	Year 16 and Beyond (No Loan Payments)
Heat and Utilities	\$2,500	\$2,500
Maintenance	\$500	\$1,000
Insurance	\$400	\$400
Misc. Facility Services*	\$1,500	\$1,500
Management Fee	\$1,000	\$1,000
Capital Reserves	\$300	\$300
Unforeseen Expenses	\$2,800	\$2,800
Sub-total	\$9,000	\$9,500
Loan Repayment	\$7,000	\$0
Total Cost	\$16,000	\$9,500
Cost Per Sq. Ft.	\$2.25	\$1.34

*Includes estimates for janitorial services, security, bookkeeping, and snow plowing.

Occupancy costs are the second-highest cost in most nonprofits’ budgets. Sharing space with other organizations means sharing costs.⁴ In the illustration above, agency lease costs fall by 40% once debt is retired. For an agency leasing 750 square feet of space, savings of \$.91 per square foot would translate to \$682.50 monthly or \$8,190 annually. This reduction in overhead expenses represents significant opportunity to redirect funds to service provision.

While the analysis above is hypothetical, actual experience elsewhere supports the thesis. In 2019 the Nonprofit Centers Network surveyed agencies that share space in nonprofit centers.⁵ The survey found annual average cost savings for tenants in nonprofit centers of \$15,500. Part of these savings come from using shared services. When asked how they reallocated those cost savings, the most frequent responses were “existing program related spending” (37%), “staffing” (31%), “new services/programs” (29%), and “professional development or admin” (29%). The most common shared services offered were mail room services, internet

³ This analysis assumes the building will have about 7,100 sq. ft. of designated leasable space. Other space in the 12,750 sq. ft. facility will be common space or space for building mechanical.

⁴ *Expand your Nonprofit’s Mission Through Co-Location*, Butzen, Stanford Social Innovation Review, 2012.

https://ssir.org/articles/entry/expand_your_nonprofits_mission_through_co_location

⁵ *State of the Shared Space Sector 2019 Report*, The Nonprofit Centers Network.

http://d31hzlhk6di2h5.cloudfront.net/20191220/cb/96/8e/eb/de40b955deb4879c022c5baa/NCN_SOSS_2019_report_final-compressed.pdf

services, reception services, office equipment use, IT services, and telephone services. Some centers offered additional shared services such as management assistance, purchasing services, and marketing or communication services.

The impacts went far beyond financial savings. Respondents reported significant improvement in their “ability to achieve their mission” (88%), “ability to achieve their goals” (89%), and their “organizational capacity” (86%).

Other Economic Benefits

Other important economic benefits are associated with co-location of social services:

- Providing a modern, functional, and safe office environment can **reduce the cost of staff recruitment and retention**. It can be difficult for non-profit social services providers to match wages and benefits paid elsewhere in the private sector or by government agencies. Providing a high-quality place to work builds morale and enables non-profits to maintain a stable and capable mission-driven workforce.
- Teal Street Center will provide **greater opportunities for collaboration** across social services organizations. Co-location can be a powerful source of “social entrepreneurship” where novel strategies can be formulated and employed to better serve clientele and perhaps solve long-standing social challenges in the community.
- Teal Street Center will **build stronger and more efficient connections between clients and the range of services they may need**. These “continuum of care” benefits extend beyond the programs and services housed in Teal Street Center, encompassing the entire campus including the adjacent Glory Hall and St. Vincent De Paul facilities.
- Ideally, more effective service provision by Teal Street Center agencies will translate to **social and economic benefits to the entire community**. Effective social services programs improve wellbeing and opportunities for their clients, reducing contacts with the criminal justice and health care systems.

Studies suggest these benefits, while difficult to quantify, are real. For example, a study of co-located health services found co-location leads to greater acceptance of referrals by patients to mental health and other “stigmatized” services.⁶ The study also reported:

“Co-location contributes to more appropriate use of health services and improved clinical outcomes. According to some reports, former high utilizers make less use of services when primary care and mental health services are co-located. This can be attributed to the ability of the combined services to address and treat underlying problems that often contributed to the higher utilization.”

⁶ *Colocating Health Services: A Way to Improve Coordination of Children’s Health Care?*, Susanna Ginsburg, The Commonwealth Fund, Issue Brief (2008).

The study also found sites where managed care was co-located with WIC services showed better health results, including higher vaccination rates and infants more likely to have age-appropriate weights.⁷

Summary

Communities invest in social services facilities and programs to serve people in need. While helping those people is reward enough for a compassionate community, it is also important to recognize the economic benefits communities realize from their investment. As described in this memo, Teal Street Center promises significant economic benefits to Juneau, starting with construction and continuing into the future as Juneau realizes greater return on its investment in its social services infrastructure.

⁷ Ibid.