LIVE/WORK SPACE: HOUSING FOR ARTISTS IN YOUR COMMUNITY

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With all the talk recently about community (what happened to it, how to get it back, etc.), and with the current brouhaha about arts and culture in our society, it seems an appropriate time to examine the realities of live/work space and its impact not only on the artist, but on the community at large. Here's a look at artists’ housing communities that are both positive models for existing programs and inspirations for future ones.

"The vision for live/work spaces is for artists to be part of the community, not separate from it. The vision for live/work space is for artists to be part of the community, not separate from it. One goal of this issue of Monographs is to get you involved in an informed dialogue about how the creation of artists’ live/work space can be a very important part of your connection to the artists in your area and a significant contributor to the revitalization of your community.

Although live and work space for artists (very often the same space) varies according to configuration, financing, operation and more, the universal element is that they provide long-term, affordable space. (Some distinctions will be made later with regard to what “long-term” and “affordable” mean.) For purposes of this discussion, for-profit developers who have used artists to gentrify an area do not fit this definition of live/work space, nor do programs where artists lack substantial, if not total, control over the project. It should be noted, however, that for-profit developers can have a positive role in the creation of artists’ housing, and some examples will be given later (though generally their occupancy rates are higher than most artists can afford).

In collecting the data for this Monographs and examining more than a dozen artist housing projects across the country, amazing examples were found, including:

- Real communities existing both within the artists’ building and with the surrounding neighborhood/city Artist residents helping each other personally, financially, emotionally... artists creating an annual city-wide arts event bringing neighborhoods together and tourist dollars in... artists opening their studios twice a year to the public in conjunction with local gallery openings bringing substantial numbers of people downtown at night

- Significant urban revitalization due to renovation of vacant and historic buildings and artists as 24-hour-a-day occupants of these buildings New retail establishments opening and becoming successful... deemed “best neighborhood” in the alternative weekly... becoming the only district in the city to experience an increase in assessed valuation... a significant reduction in crime... after-school arts programs for local children created at the nearby community center

- Substantial changes in the way artists spend their time with safe, affordable, long-term space Becoming self-supporting from their art, primarily due to stable rents and less frequent moving
around . . . families being formed and children being raised . . . empowerment through newfound social life and groups formed around common goals, from art critique sessions to organic food purchasing co-ops to group rates at a nearby athletic club.

Any one, let alone all, of these stories pull at our hearts and make us ask: "What am I doing in my life now to actively be a part of such a community?"

If you are interested in what you and your organization can do to assist in the creation of live/work space for artists, this is the right reading for you. Perhaps, however, you are saying, "my community is too small," or "my community is too conservative." Certainly there are indicators of success for such a project that include community size and orientation, but you would be surprised to find that, with other indicators in place, a community of only 5,000 can do it; and with the necessary vision (historic preservation and community revitalization, perhaps), even a very conservative community can get behind a project. Don't give up before you start!

This Monographs will provide some appropriate next steps you and your organization can take toward creating artists' live/work space in your community. It will also provide four case studies as models that can be adapted to your specific circumstances. Let the following guide you in your own community's endeavors.

First Let's Dispel Some Myths

Business leaders frequently express skepticism when attempts are made to get them to support such projects as live/work space for artists. When the myths are dispelled, these business leaders can see that the projects are not only feasible, but based in sound business principles that they can appreciate and support. "How do I help facilitate the next step?" is a frequent response. They quickly envision the substantial positive impact that can occur in their communities, which they often struggle to find ways to accomplish.

Myth #1: Artists are irresponsible tenants who can't be counted on to make rent on time.

Fact: Artists are good credit risks! Non-payment of rent for live/work space is extremely rare. In several properties that have been operating for 5 to 10 years or more, at most one tenant has ever been evicted for not paying rent. These artists know how difficult it is to find safe, affordable live/work space and they aren't about to lose it for any reason. Some artist residences have created a system whereby reserves are set aside specifically in case a resident who is having cash flow problems needs assistance with a portion of rent on a one- or two-week delay basis. Note that this is a resident-initiated program with full financial responsibility already established. Also, any other market rate apartment, low/moderate income apartment or condo association will experience much higher rates of delinquency as a matter of course.

Myth #2: Live/work properties require substantial annual subsidies to keep them going.

Fact: These projects make sound financial sense. Actually, lenders and equity partners who have been involved in one of these projects are much more likely to want to get involved in another because of their sound financial structure. Those who have provided financing to properties have underwritten them as they would any other transaction, with loan-to-value ratios and debt service coverage ratios that provide them substantial comfort. The fact is when a property experiences 100 percent occupancy (which all of them do) and the lender has anticipated only 90 to 93 percent
occupancy, there is substantial extra cash flow coming off the property annually. This surplus is usually put into continuing (and plentiful) reserves set up to cover vacancies, unexpected increases in expenses, and capital improvements that need to happen over time (a new roof, for example).

"The statistic that amazes real estate developers and lenders most is the turnover rate at artist housing properties: less than 10 percent annually and as low as 0.25 percent!"

Myth #3: You know those crazy artists have pretty bizarre lifestyles...we will constantly have to deal with the parties, drug use, etc.
Fact: It is true that some artists keep odd hours, but that doesn’t mean that they are having wild parties at 2 a.m.! Most likely, they are working at that hour. In properties where artists have significant or total control of the internal operations of their building, they make the rules — and they enforce them. Due to the high level of participation in governing, these residents know their neighbors, and a greater level of respect is generated among them. There are quiet hours and, by and large, they are adhered to. None of the properties surveyed reported having any police issues related to occupants, or friends of occupants. In one property, a resident who was discovered to be dealing drugs was quickly brought to the attention of the residents’ council leadership, who handled it accordingly. It should be re-emphasized that the residents of these properties are artists who care deeply and passionately about their art and their family’s safety, not a mix of artists and yuppies, hangers-on, etc. There is a common vision and goal which, in fact, minimizes or diminishes conflicts in other areas. Artists make good neighbors.

Myth #4: These artist housing properties won’t have any impact on our community. Everyone knows they are here today, gone tomorrow...it will probably be a revolving door over there.
Fact: The statistic that amazes real estate developers and lenders most is the turnover rate at artist housing properties: less than 10 percent annually and as low as 0.25 percent! Turnover rate is defined as the rate at which units in the property become available for re-leasing due to occupants moving out. For comparison, a typical multi-family rental property experiences at least 20 percent turnover in a year, and even 10 percent is not unheard of. In fact, many properties that house people whose incomes are equivalent to artists have up to several hundred percent turnover annually. Artist housing properties, on the other hand, provide an extremely stable base of residents who see themselves as long-term community members. As a result, they tend to put a lot more back into a community than the “normal” resident. Several live/work properties have also incorporated a community service component to their leases, requiring participation for annual renewal.

Affordability and Long-Term Occupancy

As you proceed toward facilitating or developing live/work space for artists, please keep two principals in mind and discuss them with everyone involved in the process: affordability and long-term occupancy.

Historically, large, old warehouse owners would find artists interested in renting “work” space in their buildings at reasonable rates. (The distinction of “work” space is made because quite frequently the space was also used as living space, sometimes with the knowledge of the owner, sometimes not.) Often, if many artists occupied the building, and perhaps adjacent buildings, a community would form, retail activities might move into the area, and non-artists would become interested in living there, as well. This increased demand for space would drive rents up and artists, no longer able to afford the rent, would move to another area. Have you ever tried to move an artist’s studio?

The best way to assure long-term occupancy is for artists to have direct control and ownership of the
space they occupy. The second best way is to have the building owned by a non-profit organization which has as its mission to provide long-term affordable space for artists. The day-to-day control the artists have over their space is nearly absolute (in the case of direct ownership), or should be the primary focus (in the case of non-profit ownership). What is meant by “control” is resident artists’ involvement in the setting of rents, evaluation of expenses, determination of who the residents are, handling of complaints and issues, establishment of rules, etc. While a management company may be hired to collect rents and pay bills, the residents determine which management company will be hired. These decisions are handled by the residents either as the owners or as delegated to them by the non-profit. The result is nearly the same, and, as always, the lenders or equity partners have a certain amount of influence in some issues.

The affordability component of live/work space also relates to property ownership. A for-profit owner generally wants to derive the greatest amount of cash flow from a property. This means that rents increase to whatever the market will bear, regardless of the level of expenses on the property. In an artist owned or non-profit owned property, the goal is to generate just enough income to cover expenses and nothing more. If expenses do not increase, rents or occupancy costs do not increase. If expenses are anticipated to increase, resident artists may choose to eliminate other expense items (i.e. by cleaning hallways themselves).

Case Studies

It may be difficult to envision how you and your organization can get involved in supporting the development of artists’ housing without having some specifics regarding how these projects work — where the money comes from and goes to. In truth, even if you have successfully completed one such building, it is difficult to envision alternative ways of financing or structuring another. Fortunately, there are several projects across the country that provide excellent working examples of the various ways these projects can be configured. The following case studies seek to provide you with enough detail and description for you to understand four different kinds of structures, and the pros and cons of each, and to be able to present them as viable options for your community.

They vary widely, not only in how much money had to be raised and what it was spent on, but in how the live/work spaces are finished and laid out and how they are owned (specifically the degree of control the artists have). A conscious choice was made to use as case studies projects that were created fairly recently. Please note that the case studies are identified by their financing and ownership structure (i.e. tax credit, limited equity, etc.). Other variations among the properties you may particularly note include:

- Geographic location within the city and surrounding neighborhood
- Level of finish to individual spaces
- Income level of the artist served (for monthly occupancy costs)
- Term and rates of financing
- How residents are selected
- Overall cost of the project
- Size and shape of building
Differences resulting from inclusion of commercial space in the building

The data for these case studies was collected using the “Twenty Questions” you’ll find at the end of this publication.

Frogtown
Family Lofts,
Saint Paul,
Minnesota
Tax Credit

Number of Units: 36
Total Project Cost: $3,289,000
Property Acquisition: $403,000 (60,000sf)
Unit Sizes: 1200sf to 1700sf
Monthly Rent: $510 to $595
Initial Occupancy: November 1992
Ownership Structure: Limited Partnership formed of two local non-profit developers (as general partners: Twin City Housing Development Corp. and Artspace Projects, Inc.) and The National Equity Fund (NEF) as the limited partner
Equity: $1,536,000 from NEF for affordable housing tax credits
First Mortgage: $744,000 from the AFL-CIO Housing Investment Trust (25 yrs, 9.25% fixed)
Second Mortgage: $465,000 from the City of Saint Paul
Third Mortgage: $544,000 from The Family Housing Fund
Artists’ Control: Artist residents are members of a leasehold co-operative which leases the building from the owners. This Master Lease sets out the level of control exercised by the residents. Ultimate control rests with owners, but residents participate in the annual budgeting process and are basically self-governing

Facility
This three-story building built in 1917 as a manufacturing facility is located north of downtown Saint Paul in an inner city neighborhood just a few blocks from the state capitol building. The neighborhood is one of the most diverse in the Twin Cities, with significant Hmong, Hispanic, Native American and African American populations. Artist residents are representative of this cultural diversity. A distinguishing characteristic of this building is the green space around it: small city parks on two sides. The three stories have been converted into what looks like garden apartments. First floor units have windows on at least two sides and their own separate entries to a courtyard; the balance of the units have entries off the second floor corridor. The corridor entry units are two-story, which cuts down on sound transmission problems. All but two units are handicapped accessible and two units have sprung wood dance floors in a portion of the living area to accommodate the needs of dancers and choreographers. The units are either two or three bedroom and are designed to be occupied by families — in fact, at initial occupancy, there were 35 children living in the building.

Renovation was extensive, with all new systems, windows and roof; the majority of the wood floor was salvaged, however. Skylights were added to the north-facing units and an atrium was created to be used as gallery space.

Financing
It is important to note that both the non-profit organizations involved in this project had access to substantial amounts of pre-development funding from recoverable grants and from their own working capital.
Since the project used the tax credit funding available for the creation of affordable housing, income restrictions apply to each resident family at the time of their initial occupancy in the building. For the first occupants in the building, income guidelines were as follows: $20,800 (one person), $23,800 (two persons), $26,750 (three persons), and $29,760 (four persons). Once a tenant has qualified for occupancy, they may remain in the building even if their income increases over these guidelines. Also, the income guidelines change annually based on the variations to the median income of the county.

Residents
Due to the nature of the financing (tax credits are subject to recapture for 15 years), the artist residents will have the first right of refusal to acquire the building after the 15 year period. The structure of the second and third mortgages is such that the residents are the preferred purchasers at that time — interest accrued on these loans is forgiven if they actually purchase the building (principal is still due, however). Until they purchase the building, though, they still have a fairly extensive level of control over how the property is operated through rights spelled out in the 25 year master lease. They run their own review committee to select new residents and create their own rules for the property (noise, conflict resolution, pets, etc.). The budgeting process (level of rents to cover expenses) is negotiated with the residents, as is the selection of a property manager. Resident participation in the affairs of the co-op and community is a condition of continued occupancy.

The selection process for new residents focuses not on the perceived “quality” of the artists’ work, but on their interest in participating in the community and a demonstrated commitment to their art form. There is constantly a long waiting list for the building and turnover is low.

Operating costs for the building were initially estimated to be $2.47/sf (not including debt service).

<table>
<thead>
<tr>
<th>Number of Units:</th>
<th>48 residential live/work plus 7 commercial suites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost:</td>
<td>$5,652,000</td>
</tr>
<tr>
<td>Property Acquisition:</td>
<td>$1,442,000 (10,000sf)</td>
</tr>
<tr>
<td>Unit Sizes:</td>
<td>896sf to 2586sf</td>
</tr>
<tr>
<td>Monthly Rent:</td>
<td>$500 to $1500 (co-op fee plus share loan debt service - could be substantially less if more equity is put down)</td>
</tr>
<tr>
<td>Initial Occupancy:</td>
<td>July 1995</td>
</tr>
<tr>
<td>Ownership Structure:</td>
<td>Limited Equity Co-op for live/work space (commercial space is condominiums)</td>
</tr>
<tr>
<td>Equity:</td>
<td>$708,000 from artist residents minimum (financing requires 15% aggregate equity, individuals may have more or less with a minimum of 10%)</td>
</tr>
<tr>
<td>Financing:</td>
<td>$2,360,000 blanket loan to the co-op plus individual share loans (totaling $1,652,000) to each resident, both from National Cooperative Bank (NCB) and its affiliated financial institutions. It should be noted that a construction period loan in the amount of $3,400,000 was obtained from Bank of Boston (plus $700,000 from the Boston Community Loan Fund and $300,000 from NCB).</td>
</tr>
<tr>
<td>Artists’ Control:</td>
<td>100% - Artists are owners</td>
</tr>
</tbody>
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Facility
This turn-of-the-century building is located three blocks from the core of downtown Boston, in a
manufacturing/warehouse district. It has become the home of more than 300 artists. Almost 20 years ago, these artists formed an association called the Fort Point Arts Community (FPAC). This non-profit entity represents the interest of the artists on housing and other issues, and also sponsors annual events such as opening their studios to the community. The top six floors of the nine-story building are being renovated into live/work space, the bottom three floors becoming primarily commercial space. Even prior to renovation, all 48 live/work units had been sold and only 8,000sf of commercial space remained to be sold.

It should also be noted that the units will be completed to a basic level with respect to finishes and appliances. Each unit will include a kitchen sink, bathroom, and stubs for appliances, but remaining finish work is to be completed at the cost and direction of the individual unit owner. The permanent lender (NCB) is requiring that all kitchens be complete prior to their funding (so the Certificate of Occupancy can be issued). The portion of the construction contingency used to date has gone toward full replacement of the roof (vs. repair), improved boilers, soft cost overruns (an extra $50,000), and unexpected asbestos removal. During demolition it was discovered that significant portions of the wood floors (over concrete) could not be saved and a new concrete floor had to be poured at extra cost. If additional contingency funds are available, the co-op would like to install a chiller (for air conditioning), a roof deck, and HVAC monitoring equipment.

Financing
The artists have hired a for-profit development group, Keen Development, to guide them through the process with lenders, the city, contractors, etc. Keen is receiving a fee of less than $100,000 for what is now approaching four years of work. Keen has been involved in several other artist loft renovations in New England over the past few years.

FPAC’s approach to this type of project is that the renovation work is easy, finding the financing the hard part. FPAC and Keen explored utilizing tax credits, but found a very competitive allocation system compounded with difficulty in qualifying artists as low/moderate income. Also explored was utilizing tax exempt bonds (requiring 20 percent of units to be low income), but the amount of commercial space they had planned would have had to be restricted to qualify. Curiously, one of the biggest hurdles to overcome was a real estate tax issue which would have classified the live/work units in the commercial tax bracket (substantially higher taxes under Boston’s two-tier real estate tax system).

It should be noted that $120,000 of the $400,000 of the working capital used prior to closing came from the artists ($2,500 each), with the balance coming from a recoverable grant from the Boston Community Loan Fund.

Residents
Bob Kuehn, principal of Keen Development, finds artists are both focused entrepreneurs as well as good politicians when they take on the development role. He finds that they clearly understand that they represent “occupancy,” and their networks of potential occupants are particularly good. Two of the artists buying units in the building have taken on the challenge of communication point people for the artists group, Keen Development, the city and the lenders. These two artists, Ben Freeman and Mark Pevsner, have spent uncounted hours pulling all these parties together and gaining consensus. Kuehn reports that these two have done an excellent job representing the artists
group, providing immediate guidance when appropriate and responding “I’ll have to get back to you after I talk with the group” when difficult issues arise. As a result of their work, they will be getting a discount on the purchase price of each of their units.

Operating costs for the residential portion of the building are estimated to be $2.55/sf (not including blanket mortgage).

**AS 220, Providence, Rhode Island**

Conventional and City Financing

- **Number of Units:** 11 residential, 12 work studios plus first floor commercial space
- **Total Project Cost:** $1,060,000
- **Property Acquisition:** $400,000 (22,600 sf)
- **Unit Sizes:** residential spaces average 550 sf, studio spaces average 540 sf
- **Monthly Rent:** $165 to $240 for residential, $50 to $175 for studios
- **Initial Occupancy:** February 1994
- **Ownership Structure:** solely owned by AS 220 - a non-profit whose primary purpose is the maintenance of an uninjured forum for the arts
- **Equity:** $290,000 from AS 220
- **First Mortgage:** $528,000 from a consortium of local banks (floating rate initially, now fixed at 6 3/4%, 5 year term)
- **Second Mortgage:** $202,000 from the City of Providence (6%, 10 year term/30 yr amort.)
- **Other Financing:** $40,000 gap loan from the Rhode Island Historical Preservation Commission (6 yr, fully amort., 5%)
- **Artists' Control:** Residential space is totally resident managed, AS 220's mission is to operate this space

**Facility**

Located in downtown Providence, next door to an X-rated bookstore but across the street from Trinity Repertory Theatre, AS 220 contributes to the vitality of the area, which buzzes with people. The street level of the three-story building is occupied partially by AS 220 related activities (coffeeshop/performance space and the 75-seat Perishable Theatre) and by community related activities: a barbershop and two bars which pre-date AS 220’s acquisition of the building (and are much valued tenants). The AS 220 gallery is on the second floor and Groundwerks Dance Theatre occupies space on two floors, as well.

The design of the artists' spaces is different from other projects in that the living spaces (third floor) are separate from the work spaces (second floor). The residents share a kitchen (two of all appliances, two sinks, and personal cabinets) and bathroom facilities (two full baths and separate shower). A significant amount of the renovation and construction work that has been done has been accomplished with the help of volunteers: demolition, removal of debris, and more.

Renovation included a new roof, windows, sprinklers, plumbing, electrical system, and fire stairs. In hindsight, artistic director of AS 220 Bert Crenca (and the residents) wish that the soundproofing was better. Improvements to the building since initial occupancy include addition of a collective darkroom, and a green room with bath, shower and dressing rooms to support the performers in the coffeeshop/performance space. Future improvements will include an elevator.
Financing

The initial acquisition of the building was made possible by a $425,000 loan from the City of Providence ($25,000 to cover pre-development costs). Other pre-development costs were covered by grants, a fundraiser sponsored by Trinity Rep, and the sale of an edition of 100 prints by well known Rhode Island artists.

Bert Crenca worked closely with project manager Lucy Searle, a local real estate developer, to pull together the political, financial and construction aspects of the project. Numerous credibility, working capital, community support and code issues surfaced in the two and a half years from inception to closing of financing. A favorite story from this period is how community support for the building came about. At one particularly critical point in negotiations with the city, “Build AS 220” bumper stickers, advertisements and posters appeared all around Providence, causing many who saw them to inquire about what AS 220 was about, and subsequently support the effort.

Residents

There is a long waiting list of artists waiting for space in AS 220. The goal is to have productive, fiscally responsible residents who feel secure, yet also have enough turnover that new energy comes into the building regularly. The selection process is handled by a committee comprised of two resident artists, two staff members, two outside individuals, and a board member. The body of an applicant’s work is reviewed, but no judgment is made on it. Applicants who both need and can afford the space are sought. Committee members evaluate each applicant’s level of commitment to their work. Most residents are in their 20s and represent a full spectrum of cultures found in the community. Funds have been raised to support a 12 month artist-in-residence program.

45th Street Artists Co-Op, Emeryville, California

Seller, Conventional and City Financing

| Number of Units: 56 (34 in the 45th Street Building and 22 in the Holden/Horton (H/H) Building) |
| Total Project Cost: $2,600,000 (for 56 units, approximately) |
| Property Acquisition: $1,107,000 for 45th Street (46,200sf) $1,600,000 for H/H (61,700sf originally, now 30,500sf) $2,707,000 Total |
| Unit Sizes: 750sf to 2180sf |
| Monthly Rent: $230 to $1143 |
| Initial Occupancy: 1987 — Before they acquired ownership, artists had been residents of the building as tenants under a master lease since 1980 (see narrative) |
| Ownership Structure: 45th Street Artists Co-Operative, a limited equity housing co-op owns both buildings |
| Equity: $145,000 (now allocated as $2.00/sf for 45th Street and $3.00 to $3.50 for H/H plus significant sweat equity by the artist residents in improving their own spaces over time (averaging $3200 to $15,000 per unit) |
| First Mortgage: $453,100 from SAMCO (30 year, adjustable every 7 years - now @ 5.879%) for 45th St. $540,000 from First Nationwide (20 year, adjustable every 10 years - now @ 8.8%) for H/H - note: original amount was $900,000 |
| Second Financing: A $721,900 55 year lease buy back of the land with the City of Emeryville at gradually increasing payments ($1 years 1 - 7) plus a $103,000 loan for seismic upgrades from NCB Development Corp. (10 year, adjusted every 5 - now @ 10.26%) for 45th Street $281,000 from NCB Development Corp. (10 years, adjustable every 5 years - now @ 10.26%) for H/H - note: original amount was $900,000 |
year, adjusted every 5 - now @ 10.26%) for H/H (the $348,000 5 year loan from the City @ 8.1% has now been paid off as well as a $400,000 loan from the seller @10%)

Artists' Control: 100% - Artists are owners

Facility

These two single story buildings located across the street from each other were originally part of Shell Oil Research and Development World Headquarters. The area (just across the bay from San Francisco) is now in the final stages of transition from “smokestack industries” to what the city describes as “a lively mix of retail, executive office, high-tech/bio tech, R & D, light industry, service, and the arts.” The city’s brochure proudly states that “artists represent a larger portion of the residential population in Emeryville than in any other urban city in the nation,” and further finds that “a sense of artistic spirit and pride is felt almost everywhere.” The city is proud to have been one of the first cities on the West Coast to adopt a live/work ordinance.

In 1974, two women artists leased the Holden/Horton space (which, at the time, had grass growing inside) and began sub-leasing it to other artists who didn’t mind sharing group kitchens and bathrooms. As more and more artists occupied the building, permanent walls were put up between individuals’ living spaces, some private bathrooms and kitchens were built, and an additional building, 45th Street, was leased. In 1980, the existing residents formed a co-op, bought the two women out of the remainder of their 10 year leases, and started figuring out how to become owners of the properties.

Financing

Since the two properties were owned by different individuals, acquisition occurred at different times and with different financing packages. One seller was willing to provide more than $400,000 in financing for five years (at 10 percent). To obtain financing and make the properties work, the co-op was asked to sell a parcel of 45th Street land to the city and has sold a portion of the H/H property to a for-profit developer. That developer has converted his portion into 15 market rate condos selling in the range of $245,000 for 1000sf. In light of the above “glowing” quotes, it is especially important to note that the city initially had to be coaxed into providing financing after: 1) requiring artist residents to continue providing ongoing arts programming in the city schools and help create a “percent for art” ordinance; 2) overwhelming press support for the artists; and 3) requiring that 51 percent of the residents be low-income individuals ($18,000 for a single person), and all new residents enter the building at low to moderate income levels.

Due to the nature of the way the property was initially developed and financed, an elaborate procedure has been worked out to determine what the departing residents’ limited equity share value is in the event of a transfer of units. This type of procedure is common to all limited equity co-ops. Share values currently range between $6,000 and $55,000, depending on how extensively a unit has been renovated (bathroom, kitchen, loft, skylights). Over-improvements to a unit (expensive materials such as marble, etc.) do not receive full credit in determining share value. New residents have to pay the share value thus determined to the corporation (which in turn compensates the departing member in this exact amount).
Residents
Turnover at the project is quite low at two to three units per year. When a space becomes available, the selection committee uses several criteria: commitment to artistic work, how the particular space fits and the artist's particular needs, income requirements, and willingness to participate in the community are among the more important.

Ongoing property management is handled by a resident executive director who is salaried, a part-time resident maintenance person, a part-time resident community liaison, and an outside janitorial service. Since 1987, not a single resident has had to be evicted for non-payment of rent. When asked if there was anything she would do differently if she had it to do over again, project representative Sharon Wilcher said that a smaller group of people might be more manageable where decision-making is concerned. She also advised, "In a project like this, you are in business with your neighbors. This is nothing to be entered into lightly."

The above examples provide a cross-section of the types of projects that artists and arts-related organizations are undertaking. As mentioned previously, for-profit developers are creating spaces for artists, as well. Two such developers bear further mention: King Shaw in Atlanta, and Tom Dolan in the San Francisco Bay area. These two individuals are putting their own funds at risk to create two very different types of spaces for artists.

King Shaw is converting his family's plow factory into live/work space for artists. Rents for his spaces run about double the costs you see above-close to $1000/mo and up. Due to the nature of the buildings comprising the factory, there are live/work spaces, work spaces, performance spaces, office spaces, etc. Other nearby buildings not owned by the Shaw family have been converted into live/work, exhibition, work and office spaces, making this area of northwest Atlanta into a community-in-process.

Tom Dolan, a registered architect by training, has been creating new live/work space-the only example of this construction found in the country. Now an expert in building codes, he has in some instances had to "convert" his newly constructed commercial buildings into live/work space to meet the requirements of a particularly problematic Oakland code which did not allow new construction of live/work space. Properties are designed to benefit from the community building potential of interior courtyards. These newly-built spaces are sold at prices ranging from $100,000 to $300,000 for units ranging between 1100sf and 3000sf.

Steps You Can Take Now

Depending on where you currently find your organization and community with respect to support for artists' housing, there are several steps you can take to further the cause. Some of these steps are very basic and easy to implement, some require a longer-term expenditure of time and energy. It is important to point out that the process of creating live/work spaces is one of continually gaining support from a seemingly endless array of people, groups, government employees, elected officials, community leaders, finance providers, and others. No project is successful without broad support from these sectors — and besides, there is plenty of work to share! The following steps can be taken by an individual organization or a group; not all may be necessary for your particular project, but...
look at each one and evaluate which end products would be most effective in your community. The important thing to keep in mind: "Just start it!"

1. **Assess the level of interest and skills your board has in this area.**
   What level of involvement do they want your organization to have in the creation of artists' housing? Do you see yourselves as the catalyst for this type of development or as the developers of such space? If you have already started (or completed) the process of preparing a community cultural plan, your board will probably be very aware of the role real estate plays in the arts in your community. They may also be wrestling with the myriad goals compared to the availability of staff and money. It is important to note that many of the following steps do not take huge amounts of time and energy. Your role may be simply to convene some task forces or groups and let their energy carry the project as far as it can without your commitment of substantial human and financial resources. The step where your assistance in raising funds is most critical is conducting the survey, listed as #2 below.

You may also wish to add to your board, or to a designated committee, persons who have particular skills with respect to the undertaking of creating artists' housing: architects, bankers (especially commercial or real estate bankers), income producing property owners or developers, lawyers, economic development specialists, city employees, philanthropic foundation board or staff members, contractors, historic preservation specialists, non-profit developers, etc.

2. **Survey the artists in your area to determine what the current dynamics of their space use are and assess their needs.**
   In business terms, you will be conducting a market survey — one of those critical things you may need when someone says, "Are there enough artists in the area to support a housing project?" This survey will collect data on what kind of space artists in the area are looking for, where it needs to be located, and what they can afford to pay for it. You may also wish to collect data regarding household size and income, transportation needs, level of interest in living in such a building, and interest in ownership vs. leasing. It is important to include local and regional arts organizations in your survey, as well, to assess whether there is a need to house persons participating in artists-in-residence programs and other temporary-visit-type situations. With this data you can approach funders, lenders and business people with a clear picture of what the market demand is for this particular type of project.

As part of your process of conducting the survey, you may wish to form an artist task force to assist with developing the questionnaire, analyzing and interpreting the results, and determining what the next steps are. This task force can be quite effective when advocacy opportunities arise, since they will have both a personal perspective on the issue and an historical perspective of how this effort has progressed.

3. **Develop relationships with the city employees responsible for housing: planning department, community development agency, housing authority, building code officials, etc.**
   This step will require a bit of research into areas not traditionally viewed as directly relating to the arts. You may need to find a guide to help you in this process. Perhaps you have an architect on your board who can help, or maybe a city council leader who can point out the appropriate departments. The goal of making these connections is to get the concept of live/work space in front of them as an option to evaluate in their planning process, and to start dispelling any myths they may have
about such a project. Do they have any buildings that they are particularly interested in saving from destruction? Are there areas of the city where they are particularly interested in stemming the suburban migration? Have you already convinced them that a "cultural corridor/district" is an important element for the community and now you would like their help in making it a 24-hour-a-day neighborhood?

A word of advice with respect to the building code officials: In some cities, the codes readily allow loft-style live/work space and in some they don’t without additional work. Start a dialogue with the building code officials regarding their knowledge of these types of spaces and what obstacles there may be to creating them.

4. Develop relationships with local non-profit or community developers and their support networks.

In nearly every city, at least one formal organization exists that is actively involved in the creation of affordable housing. In some cities, there may be many such organizations, each one representing a particular neighborhood. The people you have made contact with in step #3 can assist you in identifying which organization(s) is most likely to be supportive of live/work space. If your board has decided that the role it wants to play in the creation of artists’ housing is that of catalyst, there will need to be another entity to act as developer; one of these non-profit or community developers is a logical fit. Start discussions now to see who is interested. Quite often, a neighborhood-based non-profit developer will be very interested in welcoming artists as residents as part of a community building and historic preservation objective.

Support networks have been established in many cities to assist non-profit and community developers in their efforts. Local Initiatives Support Corporation (LISC) and the Enterprise Foundation are two examples of this type of entity. Both of these organizations have developed locally based programs to provide technical and financial assistance to such groups. It is possible that if you or some subset of your organization is interested in developing properties, these organizations would provide technical and financial assistance as well.

If there are no non-profit or community developers in your area, or if they do not give you a warm reception, the for-profit developers may provide an acceptable option. For-profit developers have been involved in a number of artists’ housing projects across the country, and have filled a variety of roles in these projects: owner, partner, developer for fee, etc. It is important to remember that the thought processes of the for-profit and the non-profit developer vary greatly, and it may, therefore, be difficult to reconcile the two viewpoints. There are, however, for-profit developers out there who can understand that the goal is to create long-term, affordable housing, and that “affordable” can mean that rents are raised only to cover increases in operating costs, not to provide the developer with a larger income stream. The people you meet as a result of step #3 can help you identify such for-profit developers. They do exist!

5. Host a presentation by the National Cooperative Bank (NCB) to interested artists.

NCB lends money to co-owned and operated endeavors. A group of artists wishing to create live/work space, own it and govern it co-operatively, is a serious candidate for a loan from NCB. NCB has already financed other artists’ housing projects and is familiar with the special needs and concerns and credit characteristics of this sector of the population. NCB has a variety of loan programs
that artists in your community may qualify for. Of particular interest is the fact that they will participate in pre-development, acquisition and construction loans as well as providing permanent financing. If, as a result of your survey, knowledge of the artists in the area or a focus group, you become aware of a group of artists interested in creating their own space, that would be a perfect time to have NCB make a presentation describing how such a project can be financed. A call to David Freed at NCB (202.336.7642) can start this process.

Freed sees two critical parts to a successful development: artist “evangelists” and developers. The “evangelists” have to organize and clarify their vision (including the market relevancy) and then assemble a team of compatible and capable professionals, the developers, who will help them realize their vision. From his experiences, he defines the three critical activities of the process as clarifying the vision, developing partnerships with the myriad of entities that can support the process, and building capacity of the development team. Freed emphasizes the importance of finding pre-development dollars and building partner relationships. He says, “You have to risk something to get something and no one person can do a project like this by himself.”

6. Inventory existing buildings and their condition (structural, historical, hazardous materials, suitability).
This inventory could be conducted by a task force or you could try to convince someone in the city government to do it, as they did in Dayton, Ohio. Dayton has a staggering supply of old warehouse/manufacturing buildings, ideal for loft units. A combination of neighborhood representatives, city employees and concerned citizens worked to evaluate a substantial number of buildings for their suitability as live/work space. You may already know which buildings in your community seem most appropriate, but collecting the detailed data regarding structural conditions and hazardous substances can alter your perceptions of which buildings are actually most likely to work. As you survey these buildings, you may find an owner whose “daughter is an artist” etc. who may be particularly interested in working on this type of project.

It is important to cross this process with the artists’ data survey to make sure that if appropriate buildings exist in a certain neighborhood, sufficient amenities also exist (bus service, for example) to make it appealing to artists.

7. Host a meeting to discuss how artist housing can contribute to urban revitalization and economic development.
The people invited to such a meeting include those who may have expressed a prior interest during some stage of the process: the city council official, the planning department member, the business leader, the historic preservationist, etc. It is unlikely that these individuals will find any other forum in which to learn of their peers’ support for community live/work space and discuss means for implementing a plan to create it. It is important to regularly reinforce the synergistic impact of creating artist housing. These meetings can also provide an environment for connecting artists (perhaps from your task force, see #1) with those most likely to support their efforts to establish a housing program. Putting faces to the concept of “artists” is especially effective for overcoming misconceptions discussed earlier, and is also likely to yield positive results as potential supporters discover how involved artists already are in the community.
8. Cultivate relationships with elected officials, especially city council members representing a specific geographic area where you’re likely to want artists’ housing.

It is never too early to include the concept of artists’ housing in your ongoing discussions with elected officials in your community. It is critical to emphasize the business-like approach you are taking toward the project. Tell them about your process (market research, community support, etc.) and emphasize that this kind of project doesn’t require ongoing operating support. Cities customarily make low or no interest rate loans to developers of affordable housing; it would probably be appropriate to indicate to officials that you are interested in exploring how such loans are made in your community and examining whether such loans would be appropriate for your project.

Any city council member who represents a geographic area where you are likely to want to put artists’ housing is a critical ally. These council members can open doors for you that you may not even know need to be opened. They can also provide specifics about the level of neighborhood support necessary for the success of any given plan.

9. Get your local philanthropic foundations involved in the dialogue.

Just when you least expect it, people who have been on the same wavelength as you enter the process — it’s amazing! Leaders of your local foundations may have been wondering how they could help stabilize the existence of artists and would welcome involvement in creating live/work space. It is important to remember that their involvement can take many forms, including loans, grants and loan guarantees. In Saint Paul, the Jerome Foundation provided a project related investment (PRI) to create a loan fund for artists in a particular building who wanted to improve their spaces. Due to their involvement in this program and its success, Jerome subsequently started assessing the potential for renovating and owning a building that could be leased to non-profit organizations at affordable rates; some artists studios may be a part of this project as well.

Philanthropic foundations can be a source of the ever-needed and hard to find pre-development dollars.

10. Meet with the local bank leaders to assess their knowledge of and interest in this type of housing.

Many banks are under considerable pressure to make loans both in inner city communities and for affordable housing. Live/work space for artists is a vehicle for meeting these lending goals in a way that exposes them to very little risk (remember the myths). Currently, there are numerous lenders across the country involved in artists’ housing projects who are thrilled with the results. If you start exploring the attitudes and inclinations of your local bankers now, you will have the opportunity to start educating sooner rather than later (provided they even need it) and to garner support early on in the process.

11. Identify existing artists’ housing (whether up to code or not) in your community.

Artists may already be occupying space in some large old buildings in your community. Some of these buildings may be up to code for non-residential uses, but not for residential ones. Building code officials may already be involved in finding a solution, although sometimes the process is controversial. It is important for you to understand your community’s current artists’ housing situation so that you can effectively promote the concepts and/or address existing controversies. Certainly neither you nor anyone else wants people living in unsafe conditions, but the solution
to that problem may be to create safe, affordable space, not kicking people out and closing buildings down. On a more positive side, if some artist occupied buildings already exist in your community and can be held up as favorable examples, you will have fewer hurdles.

12. Assess the connection between artists’ housing and a community cultural plan. It is extremely rare to find a community cultural plan that includes any discussion of live/work space. If you have already completed your plan and have not included artists’ housing, it may be appropriate to acknowledge the potential and evaluate ways to add it to the plan. A significant concern is the plan that seeks to create cultural districts with museums, theatres, etc., but without a provision for ways to bring the arts to the district 24 hours a day, seven days a week. It is this concept of ongoing vitality in a district that gives people a feeling that the program is a success.

If your community has not prepared a cultural plan but is creating one or even just thinking about it, please consider including live/work space for artists in your discussions. Too often the housing issue gets little attention as the focus goes more to existing arts organizations and institutions. Few people stop to ask where the actors who perform at the theatre live, or where the visual artists who exhibit at the museum live, or where home is for the dancers, musicians, filmmakers, writers, arts administrators, etc. who make the organizations and institutions what they are to the community. Your survey can come in very handy here to provide some perspective on the number of artists in your community and their space needs.

13. Bring someone in from outside your community who can describe their successes in the area of artists’ housing, and can lay a foundation for developing broad-based community support. As we see regularly, it sometimes takes an outsider to get a message across. People will respectfully listen to you, but until you bring someone in from Boston, Atlanta, St. Louis, Saint Paul, etc. who has completed one (or several) of these projects, no one will give the concept the attention it deserves. This visit should, at a minimum, include meetings with: city officials (both elected and staff); the business community (especially the bankers); the arts organizations, including your own (board and staff); artists; non-profit/community developers; and local philanthropies. Presentations should be targeted to the specific needs and interests of each group to elicit their issues, questions, and potential levels of support. Slide shows and videos of existing projects are especially effective, as is specific data about the financing and operations of these buildings.

A lot of data has been presented in this Monographs which, hopefully, hasn’t confused the issues. We have only scratched the surface of these projects, however. The details are complex, but it is important to remember that there is quite a range of what can be done. These examples should demonstrate the variations among artists’ housing projects. There are hurdles. Many doubters express the opinion that artists are poor by choice, so why should we help them? The Emeryville case study is a perfect example of how this response can be changed around. Wouldn’t it be interesting if your city found it necessary to say such glowing things about their artist residents as Emeryville has found about its? Do also keep in mind that it takes quite a while for these projects to come about. Many a project was completed four or five years after it was initially envisioned. The quickest timeframe found was 24 months. In other words, start now!
The Twenty Questions

1. What was the total cost of the project (broken down into initial acquisition and improvements)? What amount was budgeted for contingency, and how much was used? What kinds of cost overrun “surprises” were there? Were there any tussles with building code officials (particularly at the last minute)? Have there been any changes to the building since initial renovation (soundproofing, roof, HVAC...)? How have you soundproofed, and is it working?

2. What were the sources of funds to accomplish acquisition and renovation (amounts, interest rates, terms)? How difficult was it to get funding? What advice would you give others about financing (“surprises,” last minute challenges)?

3. How many units are there, and what are their sizes? Are some units more desirable than others? Why? What provisions have been made for parking (spaces/unit)?

4. What is the current cost of occupancy per unit (including rent, debt, utilities, dues, etc.)? For tenants paying rent: a) how are rent increases determined; b) what is the delinquency rate; and c) are there any mechanisms available to assist with individual tenants temporary cash flow problems? Were there any concessions (i.e. reduced real estate taxes)? Are the utility costs higher or lower than anticipated? Are the units metered separately?

5. What is the current zoning district for the property? Did you have to get the zoning designation changed? What was the most recent prior use of the building?

6. How many units turn over in the average year? How is turnover handled (i.e. existing residents get right of first refusal on an available unit)? Is the condition of the units at turnover generally good? What are the responsibilities of departing residents?

7. How much of the building is occupied by commercial tenants (vs. live/work)? What kinds of commercial tenants are they (in other words, are they arts related)? What rents do they currently pay? Does the rent from the commercial spaces subsidize the occupancy costs of the live/work space? What is the relationship between commercial and live/work occupants (noise, pollution, security, elevator, utilities)?

8. Have there been any significant changes in the way the property has been financed since initial occupancy? What kind of relationship do you collectively have with the funding providers?

9. How are residents selected? Are any art forms excluded from residency, and for what reasons? Is there any income criteria for occupancy? How is the waiting list handled?

10. What is the current make-up of residents (single, couples, families with children)? How many support themselves from their art? What is the diversity: age, ethnic, income, range of art forms?

11. Who owns the property? If artist owned: a) what financial equity contribution was required; and b) what sweat equity contribution was required? Will artists ultimately have an ownership interest if they don’t currently?
12. Who manages the property? How is the property manager selected? Is there a management representative on site (an artist, for example)? Has the property management been changed since initial occupancy?

13. What involvement do the residents have in how the property is operated? What is the process for resolving disputes (noise, etc.)?

14. What is the level of resident involvement in: the property, the activities of the surrounding neighborhood, and community at large? Is this a part of the mission of the project?

15. Are there times during the year when there is an “open house” for neighbors, art collectors, customers, and the community? Are these events productive: good relations, customer development, sales of artwork? Is there a common gallery space in the building and/or common meeting space?

16. Have there been any significant changes in the way the property has been occupied, managed or owned since initial occupancy?

17. Where do you see the project going in the future?

18. What has been the impact of the project on the community (new commercial/retail/restaurant tenants)? Have any non-profit arts/cultural tenants recently located in the area of the building? What has been the impact on the artists themselves?

19. What advice you would offer to others who may wish to create live/work space similar to yours (especially in the area of space design features)? If at the beginning of the project you knew what you know now: a) would you do it again; and b) what would you do differently?

20. Would you be interested in an Internet/CompuServe conference or bulletin board on artists’ housing (provided residents are Information Highway literate and have proper equipment)? Would you be interested in having a connection on this conference with artist retreat centers?

About the Author

Jan Plimpion has been actively involved in the creation of long-term, affordable housing for artists since 1987, when she combined a career as a national commercial real estate construction lender with that of a board member of a non-profit developer of space for the arts and artists. Jan was Board President of Artspace Projects when it completed its first project — the 52 unit Northern Warehouse — and has since been involved in the creation of more than 200 units of artist live/work space.

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It's that time of the year again . . .
a time to celebrate cultural life in your community!

**National Arts and Humanities Month** is a nationwide celebration of our rich and diverse culture, the arts and the humanities. There are lots of ways you can get involved, such as holding special events in honor of the Month or simply designating your regular programming as part of the official celebration! Take part in the second annual **National Open House, Saturday, October 7th.**

The **National Open House for the Arts and Humanities** will kick off this year’s month-long celebration of cultural life across the country! People throughout the nation are encouraged to open the doors to local theaters, museums, libraries, schools, opera houses, rehearsal spaces, parks, concerts, and more to showcase the importance of the arts and humanities in the lives of every American. We urge you to hold an open house or other special activity for those in your community to learn more about local cultural programs and opportunities. Now, more than ever, we need to increase understanding of and support for the arts and humanities. We hope you will participate in this national effort!

- **Dedicate an activity or an event to National Arts and Humanities Month!** Perhaps there's already something planned during October at which you can hang a banner or hand out buttons with the 1995 National Arts and Humanities Month logo!

- **Invite local leaders to participate in Open House activities!**

- **Involve the media!**

- **Make everyone aware that this is a time to celebrate the arts and humanities. Provide a one-day snapshot of what takes place throughout the year!**

For more information, please call Jennifer Neiman, NALAA’s Communications Coordinator, at 202.371.2830.
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