Santa Rosa, California

Preliminary Feasibility Report

July 2015

Prepared by Artspace
INTRODUCTION

Santa Rosa, California, located 55 miles north of San Francisco, one part wine country and one part urban core. It is the county seat of Sonoma County, and is growing; from 2010 to 2014 the population has grown from 167,800 to an estimated 174,000. Many visitors come to Santa Rosa as a launching point for exploring wineries in the area. The supply of accommodation options, in particular, supports the tourism industry, making it one of the city’s leading industries. But Santa Rosa distinguishes itself from many other cities and towns in the wine region by offering a young, hip, creative culture – that is as much about craft breweries and pop up art exhibits as it is about wine tastings.

This popularity as a tourist destination and proximity to San Francisco has taken a toll on the affordability of the city. Though it is still considered to be affordable compared to San Francisco and popular areas of Oakland, it has become unaffordable to many locals and there is a concern about actively rising prices across the board. Single-family homes converted into vacation rentals, and a growing population has contributed to the demand for housing. The proposed SMART Train expansion will provide additional connectivity to the Bay Area, and presumably, an added pressure on the housing market.

Housing has become a hot topic in Santa Rosa, with multiple issues at hand – from affordable housing to homelessness, increasing downtown living to the availability of housing stock in general. In context of the broader discussion about housing, there is a strong interest in looking at how to increase availability and access to affordable, workforce housing. Including how to support the creative community, a community that continually struggles to find affordable space to live and work.

Accordingly, the City of Santa Rosa 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.

Throughout the visit, we had a strong sense that other stakeholder groups in the community also understand the importance of their creative economy, which is at the core of what makes Santa Rosa
a desirable place to live, work, and play.

During the two-day visit, the Artspace team met with focus groups, visited potential sites, met with key leaders, and conducted a public meeting. The visit took place May 27-28, 2015. Artspace was represented by Teri Deaver, Vice President, Consulting and Strategic Partnerships, and Anna Growcott, Project Manager, Consulting and Strategic Partnerships.

This report contains Artspace’s observations, findings, and recommendations based on what we saw and heard during our visit in Santa Rosa. It is also informed by the knowledge we have gained working in California and the 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 Santa Rosa.

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.
• Arts facility projects are catalysts for private and public investment, such as façade improvements and general beautification, in the surrounding area.

• To create affordable live/work housing for artists\(^1\) 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.

• These projects create permanent community spaces that give resident artists opportunities to interact with the public through gallery events, demonstrations, performances, installations, and classes while providing the broader 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. In particular, we extend a big “thank you” to Sean McGlynn, City Manager, City of Santa Rosa, for inviting Artspace to Santa Rosa soon after moving to the City from El Paso, where he was instrumental in getting an Artspace project [now in construction] going there. We’d also like to thank Raissa de la Rosa, Economic Development & Marketing Coordinator and Nicole Rathbun, Administrative Technician, Economic Development and Housing, both with the City of Santa Rosa, for coordinating a productive trip and dynamic conversations. We are very appreciative of David Gouin, Director of Economic Development and Housing; Kelli Kuykendall, Program Specialist, City of Santa Rosa; Kristen Madsen, Director, Creative Sonoma; and all the members of the core group that provided us with their insight and time during the two-day visit. These local leaders are essential to the future success of any effort Artspace might undertake in Santa Rosa.

\(^1\) “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 37 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.

Project Concept
Some communities are clear about what they hope to achieve. It may involve preserving a specific building. Or 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.

In Santa Rosa, the concept of creating affordable space for the arts is driven by two goals: preserve affordability and expand access to affordable housing and furthermore to differentiate the Santa Rosa community as a leader in support of the arts. This dual focus on affordability and the creative economy is strengthened by a local understanding of the power of the arts in terms of economic development, tourism, and celebrating Santa Rosa’s unique culture.

Based on findings from the series of focus groups and discussions, the concept of an Artspace-style project – with affordable live/work space on the upper floors and community/commercial/studio space on the ground floor – stood out as the priority concept. This vision fits into the larger community goals of creating more affordable housing options downtown. With the City’s broader focus on affordable housing, an affordable live/work project for artists would represent one piece of
During the visit, the core group began exploring potential programmatic partnerships that would allow for this concept to align with additional community priorities, such as serving the homeless community. Indeed, Artspace encourages these types of partnerships and tenants in the projects it develops. In Baker Station Artist Lofts in Seattle, Washington, a bilingual daycare serves the multicultural needs of the neighborhood; in Artspace Buffalo Lofts in Buffalo, New York, the Manchester Bidwell Corporation established the Buffalo Center for Arts and Technology on the ground floor, providing after-school visual arts programs for at-risk urban high school students as well as health sciences career training for under-employed and unemployed adults; and in Northern Warehouse Artists’ Cooperative in Saint Paul, Minnesota a nonprofit serving homeless youth is a ground floor tenant. In each of these examples, the nonprofit tenants not only enjoy below market rate space in a vibrant building, but in most cases, have incorporated art and the artist residents into their programming and staffing.
**Artist Market**

An in-depth Arts Market Study is a required early step in the predevelopment phase of an Artspace live/work or mixed-use project, and is a step we highly recommend regardless of the community’s choice of developer or project model. The Arts Market Study includes an artist space needs survey (“Artist Survey”) for live/work project concepts and sometimes also includes a survey of creative businesses and arts/cultural nonprofits in the area (“Organization/Business Survey”) for mixed-use projects that anticipate significant space for non-residential commercial or nonprofit uses. In both instances, Artspace starts with a proprietary survey template that we developed 16 years ago and continually revise. We then modify it with community input to reflect unique characteristics of the proposed project and local arts scene, and host it online for up to eight weeks. To date, we have used this survey instrument in more than 70 communities and received responses from more than 30,000 individual artists.

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

The Artist Survey gathers a wealth of data about the area’s creatives including their age, gender, ethnicity, household size, and other demographic information; the arts activities they practice and the arts facility features of most interest to them; their current income range and the percentage of it generated by art; their current studio or work space arrangement; and how much they are willing to pay for combined housing and studio space or studio space alone.

The Artist Survey tells us with reasonable accuracy how many live/work units the local arts community can fill. It can also tells us such things as which neighborhoods are of greatest interest and what types of shared spaces and amenities to include in the project and whether a project funded with affordable housing dollars would align with interested artists’ household incomes and need for affordable living space. We determine the recommended maximum residential unit count of a proposed project by taking the number of artists who express interest in relocating to the project if it is built – and dividing that number by three. For example, if 120 artists meet both criteria, we plan for a 40-unit project. This conservative “triple redundancy” policy ensures that our projects lease up quickly and stay fully occupied over time. Because smaller projects are more expensive in terms of their per unit costs, and more difficult to fund using public subsidies, a 40-unit project is the smallest that Artspace will typically consider if we are to be the developer.

If a mixed-use project is under consideration, and the Organization/Business Survey is conducted,
the primary objectives of that survey include:

- Identifying the specific space needs of the interested organizations and businesses as well as their amenity and shared space preferences;
- Understanding their capacity or readiness to take on new space and what rents they can afford; and
- Developing a comprehensive matrix of interested entities that can serve as a starting place for space design planning and lease discussions.

Based on observations during the artist and business focus group sessions and public meeting, we believe that a deeper look at the market need and interest in space in Santa Rosa is a well-warranted next step. We believe the study would reveal a substantial need for space and provide the data necessary for planning a successful future project(s) and space-based initiative(s).

**Housing for Artists**

Not surprisingly, the need for affordable residential and/or live/work space for artists was a repeated theme during our visit. The general lack of affordable housing is a broadly recognized concern for the City of Santa Rosa and Sonoma County at large. Vacancy rates in Santa Rosa are an extremely low, 1%-2%, which increases demand and, in turn, rents. Home sales have a median price of over $400,000 and rising. We heard anecdotally that there are artists who live in non-residentially zoned spaces and “couch surf” in response to a lack of affordable space in Santa Rosa and Sonoma County. The fear among artists and other participants is that artists will begin to seek cheaper places to live and work and that attracting young and emerging artists to the area will become increasingly challenging.

In communities where market rate rents are considerably more affordable than in Santa Rosa, there can be a small margin between the market rate for rental housing and what HUD sets as the monthly rent ceiling on federally subsidized housing. In the case of Santa Rosa, it is clear from artist feedback that HUD set rents would be very affordable and attractive. Low Income Housing Tax Credits (LIHTC) are a reasonable financing tool to consider for an artist live/work project from the perspective of introducing new rental housing that is affordable to many in the creative community.

The model and financing tools Artspace uses for its live/work projects is more akin to multi-family housing than traditional live/work space with an apartment above a storefront in a primarily commercial district. In some cases, Artspace projects are primarily residential, designed with a private first floor entry. However, more commonly, the first floor is filled with commercial and community-based uses and the housing is above. The housing spaces are designed for residential
and residentially compatible art creation uses. Units are typically one level and designed to meet artists’ needs across a variety of disciplines. Common features include open floor plans, footprints that are 150-200 sq. ft. larger than a typical affordable dwelling unit, high ceilings, durable surfaces, extra storage and abundant natural light. Features include wide hallways and doors, freight size elevators, adequate entry for loading large items, shared common space WiFi, and multi-purpose spaces accessible to the public for special events, rehearsals, exhibitions, small performances, community gatherings, demonstrations, classes and so on.

Creative Work and Commercial Space
Focus group participants cited affordable housing as a priority, but affordable working studio space and space for creative businesses and nonprofits are also highly desirable. While they expressed that studio/work space is much easier to find than housing, much of the workspace that we heard about or saw is pushing the boundaries of affordability. Anecdotally we heard: spaces are commonly leased at over $1.00 per sq. ft. monthly not including utilities; some spaces in the eclectic SOFA Arts District run as high at $650 net monthly; and, that commercial space in the core of downtown, while attainable at a relatively modest (for commercial space) $1.20 per sq. ft., affordable rent is the exception not the rule. Most commercial spaces are much more expensive, typically going for $2.00 per sq. ft. While we did not learn the rental rates of industrial arts space in Santa Rosa, focus group participants indicated that this type of large volume space in neighboring Sebastopol starts around $4.00 per sq. ft. Nationally, Artspace has found that most artists, nonprofits and small creative businesses can afford to pay $1.25 per sq. ft. or less in gross rent for working studio space and commercial space. The majority of artists we query nationally make less than 10% of their income from their art, making it difficult to sustain the higher rents directly from art-based income. An Arts Market Study would reveal not only what artists are willing to pay for rent, but also how large of space they need in Santa Rosa. That data can be used as the basis for conceptualizing and pricing new spaces in the proposed or other projects.

Other Market-based Indicators
Several creative businesses and nonprofit-run spaces in Santa Rosa have become important assets to the community and to sustaining an active arts scene in the area. It is important to aid the long-term viability of these creative anchors through synergistic developments that help further support and retain area artists and increase visibility. The success of the local music and performing arts scene in downtown is largely due to facilities and programs like the Arlene Francis Center,
Shakespeare at the Cannery and the 15,000 sq. ft. 6th Street Playhouse which houses two performance venues, a dance studio, gallery and shared space. These types of facilities and opportunities provide a much-needed platform for performing artists to practice, learn, share, collaborate and perform. They draw artists from the Bay Area and surrounding region.

In addition to these Railroad Square adjacent facilities there are a number of other creative and creativity supporting businesses in Santa Rosa and neighboring communities. Overall, we were impressed with the high amount of creative and entrepreneurial activity in the area, including but in no way limited to:

- The emerging and compact SOFA District with its eclectic array of artist studios, arts retail, nonprofits and cafes;
- Finley Barrack’s building, with 24 artist studios west of downtown Santa Rosa;
- Incubator and makerspaces including WIMPspace, focused on web and digital media artists and designers and Chimera, located in Sebastopol but garnering a lot of interest regionally;
- Creative and arts-friendly businesses, including the long-time retail store Corricks (which among other endeavors is working to reactivate First Fridays and programmatically connect Downtown with the SOFA district and other creative hubs);
- New World Ballet located north of Downtown.
- Wells Fargo Art Center with its 1633 and 400 seat theatres, large event, exhibition and outdoor festival spaces on the north end of Santa Rosa; and
- The strong artisan food or “craft” food culture and culinary artist movement in Santa Rosa and surrounding Sonoma County.
These examples of creative investments and local movements coupled with the rising cost of real estate, further bolsters our confidence that a strong market for affordable creative spaces exists and is growing.

The planned SMART Train and the anticipated increase in Bay Area commuters along with Santa Rosa’s current corner on the hotel market for Sonoma County, introduces unique opportunities for the creative community and economy. Preferably, new space would create critical mass by offering co-location for artists and creative businesses, and be strategically located to support existing cultural and tourism hubs and facilities. New market rate housing and commercial developments will likely follow on the heels of the SMART Train, adding to escalating real estate and rental costs. Unfortunately, this may eventually lock all but the well-established and most successful artists out of Santa Rosa. The sooner Santa Rosa can invest in permanently affordable space for the creative community, the more feasible the project. Now is the time for Santa Rosa to solidify itself as an arts friendly destination in which artists can live and work and tourists can linger.

A sampling of comments and observations from our artist and creative business focus groups that inform our recommendations:

- The artists we spoke with were very generous in their perspective about the need to attract and retain a younger generation of artists in the community. There were shared concerns for the future vitality of Santa Rosa if affordable space and opportunities are not realized. Collectively, the spirit was one of raising the full community up, and not a fixation on individual space needs.

- Inclusiveness is important to the process of new space development. Outreach to artists of various cultural and ethnic backgrounds, including those for whom English is a second language, should be a priority. Young bilingual artists should be at the table. Involving a diverse cross-section of artists in the planning and design process is important, and involvement should go beyond just a survey. Building trust will be important in order to successfully involve the Latino community in the process.

- Community engagement is important.

- There is lack of affordable short-term rentals for teaching. Some spaces rent for as much as $300-$400 a day. Occasional-use space is often a need uncovered in an Arts Market Study. The need for affordable teaching space is a common theme nationally.

- Geographic areas of particular interest include: SOFA District, in or near downtown, along Santa Rosa Ave. and Mendocino Rd., Railroad Square District, the West End Neighborhood
• Space where artists can gather informally is needed.

• Gallery/Exhibition space is needed for artists who have housing, as well as communal spaces with special equipment like kilns and sprayers/ventilation.

• A model like Granville Island in Vancouver BC is needed. Retail stalls in their public market can be rented for $35.

• There is a Small Business Association (SBA) that offers programs through the Santa Rosa Junior College and the Sonoma County Economic Development Board and City of Santa Rosa Economic Development Department offer technical assistance, support and/or loan programs for small businesses. There is also a local Community Development Financial Institution (CDFI) called Safe-Bidco, but we did not hear about any similar organizations or programs that are specifically geared toward artist-owned and creative small businesses. CDFI’s and SBA’s and can play a big role through their programs and loan products, in readying small creative businesses to take on space like which could be offered through a mixed-use project in Santa Rosa. Engaging these established entities in the conversation about serving the needs of artist business owners could be beneficial to the growth of the creative business sector. A great CDFI model in Mesa, AZ provides a training program specific to artists and creative businesses many of which don’t fit the standard business mold, that could translate well to other CDFI’s and business support entities that have an interest. For more information visit: www.nedco-mesa.org/calltoartists.html

• Highway 101 bisects downtown, making a seamlessly connected arts and downtown community challenging. Art walks and other engagement activities aim to encourage people to think of the area as an integrated and centralized destination and encourage art buyers to “shop-local.” One suggestion was to use a circulator like “Rosie the Trolley” during art crawls to help people experience art in new neighborhoods and across town.

• There are potential opportunities for locally-led, small-scale projects of less than 20 units. If realized, they would help address some space needs. Some development technical assistance might be useful in the planning of spaces. We agree that a multi-prong approach that introduces a variety of space options in Santa Rosa is a good strategy for a variety of reasons.
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 have a positive and sustained impact the broader community. In Santa Rosa, we visited nine sites as a part of the official tour and stopped by a few others that emerged as opportunity sites during the visit. Several sites impressed us as candidates for further consideration. In buildings appropriate for adaptive reuse we look specifically at features suited for artist housing – high ceilings, structures over 65,000 sq.ft. or that can accommodate a new construction component, potential for open floor plans, and access to natural light. In sites for new construction we look for sites over .80 acres. For all sites we evaluate accessibility, walkability, ease of acquisition and potential cost, proximity to transit and amenities and alignment with community goals. The sites described in this section were not the only ones identified by the community as potential sites for an Artspace development.

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.

Of the sites we reviewed, the City-owned 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, which means that generous and flexible 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 looking to make a profit from the sale of 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 or partner), then private acquisitions are a fine option. If a property owner is willing to sell to the City and the City is willing to buy, rather than a direct purchase by the development team, this is also a great solution.

A snapshot of the properties and areas we toured is attached to this report as Appendix I

Based on preliminary scoring criteria that is weighted for site size and ease of acquisition, two city-owned properties stood out as particularly promising candidates for a mixed-use affordable live/work project: the White House Lot and the Ross Street Lot.
The Car Lots on Santa Rosa Avenue, with their potential connectivity to the SOFA Arts District, are also an interesting option to investigate further. The White House Lot and Ross Street Lot are both City-owned lots and have amenities within walking distance. Importantly, both are also well situated to address other community priorities, such as increasing the residential density downtown and extending downtown activity off of (but connected to) Fourth Street. The Ross Street Lot has the additional potential to help link the Sonoma County Museum with the rest of downtown. Though the Car Lots have an alluring proximity to SOFA and Julliard Park, there are a few key questions that would need to be addressed, such as availability and affordability of the properties, freeway noise attenuation to meet HUD requirements and whether a suitable sized parcel could be assembled.

In addition to these high scoring options, there are two other site opportunities in Roseland that came up during our visit. Based on current community goals to use this project to help connect the downtown core with adjacent arts and tourism activities, we do not consider these sites a priority. However, these sites could serve the neighborhood with arts uses that enhance future development activity and the area’s cultural identity.

With the understanding that Artspace does not expect to tour the future property during the first visit, much of the core group site discussions centered on priority areas rather than specific buildings. Any of these areas could serve as a home to a future project should a feasible site be identified:

- **Downtown Core**: Most of the activity in downtown currently happens during the workday. One way to reach the goal of increasing weekend and evening activity is to add more residential options. A mixed-use live/work project for artists and creatives can help by not only increasing downtown residential density, but also through the programs and engagement activities that are offered by artists, tenants and partners in the community and commercial spaces. The goal of creating more breadth to the otherwise linear downtown should also be taken into account, as sites that improve north–south connections will help achieve that goal. The City owns several parcels for redevelopment in downtown, which increases the viability of obtaining a suitable site. A recently completed parking study...
indicates that downtown has a sufficient number of parking spaces, to meet existing demand so upcoming development may require fewer additional parking spaces (aside from the replacement of any spaces lost due to redevelopment of a lot currently used for parking).

- **Mendocino Corridor**: Mendocino Avenue is a North – South connector that plays an important role of gateway to Old Courthouse Square. It is Artspace’s understanding that this is an area of great interest, and though we certainly agree that a mixed-use project could thrive – and help this corridor thrive, the specific sites that were considered for this analysis do not appear to be suitable for the proposed project concept. Further exploration is warranted.

- **South of Downtown and SOFA**: For the site tour, Artspace requests to visit areas where artists are currently living and working. The SOFA Arts District, which boasts the highest concentration of artists’ studios in Sonoma County, is a delightful and nearly hidden cluster of galleries, creative businesses, cafes, workspaces, and outdoor gathering spaces. A transitional neighborhood, this area has increasingly become a desirable place to live, work, and visit, especially among the younger creative community, which has some residents concerned about the rising rents. A site in or near this area of Santa Rosa could help provide affordability, stability and greater visibility for the creative people and businesses that populate it.

- **Railroad Square Historic District/West End Neighborhood**: The Railroad Square Historic district was the topic of many discussions. The SMART Train’s expansion to passenger rail in 2016 and the pending RFP for the 7 acre SMART Transit Village concept, the tourism draw, upcoming development, and current arts activity present synergistic and intriguing opportunities for an artist housing development. An affordable mixed-use live/work facility would certainly complement and benefit from being in this area. Sites within a quarter mile of the transit hub are particularly well positioned for public funding.

  The West End Neighborhood & Historic District is adjacent to and overlaps with Railroad
Square and is located just west of Highway 101 and north of Highway 12. West End Neighborhood Association formed in 1984, and the neighborhood continues to be very active. It is home to many artists and creatives, historic bungalows and cottages, families and community-based events and activities including a farmers’ market and maker community. The 6th Street Playhouse and Dance Studios, Arlene Francis Center and the Cannery are all within the border of this neighborhood. The Rosa Creek Trail system and the SMART multi-use path run through the area allowing for increased pedestrian and bike transit options.

Though the Redwood Gospel Mission site (.33 acres) and the 2 W. Third Street site (.62 acres) are likely too small for the proposed project concept, we understand that there may be other potential sites and partnership opportunities in this area. Further exploration along Wilson and Donahue and conversations with private developers and property owners about site options and coordinating efforts is well warranted. Locating a project in this neighborhood has multiple advantages and should be a priority consideration.

• Roseland: While not on our initial tour list, we did visit sites in Roseland. Populated primarily by Hispanic residents and businesses, it is an area relatively isolated – both geographically and culturally – from the rest of downtown. It is located in a “County Island,” which is to say it is surrounded by City land, but not designated as part of the municipality. Through the conversations over the two day visit, it became clear that not only is there much interest in supporting development in this area, but also that a project embraced by the community and located in Roseland would have a catalytic effect.

In conclusion, once Artspace has a better understanding of the market demand in Santa Rosa, part of a predevelopment scope of work would be a deeper analysis of these and other sites. Due diligence in this phase would factor in market analysis and include discussions with property owners, review of available site information (environmental conditions, zoning, soil reports, and so on). This process leads to third party evaluations as needed and ultimately to 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, or the equivalent.

One of the biggest challenges to affordable housing projects of any type in California remains the dissolution of statewide redevelopment agencies in February 2012. While developers and governing agencies undertaking affordable housing projects are beginning to use new funding sources like the Cap and Trade program and tools like Enhanced Infrastructure Districts, developing a proforma that mirrors reality still takes a leap of trust. New programs are still rolling out, have limited funds and are relatively untested.

Many of the state sources are strongly focused on Transit Oriented Development, which can narrow site options. Site control is still one of the biggest challenges in California. Significant acquisition and capital subsidy from public and private sources (philanthropy) are necessary to ensure the affordability and sustainability of these types of projects. Obtaining city, county or other partner agency land for below market value in return for a project that offers a public purpose, is a key strategy for success.

The following are two charts demonstrating typical funding sources for an Artspace project. The first example, Artspace Buffalo Lofts in Buffalo, NY, includes both historic rehabilitation and new construction. The second example, Artspace Tannery Lofts in Santa Cruz, CA, predates the dissolution of redevelopment agencies and is our largest project to date with 100 live/work units of new construction. The second phase commercial project in Santa Cruz is not included in this budget snapshot.
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Project costs and sources can vary significantly depending on the community and the project concept, but these examples provide insight into the multiple layers of private and public funding that must come together for a project to break ground.

Our goal at this stage of feasibility is to identify both predevelopment and development funding.
opportunities and to gain a better understanding of the challenges. This is just a starting point for further investigation and eventual Pro Forma development during a predevelopment scope of work. Following is information about funding sources that could be considered for the project as well as some observations.

State Support

The State of California allocates federal LIHTC bi-annually and on a geographic and set-aside basis. Application deadlines are in March and July. Santa Rosa projects compete in the North and East Bay Region, comprised of Alameda, Contra Costa, Marin, Napa, Solano, and Sonoma Counties. The regional apportionment of the total program resource in 2015 was 10.8%. In 2015, three projects, all from East Bay cities, maxed out competitive points at 148 and received first round recommendations for a tax credit allocation. As anticipated, the 9% tax credit program is highly competitive in this geographic set-aside. The maximum scoring potential of the priority site, project concept and amount of leveraged support would all impact how successful a bid for this funding source would be. For example, per the 2015 Qualified Allocation Plan (QAP), a project would need to serve large-families, seniors or special needs populations to be competitive. This is very typical and is a priority that is unlikely to change from year to year. A reasonable strategy would be to design the project to serve large families, meaning that at least 30% of units would need to be 3-bedroom or larger, with a minimum household size of one person per bedroom. The market study would need to reveal interested artist families and households that consist of three or more members and income qualify in order for this strategy to be effective. The larger the project is planned, the greater the number of large-family households that need to be identified. For instance a 40-unit project would require at least 36 large-family households responding positively to an artist market survey in order to meet our 3:1 test.

The state offers public comment periods, which gives cities and community leaders the opportunity to respond to the annual draft QAP and potentially influence priorities and scoring factors. As a project development advances, keeping tabs on the direction of the QAP is important. It may be prudent for the City and other advocates to weigh-in on items relevant to community goals for affordable housing. Alternatively, the 4% tax credit program could be considered if an Arts Market Study supports a project of over 50 affordable artist live/work units and the significant gap funding can be identified.

Other state funding tools that could be applicable to a Santa Rosa funded project include:

- Affordable Housing and Sustainable Communities Program (AHSC)/Cap and Trade (for Transit Oriented Development (TOD) and Integrated Connectivity Projects (ICP))
- Infill Infrastructure Grant Program (IIG)
City Support

In general, the City of Santa Rosa has made affordable housing a priority and has demonstrated this through its policies and actions. The City’s commitment is clear; it has leveraged more local funds to assist with 9% LIHTC projects competing for tie-breaker points and has allocated general fund dollars to help progress pipeline projects that had stalled during the down turn. Following is information about resources and opportunities for city support of affordable housing projects.

The City of Santa Rosa has its own allocation of CDBG and HOME funds in the combined amount of approximately $1.8 million annually. The Santa Rosa Housing Trust under the policy direction of the Housing Authority administers HOME and CDBG funds in accordance with the five-year Consolidated Plan and the City’s annually adopted Action Plan. A NOFA process was implemented recently to help expend timeline sensitive CDBG funds, but prior to the dissolution of redevelopment agencies, with abundant housing resources, a NOFA has not been necessary.

The Housing Trust also administers non-federal affordable housing resources that enter the fund as Housing Impact fees (formerly In-Lieu Housing fees) and real property transfer tax fees (currently 20% goes to homeless and housing related services). Due to recent changes to the collection process of Impact Fees, and upcoming city council consideration in late 2015 regarding the allocation of Real Property Transfer Fees, it is difficult to project future trends and depth of this loan resource for affordable housing projects. Funds available for allocation have been as low as $250,000 a year and most recently as much as $1 million.

The City does have a project pipeline that is moving forward with assistance from the City’s general fund ($1.5 million one-time allocation pending Council consideration in October 2015) and other Housing Trust sources, potentially opening up opportunities for new projects to be considered in the coming years.

As noted in the Site Analysis section of this report, the City of Santa Rosa does have City-owned sites that could be suitable for an affordable artist live/work project. It is highly unlikely that a project, as envisioned, could be viable if land has to be assembled directly from the private market. Partnership with the City would benefit the proposed project in various important ways, including the demonstration of leverage for federal funding, a necessarily generous site control agreement and an overall lower cost of acquisition or long-term lease in return for public benefit.
Alternatively, a philanthropic property owner or arts-friendly private developer partner or other public entity landowner could offer a viable acquisition scenario. While we did not have any substantive discussion with local developers or property owners that might play such a role, further research should be included in next steps, particularly if securing a City or other public agency-owned site proves infeasible.

A relatively new tool approved by the State of California but administered locally is an Enhanced Infrastructure District (EID). The local jurisdiction must make a significant commitment to put this tool into play as an area revitalization strategy, but and EID can provide new resources for affordable housing and other area-enhancing initiatives. Funding sources that can be generated using this tool include: Tax Increment Financing (TIF) and Tax Increment Bonds (with 55% voter approval), Special Assessments, Impact Fees and other loans.

**County Support**

Sonoma County offers tools and resources for green building through its Energy Independence Program. The program includes resources for both project development and tenants, including such things as: a listing of rebate offers, contractor referrals, financing tools and energy audits. Other County housing funds are for unincorporated areas of Sonoma County. While actual funding is limited, we would anticipate a terrific working relationship and partner in the County. In-particular, Creative Sonoma could help lead the project to other important funding, program and outreach opportunities.

**Philanthropic Support**

Philanthropy plays an important role in every Artspace live/work project. In a typical project, between 10% and 15% of the total construction/development funding comes in the form of gifts from foundations, corporations, and, in some cases, individuals. Predevelopment is often funded with significant philanthropic dollars as well, whether from local sources or regional and national foundations. Artspace has regional and national funding relationships, but it always takes a local lead to help open the doors to potential philanthropic partners.

Refining the project concept with community participation and buy-in, working with exceptional project and program partners, and strategic messaging will all be critical to the project’s success in obtaining philanthropic dollars. The advantage of private fundraising for a mixed-use, artist live/work project over more traditional affordable housing projects, is that it may appeal to funders with diverse missions. The right concept, partners, programs and non-residential tenant mix, may attract those who support the arts; affordable housing; small business and economic development; community revitalization; community, social justice and youth programs; green building design;
technology; and culturally specific communities. For example, a project that engages the culinary and maker communities could appeal to area funders involved in and excited by these local movements.

While there is not a significant corporate foundation presence in the area, a project in Santa Rosa may attract a unique donor base of individuals and family foundations that support the arts, technology, and education. The Sonoma County Community Foundation may offer links to individual donors in the community, but according to their website, capital campaigns are not typically funded through their competitive grant program.

Two highly competitive, but appropriate, national funding sources to consider for the proposed project and other related arts and placemaking initiatives in Santa Rosa are the NEA’s Our Town grants (www.arts.gov/grants-organizations/our-town/introduction) and the privately funded, Artplace (www.artplaceamerica.org). Both have annual applications and are best sought through public/private partnership. Artplace is a 10-year initiative that began in 2011. It does not currently fund capital projects, but could be a great resource for a coordinated placemaking initiative in the area or during the development phase.

More locally, Northern California Grantmakers, based in San Francisco, should be engaged in the conversation moving forward. While not a direct granting entity itself, the member-based funder group through its Arts Loan Fund, may be helpful with increasing the capacity of arts organizations that could become future tenants. The organization serves Sonoma County and the project would benefit by being on the radar of its members.

Private Lender and Other Support

A consortium of community lenders in Sonoma County was formed in 1990 in an effort to provide more loans for affordable housing developers. The consortium meets quarterly and has been successful in competing with larger, national banks and keeping residential and commercial loans local. One of the consortium lenders, Community First Bank, participated in the funder focus group. Janet Connors, Senior Vice President of Community First Bank, who is also the Chair of the Consortium, provided valuable information about the consortium. Some general information shared about lending practices as they might relate to the proposed project include:

- Assume a 50% vacancy rate in the commercial proforma
- Preference for two condominiums: one for the residential portion of the project and one for the commercial portion
- Consortium loans would not be 30-year fixed but rather a 5/5 ARM and prime plus that could be bought down
The loan-to-value is typically 65%-75%

In general, an Artspace project would require a bridge loan and a permanent loan that would amount to no more than 10% of the overall total development budget. Loans on the housing side are kept to a minimum. Artspace aims to include as much philanthropic subsidy on the commercial side as well to keep rents low for the nonprofit, arts and small business tenants.

Participants in the funder focus group asked questions about the viability of and risk associated with a mixed-use project as well as about the market for live/work space. As noted earlier in the report, the live/work model of an Artspace project differs from a traditional live/work space where a storefront or workspace sits below an apartment. While this can be a great model for some artists/creative business owners, it does not work well with the funding model Artspace uses. Rather, Artspace’s live/work space is residentially zoned and geared toward the creation of art that will be sold or performed elsewhere.

Artspace relies heavily on its Arts Market Study to ensure that an adequate market exists for the space it will create. This is just as important on the commercial side as it is on the residential live/work side of a mixed-use project. Artspace typically acts as the guarantor on the project’s loans, and is very careful about the amount of commercial and residential space it recommends and builds. Even while a great number of nonprofits and small businesses may need and want commercial space, not all have the capacity to take on that space and to pay enough rent to ensure a sustainable budget. The findings of the Arts Market Study are scrutinized before being translated into square footage within a concept plan. During a development scope of work, the search for tenants that fit the goals of the project and community – and have capacity for new space – is ongoing, whether or not an arts organization and creative business survey is conducted as part of the Study.

In terms of design, the commercial space is typically on the first floor. It features small commercial bays that serve a mix of long-standing, well-capitalized nonprofits and arts agencies and local businesses with strong business plans and/or operating histories, as well as small artist studios. Makerspaces, co-working businesses, and other collaborative space tenants are a great way to support those who are not quite ready to take on a long-term lease, but would benefit from the visibility, shared spaces and networking opportunities of the overall project. Commercial tenants that are arts-friendly and serve the neighborhood are a priority. Artspace does not approach projects with a build-it-and-they-will-come strategy. Thus, significant community outreach and pre-leasing are central to the process. To reduce risk, the commercial component of a project is often 5,000 sq. ft. or fewer and far less than 20% of the overall project square footage to reduce risk.

Local Initiatives Support Corporation (LISC) has been a frequent partner to Artspace nationally, by providing grants and loans for both predevelopment and development. The local office is BayArea LISC. While the local office does cover the nine-county area, Sonoma County is not
among its four core areas of focus. It is unlikely that LISC will play a significant role in a future project in Santa Rosa, but program focus does shift annually and an introductory conversation is warranted.

**Federal Home Loan Bank.** Santa Rosa’s regional Federal Home Loan Bank is located in San Francisco. Its Affordable Housing Program (AHP) and AHEAD programs can offer capital and planning grant funds respectively. Grants are made through member banks working in partnership with local projects. Santa Rosa local bank members include: Exchange Bank, First Community Bank and Luther Burbank Savings. For a full list of California based member banks visit: [http://www.fhlbsf.com/member/memberlisting.aspx#CA](http://www.fhlbsf.com/member/memberlisting.aspx#CA). Developing a relationship with a member bank and exploring funding options for predevelopment and development is recommended.

**Community Partnerships.** The value of strategic and complementary partnerships for this project cannot be overstated. Partners often bring their own capital, land, or philanthropic networks. The outcome of the partnerships in the form of vital arts and community programs or exceptional tenants, can attract additional support and funding, adding to the project’s long-term sustainability and community impact (more on this in following sections).

In conclusion, the information gathered during our two-day visit and subsequent research reveals a number of good opportunities for predevelopment and capital funding of an affordable mixed-use, artist live/work project in Santa Rosa. While no funding process is ever easy, we are encouraged by the growing availability of California state resources and tools that support affordable housing, as well as City funding options for a priority project that is aligned with local goals. Additionally, if the project can successfully engage and excite the local community, the history of private investment and regional donor capacity bodes well for helping to meet philanthropic project goals.
Local Leadership

Local leadership is to the future success of an Artspace project is critical. 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. What is local leadership? It is certainly elected officials who control agencies and program dollars but it is also citizens who are passionate about making their community a better place.

We were genuinely pleased with the leadership from both the public and private sectors. The City of Santa Rosa not only has a City Manager, Sean McGlynn, that has been through the process of bringing an Artspace project to fruition in El Paso (where Artspace broke ground in June 2015 on a project with 51 affordable live/work units for artists and their families with 5,000 square feet of multi-purpose nonprofit commercial space), but also has a staff of very competent and passionate individuals that have the ability to move an initiative forward if desired.

The Civic Leadership focus group, which was convened as a special meeting of the City Council and led by Mayor Sawyer included several City Council members, civic board and commission members, and county representation, was very strong as well. The group listened carefully to the Artspace presentation, asked good questions, and thoughtfully discussed the how’s and why’s of pursuing this type of initiative.

Leadership from the arts community was definitely evident as well. There was a strong presence from a predominantly grass-roots style of arts leadership, from individual artists to creative businesses. They let it be known, loud and clear, that they would support a project like this and are ready to take action to help mobilize area artists and creatives in any next steps. We were also pleased to have the county-wide arts perspective also at the table, represented throughout the visit by Kristen Madsen from Creative Sonoma.

These groups and individuals generously offered guidance from the planning of the visit, all the way through the entire two-day visit. It will be up to these leaders, and many others, to make it happen.
Potential For Sustained Community Impact

The most successful creative space facilities – whether live/work, mixed-use or non-residential – have a positive and sustaining impact on both the tenants and the community at large. A thoughtful and well-informed project concept, relevant and innovative design features, a commitment to long-term affordability and a receptive management structure all contribute to the long-term benefits and health of a project. At the very core, the project goals are to meet residential and working space needs, have sustainable and efficient design, encourage resident involvement in governance and programming, reflect the unique character of the community, serve important community goals, and have the buy-in of local artists and community members who were a part of its development.

These are all ideals pursued through the development process and during operations. In terms of evaluating feasibility at this juncture, there are three key areas that we will consider for Santa Rosa. They are:

1. Networking and Partnerships

Strong partnerships support not only project development but also set the foundation for long-term sustainable impact. Whether partners in funding, collaborating, or strategizing before and after project completion, partnerships are the linchpin to a successful multi-purpose arts facility. Following are thoughts about partners and outreach efforts that should be explored in the early phases of predevelopment. Certainly there are many other organizations, groups and individual in Santa Rosa and Sonoma County who are not included here, but should be engaged at some level. This is just a sampling to jump-start the process.

Developers and Property Owners: A number of potentially synergistic and geographically relevant development projects are in the conceptual or planning phases in Santa Rosa. Whether the 72-unit market rate apartment project in development by Minneapolis-based Loren Brueggerman and his local partner for the Railroad Square adjacent West End Neighborhood, the John Stewart development site at the Cannery or the SMART Train TOD redevelopment site, new opportunities for collaborations are popping up. Conversations with these and other private, nonprofit, and arts focused property owners and developers could reveal site opportunities and/or coordinated redevelopment efforts. Or as with the Affordable Housing Partnership for Artists initiative in Los Angeles spearheaded by the L.A. Department of Cultural Affairs and implemented by Actors Fund, conversations are also a chance to introduce developers to the concept of designing and

Cannery site
leasing to artists in neighborhoods where there is a growing creative sector, like an arts district. The L.A.-based initiative involved educating developers through presentations and technical assistance about the advantages and practices of leasing affordable spaces to artists. In turn, this helped artists learn about affordable housing opportunities and how to position themselves when applying for space. These types of partnerships and initiatives could result in long-standing impact.

**Creative Sonoma:** In the absence of a city or county-based arts council, Creative Sonoma is an important institutional presence and offers an opportunity for a regionally coordinated arts development effort. Continuing to have Creative Sonoma at the table as a partner to the City and the project is highly recommended. Specific focus for future conversations could include creative community outreach, the potential for county-wide tourism impact, concept and strategic planning input and planning synergistic programmatic and space initiatives.

**Santa Rosa Convention and Visitors Bureau and Santa Rosa Tourism Business Improvement District:** It is important to underscore that this project could help support area tourism goals. Similar projects nationally have anchored arts districts and catalyzed community-engaging programs and like-minded developments. Resident artists have initiated open studio tours and other programs that draw thousands of visitors. In Santa Rosa, where tourism is a primary industry, the opportunity is great for a project to heighten the visibility of arts and culture as a destination and complement the area’s reputation for wine and food. We recommend that conversations with the Bureau, the BID board, and other tourism and economic development agencies continue and opportunities for collaboration and potential funding be identified. This project could help bolster the growth and long-term impact of both the creative and regional tourism economies.

### 2. Commercial and Anchor Tenants and Shared Spaces

As the project concept evolves, its “creative placemaking” capacity will continue to play a central role. The entire community benefits when a project includes artistically and culturally diverse tenants and offers community-accessible space for gathering, creating, and collaborating. These shared spaces not only bring the artist tenants together as a community, but also provide the public with access to workshops and classes, performances and exhibits, and other on-site events.

Just as important as the creation of space and the inclusion of tenants whose principles align with the vision, the economics of a project are what makes it sustainable. To achieve that sustainability, it requires commercial and nonprofit tenants that have the financial capacity to commit to space. While space should be affordable relative to the market, Artspace has the responsibility to ensure the self-sustainability of the project, i.e. rents need to cover operating costs. In addition to identifying organizations and businesses that need space and would be great tenants and/or partners in the project from a placemaking perspective, selection criteria for commercial tenants could include any of the following: having long-standing philanthropic support; being well-capitalized; and having a
strong business plan and/or demonstrating a positive rental history. It is never too early for interested organizations and businesses to begin building capacity so that when space becomes available, they are in a position to sign a lease and fund any necessary build-out. These types of considerations are essential to ensuring the long-term, positive community impact and long-term health of a project.

The commercial space within the project can also serve community priorities that may not seem like a perfect fit on the surface. As noted earlier, some of Artspace’s projects house social service organizations that need affordable space to carry out their mission but have been challenged to find a suitable location. In Santa Rosa, where housing and programs for the homeless is a priority, there may be opportunities for the project tenants to play a role.

3. Community Engagement

During the Preliminary Feasibility Visit, we were impressed with the grassroots efforts of arts and cultural organizations and arts leaders to work together to help bridge the highway 101 divide and find ways of better integrating the downtown arts experience. Community and public/private initiatives like this are ideal for strategic collaborations. A task force or other arts community advisory group formed for the purpose of big picture strategic planning could be beneficial to future project planning, outreach and development efforts and result in streamlining programmatic partnerships during operations. If such a group does not yet formally exist, we recommend arts leaders come together for this purpose, either independently or with the help of a facilitator.

We also learned during our visit that Santa Rosa is home to a significant number of residents for whom English is a second language. Notably there is a large Latino population [29% as of the 2010 census]. Outreach to all sectors of the creative community is important during multiple phases of a project including: feasibility/market survey, planning and design, development, and lease-up. The goals for outreach can vary from ensuring participation in an Arts Market Study [which informs feasibility, design and location decisions], to ongoing community programming and engagement during an otherwise publicly quiet development process. It can also take the form of having well-organized project advocates at the ready or ensuring all artists who might be interested in applying for space have equal access to information. It is never too early to begin developing working relationships and partnerships with organizations that serve culturally and ethnically specific community groups. Supportive community leaders can help to engage residents who might not otherwise hear about or feel comfortable participating in the process. They can also help to identify and overcome obstacles like language barriers. In addition to Latino/Hispanic community leaders and organizations, outreach into the Native American and Tribal communities in the region is something to be explored.

An Artspace project is a local project. We work with the community at every stage to ensure our site,
design, amenities, and non-residential tenants and uses best serve the neighborhood and the city as a whole. We hire locally whenever possible during the development, design, construction, and operational phases, and look for sustainable long-term relationships for forging maximum long-term impact. For this reason, we meet with local stakeholders during this initial feasibility work, which helps us identify potential collaborators. If the community’s goals for this project include harnessing the transformational power of the arts, then it will find that its own community assets and leaders will play a significant role in realizing this ideal and ensuring the long-term, positive community impact of the project.
NEXT STEPS

The City of Santa Rosa is well positioned to pursue an affordable live/work mixed-use facility for artists and creatives in the region. With a robust arts/creative community that is getting squeezed by the rising cost of real estate, a need for space clearly exists. And with the State of California making progress on the question of how to fund affordable housing post Redevelopment Authorities, coupled with a stabilizing economy, it is a viable time to begin planning new initiatives. We were further encouraged by the same factors that led the City of Santa Rosa to invite Artspace to town including: the SMART Train expansion to passenger rail and the Transit Village concept; the county-wide benefits of raising the visibility of artists in a tourism driven economy; policy and planning aimed at increasing residential density in downtown and expanding the walkability of the area through engaging first floor businesses; and, private and public site and partnership opportunities.

We believe a project in the model of an Artspace live/work facility could advance numerous community goals and be an asset to any of the priority neighborhoods or corridors addressed in the report. We also believe that a project of this nature could both help retain artists and attract new ones to the area.

We strongly recommend the next step in the traditional path to an Artspace project, an Arts Market Study, to help Santa Rosa understand the depth and breadth of the regional creative community. An Arts Market Study will quantify the need for artist live/work, studio/work-only and other kinds of creative production and exhibition spaces, thereby providing reliable information for others – including prospective LIHTC investors – whose support will ultimately be needed. Resulting data may also be shared with private developers and policy makers to help encourage further infrastructure investment to support the creative community and creative economy. We also recommend that the market study either include the additional survey of creative businesses and arts organizations or a series of focus groups and meetings be held to gain a clearer understanding of the market depth for creative commercial space. Results can reveal unique space needs, capacity and interest in new space and build confidence in the philanthropic and lender communities for including non-residential space in a future project.

Based on findings from the visit, our instinct tells us that Santa Rosa can support 40–50 units of artist housing and/or studio space. But bankers and funders do not accept instinct as sufficient reason to offer a mortgage loan: they require the statistical evidence of market need that an Arts Market Study can provide.

Additional next key steps we recommend are these:

- Engage in preliminary and introductory conversations with Santa Rosa property owners and developers to identify synergistic efforts and potential collaborations, partnerships and sites.
• Encourage leaders within the arts community to formalize an advisory group that can help engage the creative community in a future market survey and participate as needed in a future development/design process and serve in an advocacy role.

• Open conversations with CDFI’s and SBA’s serving the area to learn how the creative community is now being served and can be served more in the future. Programs focused on their unique needs will help start-up and small creative businesses ready themselves for new space opportunities in this project or others in the community.

Post-market survey, a next step in an Artspace project would involve entering into predevelopment agreement during which the first scope of work is site selection, 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. During a predevelopment phase of work, many of the other recommendations in this report can begin to move forward such as beginning conversations with potential funding and programmatic partners and conducting a fundraising feasibility scope of work to better understand philanthropic opportunities.

We greatly appreciate the opportunity to have visited Santa Rosa and engaged with and learned from its residents and leaders. We came away with a strong sense of the potential for an artist live/work mixed-use facility to be a successful venture and an asset to the community. We hope that the information we have provided gives the City the necessary insight to help guide a project to the next phase.
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.
Prospective Santa Rosa Properties Preliminary Evaluation

<table>
<thead>
<tr>
<th>Property</th>
<th>Type</th>
<th>Size</th>
<th>Location/ Area</th>
<th>Address</th>
<th>Cost</th>
<th>Potential</th>
<th>Owners</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Press Democrat</td>
<td>Single-family residence</td>
<td>2.05 acres</td>
<td>Gateway into Downtown Area</td>
<td>1 Sebastopol Ave.</td>
<td>Excellent: 2.05 acre site for Gateway into Downtown Area</td>
<td>Community has goal to increase connectivity/tourism</td>
<td>1 Sebastopol Ave.</td>
<td>Community has goal to increase connectivity/tourism</td>
</tr>
<tr>
<td>2. Hugh Futrell Site</td>
<td>Vacant lot</td>
<td>1.34 acres</td>
<td>Northeastern area of Downtown</td>
<td>2 W. Third St</td>
<td>Excellent: Community has goal to increase downtown footprint.</td>
<td>Hugh Futrell Site</td>
<td>Great connectivity to existing arts destinations; 1 block away from Courthouse Square which is being closed for pedestrian use and will require re-routing of foot traffic; close to Courthouse Square, within a half mile of transit, and 1/2 mile of transit; close to downtown housing options.</td>
<td>Hugh Futrell Site</td>
</tr>
<tr>
<td>3. Mendocino Site</td>
<td>Vacant lot</td>
<td>0.59 acres</td>
<td>1/4 mile of transit; pedestrian friendly</td>
<td>428 Mendocino Ave</td>
<td>Excellent: Site could have synergy with Arlene Francis Center and 6th Street Playhouse</td>
<td>Mendocino Site</td>
<td>Easy accessibility of building below if zoning allows or acquisition if possible to carve out appx 1 acre from larger parcel.</td>
<td>Mendocino Site</td>
</tr>
<tr>
<td>4. City Hall</td>
<td>Vacant lot</td>
<td>0.88 acres</td>
<td>Near amenities and short walk to downtown; accessibility of building below if zoning allows or acquisition if possible to carve out appx 1 acre from larger parcel.</td>
<td>1 Sebastopol Ave.</td>
<td>Excellent: Site near amenities and short walk to downtown; accessibility of building below if zoning allows or acquisition if possible to carve out appx 1 acre from larger parcel.</td>
<td>City Hall</td>
<td>Easy accessibility of building below if zoning allows or acquisition if possible to carve out appx 1 acre from larger parcel.</td>
<td>City Hall</td>
</tr>
</tbody>
</table>

Impact:
- Poor = 1
- Good = 3
- Excellent = 4

Summary:
- Acquisition:
- Size:
- Location/Area:
- Address:

Note: This text is intended to provide a preliminary evaluation of potential properties for the City of Santa Rosa. Further analysis and due diligence are required before making a final decision.
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

<table>
<thead>
<tr>
<th>Overview</th>
<th>Information Gathering and Outreach</th>
</tr>
</thead>
</table>
| Primary Activities | • 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 | Written report with recommendations for next steps |
| Prerequisites for Moving Forward | • Demonstrated support from local leadership  
| | • Critical mass of artists and arts organizations with space needs  
| | • Established base of financial support |
| Time frame | • 3-5 months, kicked off by a 2-day visit |
| Cost | • $15,000 |
## STEP 2: ARTS MARKET SURVEY

<table>
<thead>
<tr>
<th>Overview</th>
<th>• Assessing the Need</th>
</tr>
</thead>
</table>
| **Primary Activities** | • 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** | • Written report with recommendations for next steps |
| **Prerequisites for Moving Forward** | • Sufficient number of responses from eligible, interested artists to support an Artspace live/work project |
| **Time frame** | • 4-6 months |
| **Cost** | • $30,000 (artists only) or $42,500 (artists and arts organizations) |
## STEP 3: PREDEVELOPMENT 1

<table>
<thead>
<tr>
<th>Overview</th>
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</thead>
<tbody>
<tr>
<td><strong>Determining Project Location and Size</strong></td>
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<tr>
<td><strong>Primary Activities</strong></td>
<td></td>
</tr>
<tr>
<td>• Work with City and other stakeholders to establish (a) preliminary project scope and (b) space development program for evaluating building and site capacity</td>
<td></td>
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<tr>
<td>• Analyze candidate buildings/sites with respect to cost, availability, and other factors impacting their ability to address development program goals</td>
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<tr>
<td>• Review existing information about potential site(s) to identify key legal, environmental, physical, and financial issues affecting their suitability</td>
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<tr>
<td>• Negotiate with property owners with goal of obtaining site control agreement</td>
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<tr>
<td>• Continue outreach to artists and arts organizations</td>
<td></td>
</tr>
<tr>
<td>• Connect with potential creative community partners and commercial tenants</td>
<td></td>
</tr>
<tr>
<td><strong>Deliverables</strong></td>
<td></td>
</tr>
<tr>
<td>• Confirmation of development space program and goals</td>
<td></td>
</tr>
<tr>
<td>• Assessment of site suitability and identification of any contingent conditions to be resolved through continued due diligence</td>
<td></td>
</tr>
<tr>
<td>• Site control agreement or update regarding status of site control negotiations</td>
<td></td>
</tr>
<tr>
<td>• Summary of project status</td>
<td></td>
</tr>
<tr>
<td><strong>Prerequisites for Moving Forward</strong></td>
<td></td>
</tr>
<tr>
<td>• Site control agreement with property owner</td>
<td></td>
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<tr>
<td>• Growing stakeholder/leadership group</td>
<td></td>
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<tr>
<td>• Both parties’ agreement on project scope and feasibility</td>
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<tr>
<td><strong>Time frame</strong></td>
<td></td>
</tr>
<tr>
<td>• 3-6 months</td>
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<tr>
<td><strong>Cost</strong></td>
<td></td>
</tr>
<tr>
<td>• $150,000</td>
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</tbody>
</table>
### Overview

- **Project Design and Financial Modeling**

### Primary Activities

- 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

- 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

- Award of Low Income Housing Tax Credits (first or second application) or commitment of alternative funding

### Time frame

- 10-13 months

### Cost

- $300,000+
### STEP 5: PREDEVELOPMENT III

<table>
<thead>
<tr>
<th>Overview</th>
<th>• From Tax Credits to Financial Closing</th>
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</table>
| **Primary Activities** | • 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** | • Successful closing and commencement of construction |
| **Time frame** | • 4-6 months |
| **Cost** | • $300,000+ |

### STEP 6: CONSTRUCTION

<table>
<thead>
<tr>
<th>Overview</th>
<th>• Construction and Lease-up</th>
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</table>
| **Primary Activities** | • 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** | • Completed project ready for occupancy |
| **Time frame** | • 6-10 months |
| **Cost** | • Depends on project (not part of predevelopment contract) |