



City Council Report

City Council Meeting: September 30, 2025
Agenda Item: 11.B

To: Mayor and City Council
From: Oliver Chi, City Manager, City Manager's Office, Administration
Subject: Considerations for Reforming the Neighborhood Organization Grant Program

Recommended Action

Staff recommends that the City Council:

1. Review and comment on the Neighborhood Organization Grant program policy options and direct staff on how to proceed with program; and
2. Council adopt a finding of no possibility of significant effect pursuant to Section 15061(b)(3) (Common Sense Exemption) of the California Environmental Quality Act (CEQA) Guidelines.

Summary

Santa Monica has a long tradition of supporting neighborhood organizations as important partners in civic engagement, communication, and community building. These organizations provide forums for dialogue on public safety, mobility, land use, and resilience planning, while also ensuring that residents maintain a direct connection with the City.

Currently, the City provides funding to seven neighborhood organizations through the Neighborhood Organization Grant Program (NGP), which allocates up to \$7,000 annually per group for outreach, events, and communications. Allowable uses include newsletters, community meetings, and civic activities. Political activity has always been restricted, and recipients must disclaim on their websites that City funds are not used for political purposes.

At the July 8, 2025, meeting, Council raised concerns following political endorsements made by at least two neighborhood organizations during recent elections. While such endorsements may be permissible under some federal nonprofit designations, Council directed staff to review the NGP framework and identify options to ensure that City resources and communication platforms are not connected to political activities. The program remains suspended pending Council's review.

With the goals of civic engagement, accountability, and transparency of the use of public funds, staff undertook a review of the NGP program aimed at achieving the following objectives:

- Ensure every resident has equitable access to information.
- Provide fair and transparent use of taxpayer funds.
- Support inclusive community engagement while maintaining compliance with legal standards.
- Clarify the boundaries between civic participation and political activity.

Through this assessment, staff has developed several different policy options for Council consideration. For those community groups that seek formal status as officially recognized City recognized neighborhood organization through the NGP program, staff has identified three primary options for consideration:

- **Option 1: Provide Participating Groups With Enhanced Communications Support**

Through this option, the City Council could choose to reinstate *Seascope* magazine, provide an annual City-funded mailer for each recognized neighborhood group, and / or maintain City communication platforms for compliant organizations.

- **Option 2: Modernized Neighborhood Organization Program**

Continue to provide grant funding to each recognized participating group (e.g., \$5,000 / group per year), and consider an equitable distribution formula based on the number of households in the boundaries of each organization (e.g., \$0.50 / household). In addition, modernization could also require each group that chooses to participate in the NGP to enter into a formal participation agreement with the City, whereby funds would only be allowed for use on neutral civic activities, while also establishing a five-year program ineligibility penalty (including removal from City publications) for groups engaging in political endorsements.

- **Option 3: In-Kind Support and Civic Engagement Enhancements**

Provide in-kind support such as fee waivers for neighborhood events and co-sponsorship of eligible activities, and perhaps also expand voter engagement activities through the reinstatement of City-sponsored election forums.

Of note, these above identified options may be pursued individually or combined to create a comprehensive framework that balances civic engagement, accountability, and clear boundaries between civic and political activity.

Background

Neighborhood Organizations in Santa Monica

Santa Monica's neighborhood organizations vary in structure and scope. Some are organized as 501(c)(3) nonprofits, while others are 501(c)(4) social welfare organizations. Together, the seven formally recognized groups represent over 50,000 households across the City:

- Friends of Sunset Park (7,193 households)
- North of Montana Association (5,084 households)
- Ocean Park Association (8,033 households)

- Pico Neighborhood Association (7,476 households)
- Mid City Neighbors (7,972 households)
- Northeast Neighbors (1,622 households)
- Wilshire Montana Neighborhood Coalition (12,560 households)

Santa Monica's Currently Recognized Neighborhood Organization Boundaries



Participation has historically been voluntary, with no formal City ordinance defining neighborhood organizations. Recognition has flowed primarily through eligibility for NGP funding.

Evolution of the Grant Program

The NGP was established when the City ended its direct production of mailed newsletters (*Seascape* and district mailings), shifting outreach responsibilities to neighborhood groups. Since then, grants have primarily been used to fund physical

newsletters mailed to households, supplemented by neighborhood meetings and events.

While the City has expanded its digital-first communications (including *SaMoNews*, santamonica.gov, and social media), neighborhood groups argue that physical newsletters remain an essential tool for reaching residents – particularly older adults and those not digitally connected.

Current Program Requirements

For a neighborhood organization to participate in the NGP program, that group must meet criteria such as:

- Tax-exempt nonprofit status (501(c)(3) or 501(c)(4)).
- Public bylaws and open meetings.
- An active board of directors.
- At least one general membership meeting annually.
- A membership threshold (50 households or 10% of eligible households).

Allowable uses of grant funds include printed newsletters, event support, organizational tools (databases, websites), and training. A closeout process requires documentation of expenditures and review by City staff.

Comparative Practices

Santa Monica's approach to neighborhood funding is unusual relative to peer cities.

Based on staff research, practices in other jurisdictions include:

- **Mountain View:** Provides smaller, reimbursement-based grants (\$1,333–\$3,333 annually), prorated by association membership. Explicitly prohibits use for

political activity or routine business. Offers a one-time \$7,500 startup grant for new groups.

- **Palm Springs:** Coordinates 52 associations through a dedicated Office of Neighborhoods and a 501(c)(4) umbrella group (ONE-PS). Modest funding (\$8,000 total plus \$250 per group) emphasizes engagement rather than direct subsidies. Developers must present projects to neighborhood groups before Council review.
- **West Hollywood:** Supports about 10 neighborhood watch groups with in-kind fee waivers and reimbursement-based support for National Night Out events. Explicit exclusions for political activity and non-civic expenditures.

These models reflect a broader trend: cities are shifting toward event-based support, reimbursement systems, and clear guardrails, rather than the broad and relatively higher direct funding seen in Santa Monica.

Legal Considerations

The City has discretion to impose conditions on its funding programs under the Spending Clause of the U.S. Constitution (Art. I, sec. 8, cl. 1). Conditions must be clear, related to the program's purpose, and not otherwise unconstitutional. If groups object, their recourse is to decline participation.

IRS rules also already limit political activity:

- **501(c)(3)** organizations are strictly prohibited from endorsing candidates or engaging in substantial lobbying.
- **501(c)(4)** organizations may engage in political activity, provided it is not their primary activity.

City-imposed restrictions can supplement these federal rules by creating program-specific requirements associated with the choice made by an organization to apply for NGP program participation (e.g., no endorsements, five-year ineligibility for violations).

Importantly, restrictions would apply only as a condition of City recognition or funding, not to independent organizational activity outside the City's program.

Options Identified for Council Consideration

In response to Council's request to identify ways of addressing political activity by neighborhood groups while maintaining the City's longstanding commitment to civic engagement, staff has identified the following options:

Option 1: Provide Participating Groups With Enhanced Communications Support

- Consider reinstating *Seascape* magazine as a City-managed publication, with dedicated space for neighborhood content (estimated cost: \$200,000 annually).
- Alternatively (or in combination), consider providing each recognized neighborhood group with one annual City-funded postcard mailer (estimated cost: \$50,000 annually).
- Continue listing neighborhood groups on City platforms, limited to those in compliance with program terms.
- *Pros*: Improves equitable access to information; reestablishes a valued citywide communication tool.
- *Cons*: Additional ongoing City costs.

Option 2: Modernized Neighborhood Organization Program

- Maintain modest grant funding but distribute equitably scaled by households (e.g., \$0.50 / household) or standardized flat amounts (e.g., \$5,000 / group).
- Require formal participation agreements with all groups.
- Limit grant uses to neutral civic activities (mailings, clean-ups, safety planning).
- Establish clear guardrails for any group electing to apply for the NGP program to be recognized as a formal City neighborhood organization:
 - Explicit prohibition on political endorsements.
 - Five-year ineligibility for groups that engage in such activity, including removal from City publications and communications as a recognized neighborhood organization.

- *Pros*: Creates fairness, transparency, and clear boundaries between civic and political activity.
- *Cons*: May be perceived as restrictive by some groups.

Option 3: In-Kind Support and Civic Engagement Enhancements

- Replace or supplement direct funding with in-kind support, such as fee waivers for community events (block parties, neighborhood cleanups, movie nights).
- Provide City co-sponsorship of eligible neighborhood events.
- Consider reinstating City-hosted election forums, to provide a neutral access program to candidates and create a more inclusive voter engagement process.
- *Pros*: Expands civic participation while reducing reliance on cash grants.
- *Cons*: Limits organizational autonomy and flexibility.

Financial Impacts / Budget Actions

There is no immediate budget action required with this report. However, based on City Council determinations, actions that require funding adjustments will be assessed and integrated into the broader Citywide fiscal stability plan being developed by staff for presentation in October. An overview of the actions that could have a budgetary impact includes:

- Current suspension of the NGP program has generated temporary FY 2025-26 savings of approximately \$49,000.
- Reinstating *Seascape* is estimated at \$200,000 annually.
- Providing one postcard mailer to all households per neighborhood organization estimated at \$50,000 annually.
- A revised grant program would require appropriation consistent with the funding model chosen.

- In-kind support costs will vary by scale but may be offset by reduced direct grants.
- A City-sponsored election forum would require modest additional resources.

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Approved

Forwarded to Council



Oliver Chi, City Manager

9/24/2025

Attachments:

- A. NGP Application
- B. IRS Chart-Neighborhood Association
- C. Written Comment
- D. PowerPoint Presentation