

ARTSPACE'S NORTHERN WAREHOUSE: 1990 – 2042

A CASE STUDY IN SUSTAINABLE CREATIVE PLACEMAKING

St. Paul Farmers' Market with Artspace's Northern Warehouse in background

artspace

THE ART OF CREATIVE PLACEMAKING: AN ARTSPACE REPORT

DEAR FRIENDS OF ARTSPACE:

There is a growing body of evidence that creative placemaking – ***the leveraging of cultural assets to strengthen the social fabric of a community*** – is a powerful tool in transforming the physical, social and economic identity of an area. Third-party studies have found that these projects foster the safety and livability of neighborhoods, create jobs, boost property values and anchor arts districts. They expand access to the arts, and attract new artists, businesses and organizations.

While the national awakening to the economic power of the arts is unleashing unprecedented opportunity for creative placemaking projects, it also takes us back to one of the oldest questions in the field: ***what happens to artists and arts organizations who help create value in a community only to find that they can no longer afford to remain within it?*** Artists from coast to coast have seen the downside of revitalization as they are priced out of an area that has successfully built an arts-based identity. And once the artists go, so does the creative energy that propelled not just development but genuine community-building.

Artspace was founded in 1979 to help address the so-called SoHo Effect. In Minneapolis, artists had helped transform a warehouse district from a desolate address to a hot destination to live, work, eat and explore. But as prices went up, artists were losing their toehold in the very the neighborhood they had helped create.

For nearly a decade we experimented with various temporary solutions before recognizing that the only way to permanently protect artists – and the transformative energy they create – is to control property. Artspace reinvented itself as a non-profit real estate developer with the commitment that ***our art spaces would remain permanently affordable*** to artists and arts organizations. We believed, and believe today, that ***if artists are willing to invest their creativity and sweat equity in community transformation, their return on investment must be a sustainable home.***

But how are permanent affordability and sustained impact achieved? Not easily. In this paper, we showcase the long-term stewardship of our very first project – the Northern Warehouse in Lowertown St. Paul. The Northern Warehouse has been a vital hub of the St. Paul arts community for the last 20 years, and we've now restructured it to preserve affordability for the next 30, all without ongoing fundraising. While other projects will achieve sustainability in different ways, ***the Northern offers a replicable model for our rapidly expanding field.***

Sincerely,



Kelley Lindquist

PRESIDENT, ARTSPACE PROJECTS





ST. PAUL'S LOWERTOWN

Creative Placemaking is the leveraging of cultural assets to strengthen the social fabric of a community.

LOWERTOWN ASSET	ARTSPACE PROVIDED	OUTCOME
Economically vulnerable artists	Appropriate, affordable space for 52 low income artists and their families	Greater artistic production and earning, restored residential density, sweat equity in community building
Creative enterprises and non-profits	Stability, affordability, shared resource opportunities	Enhanced capacity to deliver services to community
Underutilized historic warehouse	\$5.6 million in public and private funding for renovations and reserve funding	Affordable space that meets needs of residents and tenants while catalyzing complementary development
Underutilized space neighboring the warehouse	Density, safety, momentum, investor confidence	Creation of Farmer's Market, additional housing, light rail line stop, potential minor league baseball stadium



Photo by Sean Smuda

Northern Warehouse artists participate in the St. Paul Art Crawl, opening their studios to the public twice a year.



Artists working in a wide range of art forms, including textile art, make their home in the Northern Warehouse.

THE NORTHERN WAREHOUSE

A CASE STUDY IN SUSTAINABLE CREATIVE PLACEMAKING

In the early 20th century, St. Paul's Lowertown was a bustling cluster of sturdy warehouses and office buildings, including the headquarters of James J. Hill's Great Northern Railroad.

By the 1970s, however, the downtown business district had migrated blocks to the west. Railroads had ceased to be important contributors to St. Paul's economy. Most of the warehouses stood empty. Lowertown was in many ways a forgotten district of dusty memories, widely known as St. Paul's skid row.

In the late 1980s, the City of St. Paul invited Artspace to redevelop a six-story Lowertown warehouse built in 1907–08 by the Northern Pacific Railway. Completed in 1990 at a cost of \$5.6 million and renamed the Northern Warehouse Artists' Cooperative, the new project offered 52 affordable live/work units for artists and their families on its upper four floors. The lower two floors provided office, studio and commercial space for nonprofit arts organizations, commercial artists and other tenants, including a coffeehouse and an art gallery.

What happened over the next two decades was dramatic. The Northern was followed by another Artspace project, the Tilsner Artists' Cooperative, and other residents followed – sparking population growth of nearly 400%



Resident artists led the transformation of Lowertown St. Paul.



The Northern Warehouse (right) and the Tilsner Warehouse in the late 1980s, before Artspace renovated them as artist housing.

since the early 1980s. Lowertown emerged as St. Paul's hottest neighborhood for galleries, restaurants and cultural activity. The St. Paul Farmer's Market thrives across the street from the Northern, and a new light rail station sits just two blocks away. Talk continues of building a baseball stadium for St. Paul's minor league club on the Lowertown edge.

The majority of project funding came through Low Income Housing Tax Credits – in fact, the Northern was the first arts project in the nation to use this powerful tool. After 2005, when the tax credit compliance period expired, Artspace could have sold or converted the building to upscale apartments. Instead, we refinanced the project in 2011 to ensure the long-term sustainability of the building without displacing the artist community it had nurtured.

The refinancing, which was made possible by a second allocation of Low Income Housing Tax Credits, allowed Artspace to replace all windows with more energy efficient models, button up the brick façade and lay a new roof. Of equal importance, we were able to maintain rents for both artists and nonprofit tenants at affordable rates.

The 2011 refinancing of the Northern is not a short-term fix but an overhaul that will allow the Northern to remain affordable over the next 30 years without any need for annual philanthropic support.

“With the refinancing, occupancy here will be assured for another 15–30 years...Can you imagine artists living in one place for a combined 50 years, what that potential of that is? That’s an institution.”

SUSTAINABILITY IN CREATIVE PLACEMAKING

When Artspace first started developing projects in the late 1980s, we had a pretty simple notion of sustainability – space should remain affordable to artists in perpetuity. This was a direct reaction to the dreaded Soho Effect, where artists would help create value within a community only to be priced out of it. As a nation, America asks artists to lead the way and inspire us, but we offer artists very little in return, especially in the way of security.

Our core belief – **that the people who create a sense of place have a right to remain within it** – endures, but we have come to appreciate sustainability as an outcome mounted on three legs: financial, social and environmental.

FINANCIAL SUSTAINABILITY

We have all seen inspiration unraveled by cold financial realities. Financial sustainability is based upon an understanding of the long-term costs of ownership and a realistic, flexible assessment of revenue potential. In Artspace’s world, it begins with using the capitalization process to put in place an operating model that balances

debt against affordable rents and ongoing reinvestments. We need our buildings to be self-sustaining in this manner, and not to assume that either ongoing philanthropic support or rents that few artists can afford will cover gaps.

In the Northern Warehouse:

- Residential and non-residential space has been available to partners at affordable rates for more than 20 years and is structured for another 30 years of affordability.
- The building retains affordability and makes ongoing reinvestment without relying on ongoing philanthropic support.
- The Northern contributes back to St. Paul (through taxes and community improvement dollars) and Artspace (net revenue) without compromising its mission.

SOCIAL SUSTAINABILITY

Social sustainability is focused on nurturing existing assets rather than achieving change by importing something new. We want the people who live and work within our communities to have more opportunity to flourish rather than seeing them ultimately driven out by a “next generation” that values the dynamic sense of place that has been created. We want to encourage the growth of creativity over time rather than witness a creative burnout. While in most cases we welcome population growth, it should not come as a wave of gentrification.

In the Northern Warehouse:

- Artists have used the affordable space to increase artistic production and grow their income from artistic work.
- The resident artist community has retained its cooperative management structure and continues to thrive as a cooperative community – facilitating shared resources and expertise, and sparking activity like the semiannual St. Paul Art Crawl.
- The Northern has spurred population growth, job creation and complementary development – without displacing current residents.
- Non-residential tenants, such as Springboard for the Arts, Nautilus Music Theater, and the Black Dog Coffee and Wine Bar have used the Northern space to deliver quality programming/services to the greater community.



Photo by Colleen McGuire

The Black Dog Coffee and Wine Bar in the Northern Warehouse is a thriving exhibit and performance space for a wide array of artists.

“I got rid of my car because I can walk everywhere I want to go. For me, that has allowed me to put more money back into my art.”

ENVIRONMENTAL SUSTAINABILITY

Perhaps nothing has changed more in our 30-year history than a profound appreciation for green building and environmental sustainability. In fact, all recent and future Artspace buildings conform to the sustainable design goals of LEED and/or Green Communities. We have and continue to see the adaptive reuse of historic properties as sound environmental stewardship, but – like many others in the field – we are far more sophisticated today about complementary design decisions that support energy efficiency and sustainable material choices. At times, these choices are in conflict with tight capital budgets, but taking a long, multi-decade view of a building’s operation can help reorient one’s sense of what is truly affordable.

In the Northern Warehouse:

- Over the lifetime of the building, we have continued to make reinvestments that minimize the Northern’s environmental impact, such as a new energy efficient roof and windows, as well as a restored, well-sealed brick façade.
- The Northern offers the ultimate in environmental sustainability – the recycling of an expired building for a contemporary purpose.

BEST PRACTICES

What worked to produce a project structured for 52 years of affordability and impact?

1. **Engaging a diversity of partners and agendas.**

By establishing a network of project partners with complementary but distinct goals (affordable housing, restored density, safety, new business incubation, etc.), Artspace was able to tap into diverse resources that rarely make their way to an “arts” project. Additionally, in crisis moments – and every project has them – the breadth of leadership support for the Northern allowed us to weather threats that could have undermined a more fragile coalition. These core partners included political leaders within the city and the state, the preservation community, the St. Paul Foundation, the lenders and investors, and the artists and arts organizations that helped create the space,

reanimate it and secure it for an additional 30 years of affordability.

2. **Getting the site right.** While 1980s Lowertown was “skid row” to some, it had already been discovered by St. Paul’s artist community, which recognized its compelling assets. We saw them too: great “bones,” committed residents, genuine leadership. In a great project, it is hard to say whether you create momentum or ride the wave: a better metaphor, perhaps, is fertilizing a seed that is already imagining its flower.
3. **Proper capitalization and reserve funding.** The Northern was Artspace’s first project. The budget was tight, and we weren’t able to do everything we or our artist residents had hoped, but our disciplined approach ensured that the Northern opened with a manageable debt load and appropriate operating reserves. As a result, for 20 years the Northern has remained affordable to residents and tenants, while paying taxes and generating modest revenue for Artspace, and without requiring ongoing philanthropic support or subsidy. We waited until we refinanced, after 20 years, to make upgrades like new windows and a new roof, which will continue to protect the community’s original investment.
4. **A self-governance structure that has vigilantly championed the mission.** The Northern Warehouse was developed with a leasehold cooperative ownership model. The artists formed a cooperative that maintained control over many aspects of the project’s operations. This model was created to vest the artists with responsibility, accountability, and decision-making authority. After 20 years, however, the technical requirements of the leasehold cooperative were proving stressful to both the cooperative and individual artists. Working together, we restructured the partnership. The cooperative remains although the leasehold structure has been replaced with a “cooperative agreement” that provides responsibility and control for the artists in areas that matter most to them, while providing Artspace with responsibility for ensuring long term financial sustainability. We view this as a pure win/win.

“I see the Northern as the absolutely pivotal building for Lowertown, because we did the Art Crawl for 20 long years and everybody and their fricken’ brother came through and said, ‘Oh my god, I love your place!’ People came in, they saw what we had, and they wanted one. The general public was salivating for beams and bricks.”

HOW DOES ARTSPACE FUND SUSTAINABLE CREATIVE PLACEMAKING?

Because the Northern addressed multiple public agendas, Artspace was able to finance the project from sources rarely directed to art-centric projects.

1990 Capital Budget

SOURCES

First Mortgage	\$1,808,310
City Financing	\$854,000
Low Income Housing & Historic Preservation Tax Credits	\$2,215,883
Philanthropic/Misc	\$48,920
TOTAL	\$4,927,113

In 2011, Artspace refinanced the Northern, buying out our original for-profit partner, enabling critical reinvestments and positioning the Northern for another 30 years of affordability for artists and creative enterprises.

2011 Refinancing for Sustained Affordability

SOURCES

City of Saint Paul Tax Exempt Bond Proceeds	\$2,393,450
City of Saint Pul Subordinate Loans	\$1,354,000
Artspace Contribution and Philanthropic Support	\$2,259,245
Low Income Housing & Historic Preservation Tax Credits	\$4,028,123
TOTAL	\$10,034,818

“I am surrounded by individuals who are committed to the pursuit of their art forms. Just being part of this group has driven me to continue building on my career as an artist.”



National Headquarters:

250 Third Avenue N., Suite 500
Minneapolis, MN 55401
612.333.9012

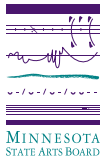
Regional Offices:

Los Angeles
New Orleans
New York
Seattle

info@artspace.org
www.artspace.org

THANK YOU

Artspace wishes to thank the Kresge Foundation, the Minnesota State Arts Board, the McKnight Foundation and the National Endowment for the Arts for their leadership support.



THE KRESGE FOUNDATION

Graphic Design: Brian Bressler

Artspace wishes to thank Metris Arts Consulting for their important research into the long-term benefits of our work. Artist quotes referenced in this report are drawn from Metris Arts' 2010 study, "How Art Spaces Matter."



ARTSPACE

Bringing impact and sustainability to creative placemaking

Over the last three decades, Artspace has led an accelerating national movement of creative placemaking by championing the once radical idea that artists living on the edge of poverty and chronically underfunded arts organizations can leverage fundamental social change. A generation later, leaders across disciplines are recognizing that the arts can advance public agendas from job creation and transit-oriented development to cultural and historic preservation. But there is often a gap between "can" and "how." The arts *can* build social equity, but *how* is this achieved, especially in our most destabilized communities?

Artspace has the hard-earned expertise necessary to create sustainable, affordable spaces for the arts that catalyze change. We have brought our expertise to more than 200 cultural facility planning efforts from coast-to-coast. Of these projects, 30 have been developed, and are owned and operated by Artspace itself, a unique portfolio representing a \$500 million investment in America's arts infrastructure.

Through third party research, we know that our projects transform communities. Internally, they create affordable, appropriate space that allows individual artists and arts organizations to be more artistically productive and increase their revenue. Externally, we foster the safety and livability of neighborhoods without gentrification-led displacement. We animate deteriorated historic structures and underutilized spaces, bringing them back onto the tax rolls and boosting area property values. We help anchor arts districts, expand access to the arts, and attract artists, businesses and organizations to the area.

Most importantly, our projects are sustainable. Our earliest projects are now 20 years old, and continue to meet the needs of artists and arts organizations while adding vitality to their neighborhoods without depending upon ongoing annual fundraising.