

Preliminary Feasibility Report Tallahassee, Florida

DECEMBER 3, 2006



PREPARED FOR:

**The Council on Culture & Arts
(COCA)**

Introduction

Tallahassee is a city of 157,000 residents in Leon County in Northern Florida. It is the capital city and the county seat with a metro area population of 255,000. Tallahassee is the home to two major universities: Florida A & M and Florida State, and a large community college. Perhaps not surprisingly, Leon County is the highest educated county in Florida with 50% of the population holding a bachelor degree or higher. The Florida average is 22%; the national average is 24%.

Tallahassee has a diverse population of primarily Caucasian and African American groups. It has been awarded the distinction as Tree City USA for the extremely large oak trees that dominate some of the boulevards and have come to be “sacredly” treasured and preserved. Tallahassee was given the prestigious All-America City Award in 1999 by the National Civic League and in 1998 was one of Money Magazine’s Southeast’s three top medium size cities in which to live.

The Council on Culture & Arts (COCA), led by Executive Director, Peggy Brady, contacted Artspace to attend a day of meetings in Tallahassee regarding COCA’s proposed development of the “Arts Park on Gaines” Street. The visit took place November 2, 2006; Artspace was represented by its Vice President of Consulting and Resource Development, Wendy Holmes.

The visit by Artspace followed work by COCA staff (and a special committee appointed by local government) that focused on the creation of a campus of arts activity along the Gaines Street corridor. Artspace’s role was to give the community feedback and to see if the potential existed (if so desired by the community and feasible for Artspace) for Artspace to play a role in developing the Arts Park on Gaines.

Executive Summary

The main objective of Artspace’s visit to Tallahassee was to assess the viability of the community’s vision for a multi-disciplinary arts development that includes housing (mixed-use) at the intersection of Gay and Gaines Streets. This day of meetings represented a two-way dialogue to see if a project of this type was feasible both for the community and for Artspace to play a role.

Here is a summary of our findings.

PROJECT CONCEPT

COCA has been working for the last three years with a special committee appointed by local government, on plans to strengthen and support the arts in Tallahassee through the creation of multi-disciplinary (performance and visual), mixed-use space for individual artists and arts organizations. They have completed an initial “needs and use” assessment of the space needs of

more than 23, mostly performance-based nonprofit organizations. This assessment includes information about the organizations' administrative and performance space needs and it highlights overlapping needs that may be met through the use of shared spaces. Most of the organizations that were part of the study were nonprofit performing arts organizations with budgets under \$1 million. One of the anchor tenants envisioned in this development is the nationally acclaimed Boys' Choir of Tallahassee. Artspace believes that the project concept, involving the redevelopment of an underutilized city-owned property in a light industrial section of the community, is sound. Moreover, the particular "Art Park on Gaines" concept of creating spaces for artists to live, work, exhibit, perform and conduct business is an excellent one.

The initial space needs assessment done by COCA reveals a maximum use of 90,000 square feet of commercial space for up to 23 nonprofit arts organizations. The commercial space is conceived as an arts organizations' incubator and rehearsal facility, where these small arts organizations can capitalize on shared space, resources and visibility to a more self-sustaining end. COCA's vision also includes space for arts retail such as a coffee shop/café, galleries, and other arts and crafts one-of-a-kind businesses. They also recognize the importance of incorporating small for-profit businesses into the mix and have in mind businesses that support the arts such as a copy/print shop, a film developing/photography supply shop, frame shop, etc. Arts Park on Gaines would also be the new home to COCA who could be in the position of master leasing the space to the nonprofit organizations.

An important part of the vision is to also create affordable housing for individual artists on this same 4.5-acre site. The housing is currently envisioned to be on Gaines Street and part of the walkable retail/mixed-use experience. The incubator facility, as it is currently conceived, is set back and behind the mixed-use housing component.

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MARKET ANALYSIS

COCA has done their homework. Clearly, based upon the needs assessment, the market exists for a multi-functional arts campus/park to serve the space needs of a number of vital nonprofit arts organizations. Couple that with the existence of the nearby Railroad Square Art Park, serving the needs of individual visual artists, it is clear that the market is proven for individual artist studio space. At this point we do not know if there is additional need for studio space or affordable live/work space. What is not known at this time is how much the arts groups could afford to pay, either for tenant improvements or for monthly rent. Identifying potential sources of funding and financing for a commercial arts facility will be critical to determining what level of affordability can be achieved for the rental spaces, and what the rental/ownership structure will look like. Conversely it will be important to learn what the financial constraints of the organizations may be, as well as what the potential is to attract viable market-rate paying businesses to the development.

The individual arts community (representative of all disciplines of arts) appears to be strong enough to warrant deeper investigation in a feasibility scope of work. A comprehensive Artist Market Survey should be conducted to assess both the strength of the artist market for the artist-housing portion of the project, and the particulars of that need. For instance, how many artists are interested, how affordable do units need to be, how many bedrooms/parking spaces do the households need, what type of shared space would be helpful, what amenities are essential and so on. We recommend conducting the survey for the specific site in mind. We also recommend including as many of the Railroad Square artists as possible and as a pre-cursor to the formal survey, to do some kind of focus group and/or group meeting with the existing arts community.

In addition, we recommend that COCA refine their initial survey of the nonprofit arts organizations space needs to determine what each organization is currently paying for their various spaces, what expansion or relocation plans they have, how spaces are being shared, and if they own or rent. Perhaps this information already exists.

It should also be noted the nationally-acclaimed Boys' Choir of Tallahassee would be an anchor tenant in the redevelopment and has "star" power. The Choir has a dynamic leader, national funding sources and is part of Oprah Winfrey's Angel Network, a noteworthy distinction.

SITE ANALYSIS

The Gaines/Gay Street 4.5 acre site is a prime location for an arts community both because of the potential to literally "bridge" to the existing Railroad Square arts community and because of the desire by local politicians and city officials to see this blighted and underutilized area revitalized. Gaines Street is currently characterized by light industrial buildings and empty lots. Gaines/Gay Street site is a mostly vacant site with several one-story industrial buildings. The site is well-positioned geographically – 4 blocks from downtown Tallahassee and equidistant between the two universities.

This site invites a number of redevelopment options. Size and location make it well-suited for a mixed-use development. An arts-focused development could clearly be a catalyst for other positive economic development along the Gaines Street corridor. Affordable housing for artists

would be a natural fit in this area and would help to bridge the new, higher end condo development to the east and the low-income neighborhoods to the west, north and south.

COCA has engaged several architects to do pro bono modeling of the site. We also understand that some level of environmental testing has been completed by the city but would need to know the findings of these studies to determine what additional testing may be necessary and to what extent environmental concerns, if any, may effect feasibility.

FINANCIAL ANALYSIS

As part of the next scope of work, we would recommend a formal financial analysis to determine the financial viability of a mixed-use arts development in Tallahassee. The two most critical items Artspace needs to understand are financing options for the non-housing portion of the project and the private sector's capacity to support a portion of the capital costs as well as preconstruction expenses. A typical predevelopment contract that enables Artspace to reach the point of submitting a competitive application for major financing is \$500,000. Sources of the funding for the pre-development contract vary from community to community. Some examples include Community Development Block Grants (CDBG), city general funds, economic development programs at the city, county and/or state levels, and arts councils and private sector philanthropic sources. An additional \$250,000 to \$500,000 is later identified in a collaborative effort between Artspace and the community. These additional funds cover the remaining preconstruction costs incurred from the time of major funding award to the start of construction. Artspace takes full responsibility (with help from the community) for assembling all of the financing and funding for the total project construction/development costs if it is a project that Artspace is going to own and manage. This financial analysis, which will examine all projected costs and sources of revenue, would be completed as part of a feasibility scope of work. This next step would be taken, only if the market survey positively supports the project concept, which we believe it will. Typically, 80-85% of financing/funding for an Artspace project comes from public sources with the remaining 15-20% of the sources coming from private sector philanthropy. This is true for mixed-use projects when 80-90% of the space is live/work and the remaining is commercial. With such a large component of commercial space desired, the sources of funding and financing could look very different

The City Manager, several Commissioners and the Economic Development Director for the City attended one of the focus group meetings and cited the following possible resources for a project such as this:

1. CDBG: \$2 million annual allocation
2. HOME: \$2 million annual allocation
3. Tax Increment Financing (TIF). The site is already in a designated TIF district.
4. Enterprise Zone

5. A pool of \$50M is likely to be renewed at the state for workforce housing. Second year of program.
6. New Market Tax Credits. The site is in a qualified census tract and would be eligible for NMTC's provided the commercial portion of the project generates 20% or more of the operating revenue.

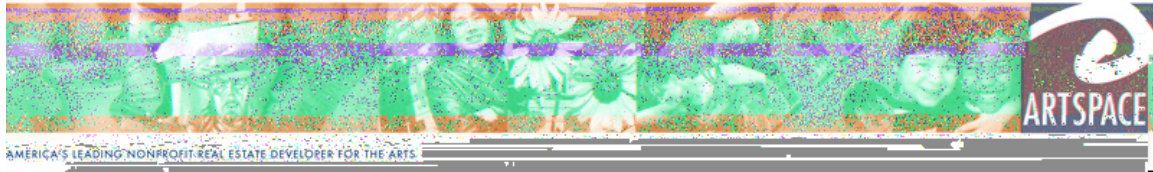
LEADERSHIP ANALYSIS

As stated in the executive summary, many positive indicators exist to support the creation of a multi-disciplinary mixed-use arts project in Tallahassee. We cannot overemphasize the importance of leadership in making a project come to fruition. Artspace brings our expertise and "tool-kit" from having created 18 (soon 20) such projects across the U.S. The local leadership provides the linkages to all aspects of a project and opens the doors for Artspace to do its best work and m

- There is a strong, existing artist community with studio and workspace in the nearby Railroad Square.
- The community has a demonstrated passion for cultural development as evidenced by their museums and plans for a new \$100 million+ performing arts center. However, other than Railroad Square Art Park, which is a wonderful grassroots, seemingly organic development, there is an apparent dearth of rehearsal and meeting spaces for the arts community as well as arts-related retail and creative businesses. However, there appear to be many gallery spaces throughout the city but they are spread out and not congregated in a particular area.
- While Tallahassee is the capital city and has two major universities and a strong community college, the arts are somewhat hidden and dispersed. All three higher educational institutions have fine arts and performing arts programs but it is not yet understood how these programs and their students and professors interact with the larger arts community. These links should continue to be capitalized upon.
- Tallahassee is certainly not a household word for those thinking about “arts friendly” cities. However, with its existing arts community in Railroad Square and the potential to create a new stronghold for the performing arts organizations, in particular, that is part of a diverse arts community that lives, works, exhibits and performs in and around the Arts Park on Gaines, Tallahassee is in a unique position to “rebrand” itself and add to its cache as an “arts friendly” community.
- Creating a new home and performance space for the nationally-renowned arts organization, the Boys’ Choir of Tallahassee, is an important factor in “anchoring” any new arts development and in attracting national funding for the Arts Park on Gaines.
- We are unsure whether the community can draw on sufficient philanthropic support (or other sources) to fill a project gap. Private philanthropy usually accounts for 10% to 15% of the total development cost of an Artspace live/work project. The gap would be significantly larger with a substantial non-residential arts development component. Identifying the potential resources to capitalize the commercial space for the arts is critically important as a next step. The most significant but less tried and true resource for the nonresidential development is New Market Tax Credits. Equally important is the operating plan for a multi-use arts facility. The rents collected would need to cover the annual operating expenses. Therefore, the debt ratio needs to be quite low.
- Can the community afford the predevelopment cost (\$500,000-\$750,000) to get a mixed-use multi-disciplinary project to construction?

APPENDICES

Artspace 101 and General Development Scope of Work



ARTSPACE 101: OUR MISSION, HISTORY AND PROGRAMS

FINDING AND RETAINING affordable space is an age-old problem for artists — painters, sculptors, dancers, and others who require an abundance of well-lit space in which to work. Many artists gravitate to old warehouses and other industrial buildings, but their very presence in an industrial neighborhood often acts as a catalyst, setting in motion a process of gentrification that drives rents up and forces the artists out.

This is precisely what happened in Minneapolis' historic Warehouse District in the 1970s and led to the creation of Artspace in 1979. Established 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 for artists through the adaptive reuse of old warehouses, schools, and commercial buildings.

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). Since then, Artspace has expanded its range of activities to include live/work projects in Duluth (Washington Studios, 1995); Pittsburgh (Spinning Plate Artist Lofts, 1998), Portland, Oregon (Everett Station Lofts, 1998), Reno (Riverside Artist Lofts, 2000), Galveston (National Hotel Artist Lofts, 2001), Chicago (Switching Station Artist Lofts, 2003), Seattle (Tashiro Kaplan Artist Lofts, 2004), Fergus Falls, Minnesota (Kaddatz Artist Lofts, 2004), Bridgeport, Connecticut (Sterling Market Lofts, 2004), Mount Rainier, Maryland (Mount Rainier Artist Lofts, 2005), and Houston (Elder Street Artist Lofts, 2005). In all, these projects represent more than 560 live/work units.

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. Other non-residential Artspace projects include the Minnesota Shubert Performing Arts and Education Center, a \$37

million, three-building cultural complex in downtown Minneapolis. When completed in 2008, it will serve as a performing home for the Saint Paul Chamber Orchestra and more than 20 small and midsize dance, music, and theater groups. It will also have a multifaceted education program that will include interactive long-distance learning technology capable of reaching every school district in the state.

Over the last few years, Artspace has evolved from a Minnesota organization with a few national projects into a truly national organization based in the Twin Cities. We now have projects in development, predevelopment, or feasibility in more than a dozen states. Our national consulting program has helped communities in 40 states address their arts-related space issues. The nature of our work is evolving, too, to include multiple-facility projects, long-range planning, and arts districts.

Artspace programs fall in three broad categories: property development, asset management, and national consulting.

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 18 major projects. Artspace live/work projects are operating or in development from coast to coast.

Asset management

Artspace owns or co-owns all the buildings it develops; our portfolio now comprises more than \$175 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.

National consulting

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 — usually, but not always, within the context of historic preservation.



General Development Scope of Work

The following is a project development scope of work and process outline which Artspace, often recommends. Artspace divides all projects from arts incubators to arts education facilities, from performing arts centers to entire communities of artists living and working together, into the following seven phases.

Project Phases:

	Phases	Description	Time
I.	The Vision	Individual or group develops vision for the project	
II.	Inquiry	Seeking information & assistance with vision	
III.	Preliminary Feasibility	Early, cursory study to determine if the essential ingredients are present	2 -day visit
IV.	Feasibility	Arts market, site analysis, initial budget, conceptual plans	6-12 months
V.	Pre-Construction I <i>(through application for primary funding - LIHTC)</i>	Assemble initial financing and due diligence	12-18 months
VI.	Pre-Construction II <i>(award of primary funding - closing)</i>	Assemble gap financing, closing checklist, construction drawings, legal	4-9 months
VII.	Construction	Construction & continuing involvement of community, tenants & neighborhood	12 - 18 months

As outlined above, the next phases constitute everything necessary to fund and build a project. The associated timeframes with each project phase are typical of Artspace's experience, but outside factors may affect the development process. Following is a general outline for a development scope of work falling into eight categories. Note that this may be amended to suite particular characteristics of the project and its needs as the project progresses. The outlined work may fall into any of the above phases. It is not a linear process.

Market Analysis

- Develop a comprehensive survey instrument and host online to collect data on:
 1. The interest and needs of artists and/or arts organizations in the region, and around the country
 - Acquire mailing lists of artists and/or arts organizations
 - Market surveys
 - Analyze survey data
 - Report on survey analysis and results
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- Engage analysis firm
 - Develop the range of data to be obtained
 - Oversee the collection, analysis and the generation of the final report
 - Report on survey analysis and results

Site Analysis

- Conduct several successive site tours with engineers, architects, code officials, the City's fire and building officials, appraisers, and other key officials
- Outline the suitability of the location for the intended uses
- Engage surveyors
 1. Conduct Land Survey
- Conduct Phase I environmental study (if applicable)
- Conduct Phase II environmental study (if applicable)
- Conduct environmental remediation activities if applicable and funded separately from the overall construction budget.
- Determine the logistics of acquisition, including the following:
 1. Confirm the cost and details of acquisition
 2. Determine outstanding environmental issues and financial liabilities
 3. Ensure clear title
- Identify code and zoning considerations
- Obtain appraisal for the property
- Delineate the assets and liabilities of the potential site

Financial Modeling & Analysis

- Create initial sources and uses development budget
- Develop balanced long-term operating budget
- Create a preliminary operating proforma that identifies potential sources and uses, estimates 30-year cash flows and detailed operating budgets
- Determine any necessary project phasing

Concept Master Planning

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Design

- Engage architect
- Outline optimal unit mix, number and layout
- Suggest appropriate commercial components, if any
- Work with architects and artists to revise and develop design concept
- Present revised concept renderings for the project
- Create schematics and elevations necessary for funding applications
- Recommend site improvements. The recommendations will include, but not be limited to:
 1. Structural enhancements
 2. Environmental improvements/abatement
 3. Building code issues
 4. ADA code issues
 5. Historic compliance (if applicable)
 6. Construction plan
 7. Construction schedule
- Identify potential local contractors consistent with community goals of prevailing wage, etc.
- Create preliminary (soft) construction cost estimates
- Work with adjacent development team to ensure seamless and cost-effective integration

Financing/Fund Raising

- Meet with relevant public entities to gauge the availability of any financing tools and tax credits
- Identify any private financing resources
- Engage fund raising consultant
- Present the development concept to
 1. Local, County, and State funding entities
 2. City officials
 3. National Foundations
- Secure letters of interest from private, public and philanthropic entities
- Prepare and submit applications for project financing

Ownership Structure

- Create project ownership model based on the established market needs, the financing plan and the community's goals
- Suggest initial steps to create ownership entity
- Identify local management agent