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ROGERS PARK // CHICAGO, ILLINOIS

PRELIMINARY FEASIBILITY REPORT



AUGUST 2014

PREPARED BY ARTSPACE

INTRODUCTION



MURAL DEPICTING THE HISTORY OF ROGERS PARK



MAP OF ROGERS PARK



MAYNE STAGE THEATER

Rogers Park, the northernmost neighborhood in Chicago, is a neighborhood of accolades. It is one of the most culturally and economically diverse neighborhoods in the country, with 55,000 residents who speak more than 80 languages. Rogers Park has very good public transportation, with four “L” stops and one Metra stop, a high walkability ranking, and a supportive bike culture. With a large percentage of educated citizens, it is known to be one of the “bloggiest” neighborhoods in the country. There appears to be a great deal of citizen participation; the Rogers Park Business Alliance has a visibly active presence in the neighborhood and 49th Ward Alderman Joe Moore was highly involved in our visit, assigning a staff person, Michael Land, to participate in the entire two-day study.

Rogers Park also has a multitude of creative folks, evidenced by the Glenwood Avenue “Mile of Murals” along the CTA Redline tracks, the Greenleaf Art Center with its 50 artist studios, innovative performing arts organizations and venues such as Lifeline Theater and Mayne Stage, creative businesses, and the independent restaurants and cafes, many owned by immigrant families from Mexico, Africa, and Asia. This diversity is reflective of the general demographics of Rogers Park, where African Americans and Hispanics make up 62% of the population. Alderman Moore and the Rogers Park Business Alliance are keenly interested in creating more space for their diverse creative sector to live, work, and conduct business. Accordingly, the community invited Artspace to conduct a Preliminary Feasibility Study to determine if it makes sense to create a mixed-use live/work project that would house individual artists and their families as well as creative businesses and nonprofit arts organizations. Although the focus of the visits was on the arts, Artspace also seeks information about other services and businesses that might be missing in the neighborhood and could be included in a larger development that includes artist housing. For example, a new Artspace mixed-use live/work project in downtown Gastonia, North Carolina, will incorporate a wellness center on the ground floor. These kinds of community spaces align with other public and neighborhood agendas and sometimes

make it easier to identify funding sources for the larger project the community has in mind.

By providing affordable, long-term sustainable space for artists, Rogers Park would build on an already extremely strong foundation for its creative economy and take a proactive step to ensure its affordability in the decades to come. We had a strong sense that many stakeholder groups in the community understand the importance of their creative economy, the very hallmark of what makes Rogers Park a desirable place to live, work and play.

During a two-day visit, the Artspace team met with focus groups, visited potential sites, met with key leaders, and conducted a public forum. The visit took place June 18-20, 2014. Artspace was represented by Wendy Holmes, Senior Vice President for Consulting and Strategic Partnerships; Kathleen Kvern, Director of National Advancement, and Consulting Associate Anna Growcott.



MURALS AT THE MORSE STATION

This report contains our observations, findings, and recommendations based on what we saw and heard during our two days in Rogers Park. It is also informed by knowledge we have gained working in nearby communities and experiences of other cities around the United States that have invested in affordable housing and other facilities for artists. We believe that those experiences provide a useful context for evaluating the feasibility and importance of artist spaces in Rogers Park. In that regard, we offer the following thoughts and observations:

- Multi-tenant, multi-use creative spaces generate economic revitalization and development. Every project provides job opportunities before, during, and after construction.
- Every independent artist is, in effect, the owner/operator of a cottage industry, generating economic activity by selling products or services, purchasing equipment and supplies, paying taxes, and otherwise contributing to the local economy.
- Artists are good neighbors and active community members. Many artists collaborate with the larger educational, cultural, and business communities as teachers, adjunct professors, and volunteers with youth and cultural organizations.

- To create affordable live/work housing for artists¹ whose long-term affordability is guaranteed by covenants is to create and sustain an authentic community of local artists who collaborate not only with one another but also with other local, national, and international artists.
- Arts projects help preserve old buildings, stabilize older neighborhoods and revitalize vacant and underutilized properties. Arts projects also help preserve cultural heritage by providing places where cultural art forms can be passed from one generation to the next.
- Arts facility projects are catalysts for private and public investment, such as façade improvements and general beautification, in the surrounding area.
- These projects create permanent community spaces that give resident artists opportunities to interact with the public through gallery events, demonstrations, performances, and installations, and give the larger arts community opportunities to showcase their work.

We are grateful to the community, arts and business leaders who through their planning and participation laid the groundwork for a successful two days. We also extend a big thank you to Sandi Price, Executive Director of the Rogers Park Business Alliance and our feasibility study champion, Beth Demes, with the Alden Foundation, a nonprofit developer of affordable senior housing, Alderman Joe Moore and one of his staff, Michael Land, for their visioning efforts and thoughtful input into the process. These local leaders are essential to the future success of any effort Artspace might undertake in Rogers Park.

¹ “Affordable live/work housing for artists” refers specifically to the kind of rental housing that Artspace has been developing around the country for the last 25 years. Artspace’s 35 operating live/work projects are apartment buildings in which each rental unit has additional space – typically about 150 square feet – designed for use as a studio by the resident artist. Other amenities designed for artists include high ceilings, large windows, wide doorways, and durable surfaces, as well as community rooms that serve as gathering places and galleries.

FINDINGS

During a Preliminary Feasibility Visit, Artspace gathers information about six main topics: project concept, artist market, site feasibility, financial feasibility, local leadership, and potential for sustained community impact.

If the project concept has been determined, we evaluate it in the context of other factors. For example, if the community wishes to adapt a particular building for use as an arts facility, we consider whether the building is structurally sound, suitable for the intended use, for sale at a reasonable price, and so on. We ask, too, whether the project concept appears appropriate to the needs of the community. Are there enough artists in the area who need and qualify for affordable live/work space to justify the time and expense of developing a project? Is the difference between market rate and affordable rents sufficient to make a live/work project an attractive option for artists of low and moderate income? Because our business model requires substantial civic investment as well as fundraising in the private sector, we ask whether the community has the financial resources and the will to make a significant philanthropic investment in the project. Finally, we ask whether there are local leaders willing and able to advocate for the project in a variety of ways. While these are not the only factors we consider in making recommendations, they help us frame the discussion.

Some communities are clear about what they hope to achieve. It may involve preserving a specific building. Or it may involve a broader concept such as economic revitalization of a neighborhood. Other communities, however, look to us to guide them through the process of determining whether an arts project makes sense for them – and if so, what kind of arts project it should be. Still other communities have a general idea of what they would like to achieve but seek professional advice about how to proceed.

PROJECT CONCEPT

In Rogers Park neighborhood, a deep local understanding of the power of the arts drives the momentum for creating affordable space for artists. The neighborhood's roots in art and culture have contributed to the concentration of artists that gravitate to this area. The community is aware that this neighborhood is relatively affordable by Chicago standards today, but sense that things may change in the coming years. The Rogers Park Business Alliance, along with the other neighborhood and business leaders we met, are committed to preserving that affordability and creating a sustainable home for the artists and creative businesses that contribute to the rich culture of this neighborhood.

ARTIST MARKET

IS THERE A NEED FOR ARTIST SPACE?

WHAT ARE THE CHARACTERISTICS OF THE NEED?

IS THERE INTEREST BY THE ARTIST COMMUNITY?

DOES THE PROJECT CONCEPT ADDRESS THIS NEED AND INTEREST?

The Artist Focus Group is the primary vehicle used by Artspace to gather anecdotal information about the needs, trends, and vision of the area's arts community. In Rogers Park, we were happy to meet artists throughout the visit, speaking not only with those who attended the focus groups, but also with many artists at the public meeting, in the core group gatherings, and during visits to studios and galleries in the neighborhood. We met a diverse representation of artists in terms of age, ethnic background, and disciplines represented – from cultural organization staff members to painters, musicians, art teachers, welders, actors, muralists, textile artists, and culinary artists. We do not always see much age diversity in these focus groups, and we regard that dynamic as a key positive indicator for a successful project.

At the Artist Focus Group, we spoke with about 15 artists and creative professionals. Not surprisingly – it's true almost everywhere – most of the artists said they do not make the majority of their income from their art. We asked a number of questions about space, collaboration, and affordability. They spoke fairly equally of the need for studio/rehearsal space and a concern for the future affordability of the neighborhood.

Based on our observations and what we heard in our focus group sessions, we believe that an Artist Market Survey focused on the Rogers Park neighborhood of Chicago will reveal a sizable market for live/work space – at least 40 and perhaps 50 or more units.

Comments made by members of the local arts community during our visit factor into our recommendations and will inform any next steps. Here is some of what we heard:



ROGERS PARK ARTS ALLIANCE EVENT THAT INTEGRATES THE FOUR "L" STOPS IN THE NEIGHBORHOOD

- Strong interest in having more accessible community space for meetings, events, classes, etc. “Like an art center, but not.”
- It’s hard to find spaces with shared equipment/space and public access. No makerspaces known in the area, but lots of interest.
- Interest in finding loft-style space – light, open floor plan – that are affordable for artists.
- Musicians need more rehearsal space with late night hours and places to record.
- “Rogers Park is like a bedroom community for artists.” Lose economic opportunity because artists who live here have to leave the neighborhood to go where there are large, affordable workspaces, e.g. Chinatown and Logan Park, etc.
- There are five theaters in the neighborhood, yet collectively, there is still a need for rehearsal space / flex space (not performance space) among the theater organizations.
- Artists need a place to get art supplies. Currently most do most of their shopping downtown or in Evanston.
- Lots of artists live here, but there is not a lot of cohesion among artists.
- Artists want to be more visible in the neighborhood; exhibition space would help.
- More small- to medium-sized music venues are needed.
- Space for artists starting out to “cut their teeth” with a range of prices and lease lengths.
- Lack an *anchor* or *campus* with commercial space that unifies the neighborhood.
- Artists are drawn to the lake, public transit, walkability, shared bikes, relative affordability, and cultural diversity. Which makes for a livable and inspiring neighborhood. “Transportation in Rogers Park is futuristic!”
- Several people at the public meeting talked about the need for a food co-op and how that would be a complementary business that fits in well with space for the arts.
- Others spoke of a historical connection to manufacturing and how Rogers Park needs more space for things to be made (e.g., a makerspace).



ART ACTIVITIES BEFORE THE PUBLIC MEETING

- Someone mentioned a \$70M Department of Defense grant that Rogers Park received and was going to be used for the creation of Digital Labs, which will employ creative people in the area.

Greenleaf Art Center, a studio and exhibition space one block west of Clark Street does its part to satisfy some of the demand by providing workspace to about fifty artists and five small businesses. However, with full capacity and a waiting list, it is clear that Rogers Park artists are still hungry for space. Based on the spaces we toured and the input we received from local artists, there is a market not only for space to live, but also for space to create visual art, music, and performances.

Arts Market Survey

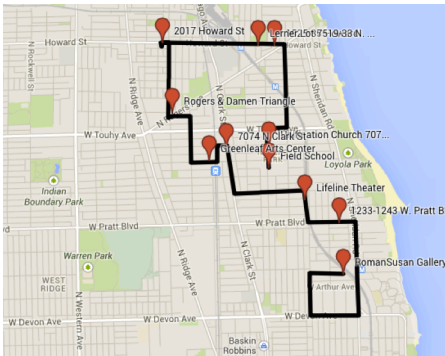
Artspace usually recommends a formal Arts Market Survey as the next step in the planning phase of a live/work or mixed-use project (it is a required step if Artspace is to be the developer). The Arts Market Survey is an in-depth analysis of the space needs of individual artists and creative/art/cultural organizations in a community. We start with a proprietary survey template that we developed about 15 years ago, modify it to reflect the unique characteristics of the proposed project and the local arts scene, and then host it online for eight weeks. Developing the questionnaire, publicizing it (we attempt to reach at least 3,000 artists and groups), collecting the data, analyzing the results, and preparing a report takes about six months.

The primary goal of the survey is to determine the size and nature of the market for a mixed-use arts project in the community. We also use it to demonstrate a need for affordable rental space sufficient to satisfy the various public and private entities that make financial investments in our projects.

The Arts Market Survey gathers a wealth of data about the area's creative individuals, including age, gender, ethnicity, household size, and other demographic information; the arts activities they practice; the arts facility features and neighborhoods of most interest to them; their current income range and the percent of it that is generated by art; their current studio or work space arrangement; and how much they are willing to pay for housing and studio space. The survey tells us with reasonable accuracy how many live/work units or studios the local arts community can fill. It also informs specific design questions and identifies the need for the kinds of amenities needed for specific arts uses.



BANNERS MARKED EACH SITE



SITE TOUR MAP

SITE ANALYSIS

During a Preliminary Feasibility Visit, Artspace's primary goal is not to select a site but to identify candidates for further study should the project move forward. Several factors to consider include location, building capacity, availability, viability, and ability to impact the broader community. In Rogers Park, we spent a few hours with local civic, community, arts and business leaders, visiting identified sites (we had previously provided our hosts with selection criteria to help narrow down the site options before the tour). There were six potential sites on the tour. There was a drive and determination among the core group and Artspace that locating a project along one of the commercial corridors, is a priority. It was also remarkable that most sites are transit-oriented because of the density of transportation options in Rogers Park. We were told that more train lines run through Rogers Park than any other neighborhood in Chicago.

It is important to reiterate that while site selection is a critical component of a future project, it should not drive the project. The key is to gain a deeper understanding of the elements that make a site feasible for any given project concept, set of community goals, and economic resources.

It should also be noted that there are four commercial nodes in Rogers Park, each with its distinct characteristics. They are:

1. Howard Street
2. Clark Street
3. Jarvis Street
4. Loyola Campus Corridor

Of the sites we reviewed, the publicly held sites offer the greatest opportunity for success. A project in the model of an Artspace live/work facility relies on competitive, public funds that can take a year or more to assemble. Purchasing a site prior to funding is not recommended, meaning that site control options are necessary. Property owners need to be willing to hold sites in limbo for one or more years, which is not appealing to all. Additionally, project feasibility relies on a low purchase price. The greater the cost of acquisition, the more subsidy necessary,

typically from private philanthropic sources. Property owners who are looking for highest and best use for their land, are not optimal partners in these projects. However, if property owners are supportive of the overall concept and willing to be creative in the transaction (as a seller and/or investor), then private acquisitions are a fine option. If a property owner is willing to sell to the City and the City willing to buy, rather than the development team directly, this is also a great solution.

7077 NORTH ASHLAND AVENUE

Known as the former Women's Club, this beautiful gem is too small for an Artspace project but could be easily adapted for theater and dance. The top floor has a beautiful ballroom space with high ceilings and wood flooring. The current list price of \$600,000 makes it a bit out of reach for most nonprofit organizations, particularly with the additional historic renovations that would need to be made to adapt the building to 21st century standards and uses.



7077 NORTH ASHLAND AVENUE

This building is also on a residential street which makes it less attractive for conversion to mixed use.

CLARK STREET SITE (KNOWN AS "THE HOLE") 7070 NORTH CLARK STREET

This 21,000 square foot hole represents a large "missing tooth" along Clark Street. A mixed use market rate housing development project was underway in this Hispanic area before the economy crashed. The structural steel and concrete footings that were in place have since been removed after the failed development was auctioned by the bank in 2012. There is currently a lien on the property and the City has discussed the possibility of purchasing it. The current owner paid \$700,000 for the site which is significantly under the \$2 million + current value of the property. Now, the owner wants to get out from under it in a for-profit scenario.



THE HOLE ON CLARK

The property is in a good location, situated in a corridor that has some vacant storefronts but also many active uses and small businesses and restaurants. With its proximity to the Metra

Station and a bus line, this parcel is in a major transit corridor, as is much of Rogers Park. The site is large enough to accommodate 35-50 or more units of artist housing as well as ground level commercial space for arts-compatible businesses.

We view this site as a good possibility, particularly if the City is willing to purchase the site with an eye toward a catalytic project that can reinforce the connections to the Hispanic community and create higher density affordable living for Rogers Park creatives.

HOWARD STREET SITES

Howard Street is a work in progress. Historically, this was a jazz center with many African-American owned businesses. It was also the “party” street when nearby Evanston (up until the 1960s) was a “dry” community. Evanston is, in fact, across the street from Rogers Park and Howard is the dividing line. Today, Howard Street is a mixture of businesses – social service, nonprofits, a few restaurants, etc – but an area that is rapidly changing. We looked at four sites on Howard Street.



1525-35 WEST HOWARD STREET



7519-33 NORTH ASHLAND AVE

- 1525-35 West Howard Street: two vacant one-story buildings with a 20,000-square-foot parking lot between them. The entire site is under the same ownership and has been for sale for many years.
- 7519-33 North Ashland Avenue, at the corner of Ashland and Howard: This is known as the “Lerner” lot and is about one acre in size. In June, the City issued an RFP for a market-rate mixed-use development; responses are due by the end of August.
- 1565 West Howard Street: A vacant lot across from the Lerner site and the former Wisdom Theater site. It was owned by a nonprofit that went out of business. It is too small to be a candidate for an Artspace development.
- 2017 West Howard Street: This is the Dearborn Wholesaler site; it includes a 9,000-square-foot warehouse and a 30,000-square-foot parcel. It is privately owned.

The RFP site is off the table for an Artspace-style development at this time because the City's focus is on market-rate apartments at this location. However, if there is an affordable requirement within the market rate development, artist housing could be a terrific affordable component.

The 1525-35 and 2017 West Howard Street parcels could work for a mixed use artist housing project and would do much to enliven the street and be a catalyst for continued development along this historic cultural corridor. Having a jazz club or jazz component to a future project could do much to help bring back Howard's historic roots while activating additional storefront spaces.

LOYOLA UNIVERSITY SITE (NEAR 1224 WEST LOYOLA AVENUE)

We briefly visited a unique gallery, Roman Susan, in the Loyola neighborhood. The gallery is in a triangular building at the corner of Loyola Avenue and the alley that abuts the "L." The gallery is across Loyola Avenue from a large vacant parcel that is owned by Loyola University. We inquired about Loyola's plans for the site and at this time there are no plans afoot. However, we learned that they would be amenable to a 99-year ground lease for a development on the site that meets their objectives and greater community development objectives.



VISITING ROMAN SUSAN

Artspace has had discussions with other colleges and universities in the past where a site could accommodate classroom and fine art studio uses and be compatible with artist housing. We believe this option should stay on the table while we learn more about the market demand.

ADDITIONAL SITES

Other sites we briefly discussed include:

- N Damon Avenue & N Rogers Avenue: 26,000 square foot site with small commercial building and lot for sale. These parcels are owned by three separate owners who have agreed to work together.



DAMON AND ROGERS SITE

- Hillel Lot at 1233 W Pratt Boulevard at the intersection of Sheridan Road: A 22,000 square foot privately owned lot in a residential neighborhood. A mixed-use project would require a zoning change, which could be challenging.



HILLEL LOT

Conclusion

Once we have a better understanding of the market demand in Rogers Park, as part of a predevelopment scope of work we would look more carefully at these and other sites, factoring in market preference, alignment with city and community goals, ease and cost of acquisition, parcel size, funding options, and other factors. Due diligence in this phase would include discussions with property owners, review of available site information (environmental conditions, zoning, soil reports, and so on) and would progress to third party evaluations as needed and ultimately site control negotiation for the priority site.

FINANCIAL ANALYSIS

An Artspace live/work project represents a significant investment of civic resources. A typical project of 50 to 70 units of affordable housing for artists plus community and commercial space costs \$15 to \$20 million. Predevelopment expenses – the “soft” costs, such as architects’ fees, that must be met before construction can begin – are seldom less than \$750,000 regardless of the size of the project. Although a variety of federal programs, such as Low Income Housing Tax Credits (LIHTC), can be used to generate revenue for the majority of construction, we look to the community for private and public predevelopment funds and commitments of affordable housing allocations in a combination of Community Development Block Grants (CDBG) and HOME funds, Tax Increment Financing (TIF), private philanthropic support or the equivalent.

Attending the Financing and Funding Focus Group session was a cross-section of participants from the public and private sectors – including the Department of Cultural Affairs and Special Events (DCASE), 49th Ward Alderman Moore, the Tawani Foundation, BMO Harris Bank, staff members from State Representative Kelly Cassidy’s office from the 14th District and State Senator Heather Steans from the 7th District, and Loyola University, among others. We were encouraged by the participation of both City and private entities in the discussions around “where the funding might come from,” and it was clear to us that a private/public partnership would be highly likely and very possible in Rogers Park, though predevelopment funding would be a challenge. We will need to be extremely creative and look for direct support from individuals and organizations that are highly involved in Rogers Park and that may have access to funding sources unique to that part of Chicago.

We discussed the use of Low Income Housing Tax Credits from the City of Chicago, which has its own allocation, and/or the State of Illinois. Although these tax credits are highly competitive, the LIHTC program is one we understand well and have recently used for mixed-use live/work projects in Elgin and Waukegan. (See www.artspace.org/our-places/elgin-artspace-lofts and www.artspace.org/our-places/karcher-artspace-lofts for more information)



ELGIN ARTSPACE LOFTS // ELGIN, IL

Tax Increment Financing (TIF) was also discussed. Rogers Park currently has two TIF districts, but we were informed that they are limited. A new TIF district could be formed, but it would take years to build up a pool of funds to advance new projects. In any case, TIF is rarely a good fit for Artspace projects, which are primarily residential.

The two state representatives who attended the session mentioned the Illinois Finance Authority, the state’s bonding authority, as a potential source to consider. If a project moves forward in Rogers

Park, we will need to determine if and how state bonds might align with LIHTCs and other public funding.

Other sources of capital and/or predevelopment support that were mentioned include:

- The Tawani Foundation
- The Illinois Facilities Fund
- Polk Brothers Fund
- Bank of America Foundation
- Chicago Community Loan Fund (for bridge funding)
- The Chicago Community Trust

During our discussion with the group, several people mentioned that idea of putting together a coalition of funders to bring a mixed-use artist housing project to fruition. We believe this would be an ideal scenario and would create the kind of buy-in and leadership a project like this would need. While Artspace has the experience and technical skills, the importance of local leadership cannot be overstated. A strong cohort of funding entities and elected officials (with their staff) could take a project such as this to the finish line.

When we asked about what brings people to Rogers Park to live, work or be entertained, the top answers were:

- Loyola University
- The Mayne Stage theater
- Lifeline Theater
- Glenwood Avenue Arts studios
- Clark Street Festival

We also learned about a new program for which Rogers Park might be uniquely positioned. The Incentovate program is a fund that, among other things, provides up to \$200,000 for innovative projects or programs in neighborhoods. Although it cannot be used for capital purposes, this grant opportunity could be a wonderful fit for the Rogers Park Business Alliance to continue fostering creative uses – temporary and permanent – of storefront spaces. For more information, visit: www.cityofchicago.org/city/en/depts/dca/supp_info/incentovate.html

When considering financial feasibility and return of investment, it is important to note the multiple points of impact of a potential project site. “Returns on investment” include not only affordable housing but also blight remediation, adaptive reuse of historic buildings, and infrastructure investment in the cultural economy. Communities, civic leaders, and politicians have to share in this vision to maximize impact.

Artspace uses all of these arguments to make the case for funding. While we are adept at using the LIHTC tool to provide the lion's share of the funding for most projects, we rely on philanthropy for a variety of reasons. Federal, state, and local funding is an ever-shrinking pot of money, and the competition for these funds is growing.

Low Income Housing Tax Credits come in two "flavors," 9% and 4%, that reflect their relative value. Competition is fierce for the 9% credits, which can generate more than half the funds needed for an affordable housing project. The 4% credits are much less competitive, but even though they come with a supplemental allocation of bonds, they fall well short of the 9% credits as a funding source.

Every Artspace project – even one supported by 9% credits – has a funding gap, typically between 12% and 15% of the total project cost that must be closed with income from other sources. Community Development Block Grants, HOME funds, and other public programs can help close the gap. However, we rely on the philanthropic community for the final dollars. In a 4% LIHTC deal, the gap is larger and the reliance on philanthropy is correspondingly larger.

Philanthropy comes in the form of gifts from foundations, corporations, and in some cases, individuals. Of particular interest to a potential Artspace development in Rogers Park was the state elected and aldermanic support. Strong city and state leaders can often identify and prioritize funding for projects they feel strongly align with their community goals. We saw the potential for this kind of support in Rogers Park.

One final consideration relating to financing and the gap is that the cost-per-unit is higher in an Artspace Project than it is in traditional LIHTC projects. This is due to four basic features of the projects which also relate to their effectiveness for the arts and the unique nature of functional artist space: larger hallways so they can be used as galleries, larger common areas, larger unit size to accommodate living and working space, and larger volume of spaces within the units due to the higher ceilings.

Regarding any commercial space, we would be seeking relationships with creative businesses also seeking space and playing a curatorial/business development role with these prospective tenants. The amount of commercial space will depend, of course, on the building, size of parcel, and, most importantly, the location. The Rogers Park Business Alliance role will be instrumental in helping to identify exciting commercial tenants that compliment the commercial corridors and align with neighborhood priorities.

The chart below shows typical funding sources for an Artspace mixed-use project. The example, our Buffalo, NY project, included both historic rehabilitation and new construction. The project was created as a catalyst for continued growth along an underutilized main corridor and helped to bridge commercial activity with residential. The state of New York offers both a Federal and a State Low

Income Housing Tax Credit. Project costs and sources can vary significantly from community to community and depend on the final project concept, but this example provides insight into the multiple layers of private and public funding that must come together for a project to break ground.

| SOURCE | AMOUNT | PCT. |
|--|----------------------|--------------|
| Public Sources | | |
| Federal low income housing tax credits | \$ 6,592,060 | 41 % |
| State low income housing tax credits | \$ 2,796,404 | 17 % |
| Federal historic tax credits | \$ 1,678,775 | 10 % |
| HOME funds (\$900,000 from state, \$400,000 from city) | \$ 1,300,000 | 8 % |
| Community Development Block Grant (city) | \$ 300,000 | 2 % |
| Federal allocation | \$ 250,000 | 2 % |
| Private Sources | | |
| Private sector (philanthropic gifts) | \$ 1,400,000 | 9 % |
| First mortgage | \$ 1,200,000 | 7 % |
| Deferred developer's fee | \$ 670,944 | 4 % |
| TOTAL | \$ 16,188,183 | 100 % |

FUNDING SOURCES FOR ARTSPACE BUFFALO LOFTS // BUFFALO, NY

LOCAL LEADERSHIP

It cannot be overstated how critical local leadership is to the future success of a project. Other factors can be weak and a project can still succeed with the right leadership at the table. But without someone on the ground who can advocate effectively for the project, open doors, and keep lines of communication open between the developer and the community, there is little chance of success. For this reason, we place a very high value on local leadership.

We were genuinely pleased with the leadership from both the public and private sectors. In a city the size of Chicago, it was remarkable to have Alderman Moore (who also chairs the City of Chicago's Committee on Special Events, Cultural Affairs and Recreation) and his staff participate for the entire two days. We were also encouraged by the representation from State Representative Kelly Cassidy's office from the 14th District and State Senator Heather Steans from the 7th District.

Having an organization like the Rogers Park Business Alliance and its dynamic leader, Sandi Price,

guide the process is no less important. The RPBA thinks broadly about the needs of the neighborhood and helps to bridge between local business, community development and elected officials' agendas.

All this is to say that we give Rogers Park high marks in its leadership capacity. The only area where more leadership could be exhibited would be from private philanthropists and organizations that have a stake in community vitality and improvement. We are confident this aspect of support and leadership can be discovered.

POTENTIAL FOR SUSTAINED COMMUNITY IMPACT

We met with many who have a vested interest in Rogers Park and the benefits that an Artspace live/work project can offer. In focus groups and a public meeting, we heard from individual artists, arts agencies and organizations, developers, nonprofits, community activists, local residents, business owners, educational institutions, property owners, and funders.

A 50-80 unit mixed-use project would have an enormous impact in Rogers Park, particularly if located in a commercial corridor – such as Howard or Clark – where it would become a catalyst for other positive economic impact and where cultural heritage is important to preserve.

As the project concept evolves, it will be important to continue to emphasize the project's "placemaking" capacity by admitting multi-disciplinary artist residents and organizations and by incorporating community-accessible space for programming, collaborations, working studios, and/or rentals. Not only will the artist residents require shared spaces, but the community would benefit from having access to workshops and classes, performances and demonstrations, lectures, and other on-site events.

Site selection will be a component of overall community impact. Other key elements to keep in mind include the need to develop synergistic ties to other organizations and other areas of the neighborhood, to identify community-based commercial tenants in the creative business sector, and to ensure that artist support services and programs are in place before the project goes into operation. Artspace can help to facilitate these things but can never substitute for the local drive and talent needed to make these projects more than about a singular community of artists.

In any discussion of our work, it should be noted that Artspace live/work projects are unlike most affordable housing in that we use an "artist preference" policy to fill vacancies. For each project, we appoint a committee made up of artists who are not candidates to live in that project. The committee then interviews income-qualified applicants to determine their commitment to a career in their chosen art form. It does not pass judgment on the quality of an applicant's work, nor is it permitted to define what is or is not art. Although the IRS challenged the "artist preference" policy in 2007, it

dropped the challenge after the Housing and Economic Recovery Act of 2008 became law. That law states: “A project does not fail to meet the general public use requirement solely because of occupancy restrictions or preferences that favor tenants...who are involved in artistic or literary activities.”

The Artspace live/work model has been proven to benefit communities by:

- Animating deteriorated historic structures and/or underutilized spaces,
- Bringing vacant and/or underutilized spaces back on the tax rolls and boosting area property values.
- Fostering the safety and livability of neighborhoods without evidence of gentrification-led displacement.
- Anchoring arts districts and expanding public access to the art.
- Attracting additional artists, arts businesses, organizations, and supporting non-arts businesses to the area.

Although many neighborhoods balk at the notion of an affordable housing project in their midst, affordable live/work housing for artists is rarely if ever controversial. Indeed, in our experience it is precisely the opposite: many communities embrace affordable housing for artists as a means of spurring economic development in challenged areas or retaining artist populations at risk of displacement by gentrification.

NEXT STEPS

Rogers Park is well-positioned to continue its focus on creating a healthy mixture of affordable space opportunities that attracts creative professionals, retains young people from Loyola and other nearby colleges and universities, and enhances the regional economy. Building on the impact of the creative community, in our view, is a dynamic step toward that goal.

The timing of a development focused on the creative sector in one of the four prominent commercial nodes seems particularly ripe for Rogers Park. An Artspace project would re-energize any one of these nodes and help attract other mixed-use and commercial development.

We strongly recommend the next step in the traditional path to an Artspace project, an Arts Market Survey, to help Rogers Park understand the depth and breadth of its creative community. An Arts Market Survey will quantify the need for artist live/work and studio space and other kinds of spaces, thereby providing reliable information for others – including prospective LIHTC investors – whose support will ultimately be needed. Our gut feeling tells us that Rogers Park can support 50-60 units of artist housing and/or studio space. But bankers do not accept gut feelings as sufficient reason to offer a mortgage loan: they require the statistical evidence of market need that an Arts Market Survey can provide.

Since Rogers Park is focused on redeveloping its commercial nodes, increasing the mixture of housing opportunities and continuing to become an increasingly vibrant place for people of all ages, Artspace recommends looking at multiple opportunities for development that focus on the creative sector. We believe, based on the strength of the market survey, other developers in the area could jump on the bandwagon to consider creative space within their mixed-use developments once the market demand is better understood and quantified. Artspace could play a future role in helping to educate developers about how and why space for creatives is important and desirable and will help with their marketing efforts.

In Rogers Park, we believe the next key steps are these:

- From the group that was assembled for our visit, build a core group of advisors who will be key ambassadors for the project moving forward.
- Collaborate with Loyola and the local arts community on an Arts Market Survey that focuses on the space needs of individual artists and their families.
- Post-market survey, enter into a predevelopment agreement during which the first scope of work is site evaluation and due diligence – environmental testing, space planning, etc. See “The Path of an Artspace Project” (Appendix I), which provides an overview of the steps involved in advancing a successful project.

We believe a project that includes both affordable live/work housing and space for creative businesses and working studios would provide a tremendous boost to the reputation and visibility of Rogers Park's arts community as well as stable, permanently affordable space. The presence of a critical mass of creative people would do much to ensure a permanent presence for artists, enhance the area's reputation as an arts quarter, partner in educational activities, and catalyze additional development in commercial nodes where creatives are congregating.



ARTISTS AT WORK

With affordable space to live and work, our resident artists can unleash their creativity.



LIVELY NEIGHBORHOODS

Our projects spur economic activity and dynamic street life in the area.



SUSTAINABLE SOLUTIONS

Our projects provide long-term affordable space without ongoing fundraising.

ABOUT ARTSPACE

Established in 1979 to serve as an advocate for artists' space needs, Artspace effectively fulfilled that mission for nearly a decade. By the late 1980s, however, it was clear that the problem required a more proactive approach, and Artspace made the leap from advocate to developer. Since then, the scope of Artspace's activities has grown dramatically. Artspace is now a national leader in the field of developing affordable space that meets the needs of artists through the adaptive reuse of historic buildings and new construction.

Artspace's first three live/work projects were in Saint Paul: the Northern Warehouse Artists' Cooperative (1990), Frogtown Family Lofts (1992), and Tilsner Artists' Cooperative (1993). In the mid-1990s, Artspace broadened its mission to include non-residential projects. The first of these, the Traffic Zone Center for Visual Art (1995), transformed an historic bakery in the Minneapolis Warehouse District into 24 studios for mid-career artists.

Since then, Artspace has expanded its range of activities to include projects in operation or development in more than 20 states across the nation. In all, these projects represent nearly 2,000 live/work units and millions of square feet of non-residential community and commercial space. Artspace has evolved from a Minnesota organization with a few national projects into a truly national organization based in the Twin Cities, with offices in New York, Los Angeles, Seattle, New Orleans, and Washington, DC.

Artspace programs fall in three broad categories: Property Development, Asset Management, and Consulting Services.

Property Development

Development projects, which typically involve the adaptive reuse of older buildings but can also involve new construction, are the most visible of Artspace's activities. To date, we have completed more than 35 major projects. A dozen more are under construction or in the development pipeline. Artspace live/work projects are operating from coast to coast.

Asset Management

Artspace owns or co-owns all the buildings it develops; our portfolio now comprises more than \$500 million worth of real property. We

strive to manage our properties so that they will be well-maintained yet remain affordable to the low- and moderate-income artists for whom they were developed in the first place. Revenues in excess of expenses are set aside for preventive maintenance, commons area improvements, and building upgrades.

Consulting Services

In addition to its roles as developer, owner, and manager, Artspace acts as a consultant to communities, organizations, and individuals seeking information and advice about developing affordable housing and work space for artists, performing arts centers, and cultural districts, often within the context of historic preservation.



APPENDIX I

THE PATH OF AN ARTSPACE PROJECT

Rome wasn't built in a day, and neither is an Artspace project. In fact, a typical Artspace live/work project takes from four to seven years to complete. Although no two projects are precisely alike, they all travel a similar path through the development process.

Here is a brief look at a typical Artspace live/work project as it proceeds from first inquiries through feasibility studies, predevelopment, and development to completion and occupancy. Please note that this is not an exhaustive list of every activity that goes into an Artspace project, and that some actions may occur in a different order.

| STEP 1: PRELIMINARY FEASIBILITY | |
|----------------------------------|--|
| Overview | <ul style="list-style-type: none">• Information Gathering and Outreach |
| Primary Activities | <ul style="list-style-type: none">• Meet with artists, civic leaders, and other stakeholders• Conduct public meeting to introduce Artspace and solicit feedback• Tour candidate buildings and/or sites• Conduct extended outreach as needed to ensure that people from underrepresented communities are included in the process |
| Deliverables | <ul style="list-style-type: none">• Written report with recommendations for next steps |
| Prerequisites for Moving Forward | <ul style="list-style-type: none">• Demonstrated support from local leadership• Critical mass of artists and arts organizations with space needs• Established base of financial support |
| Time frame | <ul style="list-style-type: none">• 3-5 months, kicked off by a 2-day visit |
| Cost | <ul style="list-style-type: none">• \$15,000 |

STEP 2: ARTS MARKET SURVEY

| | |
|---|---|
| Overview | <ul style="list-style-type: none">• Assessing the Need |
| Primary Activities | <ul style="list-style-type: none">• Assemble a comprehensive list of artists (and arts organizations, if applicable) in the area• Reach out to artists and creative organizations from diverse arts disciplines, ages, ethnic backgrounds, etc., asking them about their space needs• Conduct a public meeting to launch the survey and educate the community about the project• Analyze and report on survey findings |
| Deliverables | <ul style="list-style-type: none">• Written report with recommendations for next steps |
| Prerequisites for Moving Forward | <ul style="list-style-type: none">• Sufficient number of responses from eligible, interested artists to support an Artspace live/work project |
| Time frame | <ul style="list-style-type: none">• 4-6 months |
| Cost | <ul style="list-style-type: none">• \$30,000 (artists only) or \$42,500 (artists and arts organizations) |

STEP 3: PREDEVELOPMENT I

| | |
|---|--|
| Overview | <ul style="list-style-type: none"> • Determining Project Location and Size |
| Primary Activities | <ul style="list-style-type: none"> • Work with City and other stakeholders to establish (a) preliminary project scope and (b) space development program for evaluating building and site capacity • Analyze candidate buildings/sites with respect to cost, availability, and other factors impacting their ability to address development program goals • Review existing information about potential site(s) to identify key legal, environmental, physical, and financial issues affecting their suitability • Negotiate with property owners with goal of obtaining site control agreement • Continue outreach to artists and arts organizations • Connect with potential creative community partners and commercial tenants |
| Deliverables | <ul style="list-style-type: none"> • Confirmation of development space program and goals • Assessment of site suitability and identification of any contingent conditions to be resolved through continued due diligence • Site control agreement or update regarding status of site control negotiations • Summary of project status |
| Prerequisites for Moving Forward | <ul style="list-style-type: none"> • Site control agreement with property owner • Growing stakeholder/leadership group • Both parties' agreement on project scope and feasibility |
| Time frame | <ul style="list-style-type: none"> • 3-6 months |
| Cost | <ul style="list-style-type: none"> • \$150,000 |

STEP 4: PREDEVELOPMENT II

| | |
|---|---|
| Overview | <ul style="list-style-type: none"> • Project Design and Financial Modeling |
| Primary Activities | <ul style="list-style-type: none"> • With City participation, establish process for selecting architectural team • Confirm development goals and space program with architectural team • Engage architect to create conceptual plans and schematic designs • Engage contractor or cost consultant to provide pre-construction services • Resolve any contingent conditions relating to site control • Create capital and operating budgets • Obtain proposals and/or letters of interest from lender and equity investor financing partners • Prepare and submit Low Income Housing Tax Credit application • Submit other financing applications as applicable • Maintain excitement for the project within the creative community • Encourage and guide local artists to activate the site with arts activities |
| Deliverables | <ul style="list-style-type: none"> • Schematic designs • Financial pro-forma detailing capital and operating budgets • Preliminary proposals and letters of interest for project mortgage and equity financing • Summary of project status |
| Prerequisites for Moving Forward | <ul style="list-style-type: none"> • Award of Low Income Housing Tax Credits (first or second application) or commitment of alternative funding |
| Time frame | <ul style="list-style-type: none"> • 10-13 months |
| Cost | <ul style="list-style-type: none"> • \$300,000+ |

STEP 5: PREDEVELOPMENT III

| | |
|---------------------------|--|
| Overview | <ul style="list-style-type: none"> • From Tax Credits to Financial Closing |
| Primary Activities | <ul style="list-style-type: none"> • Secure final gap funding commitments • Raise funds for equity, including private sector philanthropic dollars • Complete construction documents and submit permit applications • Negotiate construction and permanent loan commitments • Negotiate limited partner equity investment commitments • Advance project to construction closing • Communicate the progress of the project to the creative community to keep up the involvement and excitement |
| Deliverables | <ul style="list-style-type: none"> • Successful closing and commencement of construction |
| Time frame | <ul style="list-style-type: none"> • 4-6 months |
| Cost | <ul style="list-style-type: none"> • \$300,000+ |

STEP 6: CONSTRUCTION

| | |
|---------------------------|---|
| Overview | <ul style="list-style-type: none"> • Construction and Lease-up |
| Primary Activities | <ul style="list-style-type: none"> • Oversee project construction • Engage local management company • Identify commercial tenants and sign lease agreements • Reach out to potential artist tenants, providing education on the application process • Conduct residential tenant selection process |
| Deliverables | <ul style="list-style-type: none"> • Completed project ready for occupancy |
| Time frame | <ul style="list-style-type: none"> • 6-10 months |
| Cost | <ul style="list-style-type: none"> • Depends on project (not part of predevelopment contract) |