



Preliminary
Feasibility Report

Downtown Billings
Partnership

Billings, Montana

December, 2007

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Introduction

Billings, Montana is a city of approximately 100,000 in eastern Montana. It is the largest city in the state; the next largest is Missoula with 64,000 people and nearly 5 hours northwest. The largest major metro areas are 7 to 9 hours away--Calgary, Alberta to the north and Salt Lake City, Utah and Denver, Colorado to the south. It is the place where the Great Plains end and the Rocky Mountains begin. It is Montana's industrial center, its medical center and its financial center.

As the seat of Yellowstone County with a population of more than 140,000, Billings is a "town" coming into its own as a "city". It has most of the challenges and opportunities of a larger community but it is also isolated, with the closest large community of any significant population, Bozeman, located nearly 2 hours away. In fact, nearly two-thirds of Montana's population is west of Billings.

Due, in part, to energy production (most notably coal and oil), financial services, medical industry, education and to the 1% unemployment rate, Billings is scrambling to create more jobs in its downtown core which is fueling a renaissance in downtown redevelopment – particularly with commercial/office properties. The city expects to grow to nearly 200,000 in population in the next decade. Much of the central business district is part of a BID (Business Improvement District) and a TIF (Tax Increment Financing) district. Billings, much like its western counterparts in Wyoming and North Dakota, is experiencing rapid economic growth due to the increases in energy costs – a concept unique to this part of the country.

Downtown Billings appears to be flourishing with redevelopment (especially historic and green buildings) and real estate speculation. There are still many vacant or underutilized buildings but they are changing hands quickly with redevelopment plans afoot. One very positive sign is the healthy retail activity (including galleries and arts-related businesses) downtown. Other amenities include a downtown grocery store, hip, one-of-a-kind restaurants and active cultural organizations – the Yellowstone Art Museum, Alberta Bair Theater, Venture Theatre, and the Western Heritage Center to name a few. It was clear that while there are other cultural venues and facilities around town and at the local private college and state university, the bulk of the cultural activity is clearly centered in and around the downtown area, in what some call the 'walking core' of the city. The team found it interesting that a city of 100,000 had a regularly scheduled Art Walk on a quarterly bases, while a city the size of Minneapolis did not.

With financial assistance from the Downtown Billings Partnership (DBP) – the economic development arm of the city -- and through the hard work of community leader/volunteer, Jack Nickels, Artspace was invited to conduct a two-day Prefeasibility Site Visit to begin the process that could lead to a live/work project in downtown Billings. The visit took place November 12-14, 2007; Artspace was represented by Kelley Lindquist, President; Wendy Holmes, Vice President for Consulting and Resource Development; and Stacey Mickelson, Director of Government Relations.

Findings

During a Preliminary Feasibility Visit, Artspace gathers information in five main areas: project concept, artist market, site feasibility, financial feasibility, and local leadership. While these are not the only factors we consider in making our recommendations, they help us frame the discussion.

If the community is clear about what it wants – that is, if the project concept has been determined – we evaluate that concept in the context of the other factors. For example, if the concept involves adapting a particular historic building for use as an artist live/work project, we consider whether the building in question is structurally sound, suitable for the intended use, available at a price we can afford, and so on. If the project concept hasn't been determined, we weigh the variables and offer recommendations to help the community decide how to proceed.

PROJECT CONCEPT

Many communities have a clear project concept in mind before they contact Artspace. Buffalo, New York, for example, was interested in a live/work project to catalyze development in an economically challenged neighborhood. Fergus Falls, Minnesota, wanted to find a use for a long-vacant historic hotel on the city's main street. For Santa Cruz, California, where real estate values are among the highest in the country, the goal was to keep artists from being priced out of the community.

Smaller to medium sized communities (populations between 35,000 and 150,000 persons) can present challenges to completing an Artspace affordable live work project usually because the difference between market-rate and affordability in those communities isn't great. That is to say, acquiring a home mortgage and paying affordable rents is not vastly different in monetary number. Another possible challenge in these communities sometimes is the lack of obvious philanthropic support, or corporations with huge charitable arms, even persons of great wealth that may contribute to the pre-development fund or the 'gap' in a project. Still more challenges come from governments with lack of or previously dedicated CDBG/HOME funds or no census tract for LIHTC.

Such was the case in Minot, ND, a city with a population of about 40,000. Minot has a very affordable housing stock, but yet they still qualify for LIHTC. Minot, whose largest employers are the hospital and the state university, still managed to raise a six-figure pre-development fee through local fundraising and foundations, namely the Bremer Bank Foundation. The city did contribute CDBG and HOME funds too and will likely work with Artspace to purchase the land for the project at a "nominal" price. All this is to illustrate that great things can come from small to medium sized communities and that they have been very creative in how to achieve goals. Billings is obviously a great place with leadership in place to creatively think their way out of our around many of these problems.

In our conversations we heard several times, though anecdotally, that because of the low employment rate in Billings there was a desperate need for affordable housing in the downtown as well fewer and fewer opportunities to either purchase or rent downtown, were non-existent.

Many of the city and cultural leaders in Billings appear interested in the idea of creating an affordable live/work housing project for artists, but haven't yet narrowed their focus or made space for artists part of any cultural or economic development plan. Much of the current creative activity is in an area defined by Montana Avenue to the south and Sixth Street to the north and 22nd to the west and 27th to the east. The TIF District is to be extended to the south (Old Town Neighborhood) and to the East End,

We learned from our visit that there is a need locally for arts 'incubator' space, which is similar to a business incubator model, and a Children's Discovery Center is in the very early stages of conceptual planning. Additionally the library presents a challenge for the city with regard to space. The library could also become a vehicle for a collaborative effort between the city and any future project. The team was impressed by the fact that while the problems with the library had been identified, a local architect had also worked on a solution to its problems. Any or all of these ventures would make perfect partners/long-term tenants in an Artspace project. We also learned that the Yellowstone Arts Museum is currently undertaking a fund raising effort to make improvements to the building that houses its permanent collection and make that facility open to the public, which it has not been in the past. This project will also work to enhance the cultural experience in the downtown area.

Over the course of two days, we walked through a recently renovated building on the south side of downtown that would be a strong candidate (combined with new construction on the adjacent vacant land) if the City's objective were to address the economic development issue and push development into the south end. We also walked through several other downtown properties in the central business district, the largest of which was 33,000 square feet – too small for an Artspace project.

On one hand, the city/community is clearly open to a variety of possibilities. On the other hand, many community leaders were cautious about moving forward, especially with regard to commitments of CDBG and similar funds. The driving force seemed to be the Downtown Billings Partnership and the artist community more so than the city itself. In our discussion with the city mayor and administrator the project received very encouraging support, with the understanding that given the cities narrow resources it will take some creative work on the parts of all involved to put the funding together. However, the long history that Artspace has at meeting such challenges and the strong support through the Downtown Partnership increases the degree of success that could be possible. A tour of Billings also showed that there are recent examples of city/private cooperation in affordable housing. One project on the south side is about to open and a GREEN affordable housing project right in the heart of the Billings business district has been in operation for almost a year. While small, it shows that there not only is a need for this type of development but also that there is support for it.

City officials also expressed a concern and need to attract more retail into the downtown area as well as support retail for those living in the downtown core.

ARTIST MARKET

An in-depth Artist Market Survey is a necessary step in the early predevelopment phase of an Artspace live/work project. We use the survey to determine both the size and the nature of the market for the project. It tells us with reasonable accuracy how many live/work units the local arts community can fill and whether there are special considerations, such as the need for specific kinds of studio space that might influence the design and scale of the project. If a mixed-use project is under consideration, the survey can also be used to identify the need for space for arts organizations, creative businesses, and arts-friendly commercial ventures such as coffee shops and restaurants. Developing the questionnaire, publicizing it (we attempt to reach at least 5,000 artists within a 50-mile radius), gathering the responses, and analyzing the data takes about four months. In the case of Billings, the radius may need to go out further to include most of northern Wyoming, Bozeman, Missoula, Helena, the Flathead Valley communities and Great Falls.

We recommend proceeding with an Artist Market Survey if, based on our Preliminary Feasibility Visit, we are confident that the survey will indicate the existence of a market sufficient to support a project of at least 25 and preferably 35 to 40 units. In a few cases, we recommend an Artist Market Survey to a city that wishes to have a better or more complete picture of the size and makeup of its arts community, even though we believe that the survey is unlikely to reveal a market for an Artspace project.

Based on our visit, we believe that an Artist Market Survey in Billings could reveal a large enough market for an Artspace live/work project.* One of the focus group participants, representing the Montana Department of Commerce, had a list of 1,600 artists. Others came forward with ideas for lists as well. Billings has an opera company, a symphony and community band, several local theaters, museums, numerous fairs and festivals throughout the year and connections to a state university, therefore it is clear that there is support for the arts and artists and that assembling a list for a survey could be compiled. Artists were well represented at our artist focus group session (35 participants) and affordable space was clearly a common concern. Many artists were working in their basements and garages.

*Two caveats: Before proceeding with the survey, Artspace would like more information about affordable housing projects in the Billings area. One recent example is the home WORD project that created 18 units of affordable rentals with community space. Information about the tax credit equity for this project and others is critical to understanding how/if an affordable housing project for individual artists and their families will be received. We also need a sense of where the resources would come from should predevelopment of a mixed-use artist live/work project be desired.

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. Accordingly, we toured several buildings and conducted "drive-by" inspections of several others.

FINANCIAL ANALYSIS

An Artspace live/work project represents a significant investment of civic resources. A typical project of 35 to 45 units costs \$11-14 million, and predevelopment expenses – the “soft” costs, such as architects’ fees, that must be met before construction can begin – are seldom less than \$500,000. Although a variety of federal programs, such as low income housing tax credits, can be used to generate revenue for construction, we look to the community for predevelopment revenue and commitments of affordable housing allocations in the form of \$30,000 per unit in a combination of CDBG and HOME funds, or the equivalent from other city sources (economic development and housing).

We understand that CDBG funds may not be available from the city so other sources would need to be identified for a project to move forward. One other source for funding may be the State of Montana. We heard a bit about the Cultural and Aesthetic Trust, which makes recommendations to the Montana Arts Council (MAC). The MAC reviews and forwards its recommendations to the Montana State Legislature. The MAC staff can also be tapped in accessing database for a marketing survey and identifying possible funding sources. Little more was discussed than the path, so more discussion and investigation is needed before identifying the state as a resource.

Whether the City of Billings is prepared to make a CDBG or other financial commitment remains to be seen, but we were encouraged by the participation of two city council members, the city administrator, the Montana Chamber and the Downtown Billings Partnership board and staff.

Philanthropy certainly plays a very important role in every Artspace live/work project. In a typical project, between 10% and 15% of the total development cost is funded through gifts from foundations, corporations, and, in some cases, individuals. No private sector institutional funding providers attended any meetings though foundation and corporate support for fairs, festivals and productions in Billings is widely known. That same support for major capital efforts remains untested. The team learned that there had been strong philanthropic support in the past for culturally based projects such as the renovation of the Alberta Bair Theatre (formerly the Fox Theater) and the expansion of the Yellowstone Art Museum, to house its permanent collection. *(The DBP Board notes that these two efforts took place over 10 or more years ago)*

Currently, the city is in the middle of construction of a brand new baseball stadium in the downtown core to replace the aging wooden stadium that was over 60 years old. This \$12 million project is a public/private partnership that couples bonding and nearly \$2 million in private sector philanthropy to date. All of these demonstrate community support for continued operation and enhancement of assets in the downtown area.

LOCAL LEADERSHIP

We were very impressed by the quality of Billings’ leadership. Our host, the Downtown Billings Partnership, has a strong presence in the community and is clearly behind the creation of space for artists – for economic and cultural reasons. Five board members attended various sessions, including their current and past presidents and vice president. One member, the new DBP president, Don Olsen, attended all of our meetings on November 12th. We regard this level of interest as a very positive sign. It suggests strongly that the economic development arm of the

City will do everything possible to help if the community decides to move forward with an Artspace project. Representatives at the state level were under-represented. The Government focus group meeting had a good attendance from the city council as well as the local economic development agency, and downtown business promoters.

The site visit team was also encouraged by the fact that Billings is home to a major national engineering and architectural firm, the home office of KOA campgrounds is located in Billings and that there seems to be a very high degree of interest in (Green Buildings). Billings clearly has the local talent to put a project together.

As a part of any successful Artspace Project a local advisory team must be formed, to act as our eyes and ears in the community. Billings clearly has the people it would take to form that group.

Next Steps

Billings impresses us as a potential candidate for an Artspace live/work project. Although the project concept hasn't been clearly defined, there seems to be definite interest in favor of an affordable live/work project downtown (broadly defined). The artist market may be large enough to support a project of at least 30 units, but this needs to be proved. Thirty-five artists attended the public meeting and each of them knew many others who were not in attendance. There appear to be several potential candidates for a project involving adaptive reuse of an historic building plus new construction. If no suitable building can be identified, vacant sites may also be available downtown Billings. We would like to have a better indication of support from the local cultural leaders, from the City Council and Mayor's office, from the philanthropic community and from state and federally elected officials.

Beyond the survey, and in order for Artspace to commit to a project in Billings, we would need to better understand Montana's Low Income Housing Tax Credit (LIHTC) program and its ability to fund projects in Yellowstone County. LIHTC provides the largest source of equity for an Artspace project and Artspace could not proceed in any community without them. Further, alternative sources for pre-development and development funds, which typically come from CDBG and/or HOME monies, would need to be identified to move forward. As with every other Artspace project, the city would have to be our partner in completing the first Artspace project in Billings, Montana.

The survey's primary goal will be to determine the size of the market for an affordable live/work project. In our experience, a three-to-one redundancy is sufficient to ensure the success of a proposed project – that is, for every unit under consideration, we seek three responses from artists who say they would be interested in relocating if the project is built. In other words, if a 30-unit project is contemplated, the survey should identify at least 90 artists who would like to become residents.

A market analysis of this magnitude will take four to six months to plan, execute, and analyze. We conduct our surveys online, which not only simplifies data processing but also makes it easier to determine the need for midcourse corrections. For example, if early responses suggest that some artist groups are not responding to the survey in representative numbers, we can conduct additional marketing and outreach to make them aware of the survey, establish a telephone response system for artists who lack computer access, and so on.

It is important to time the survey close to the time that an actual project would be in predevelopment. That way, the information can be immediately applied to a specific project.



ARTSPACE 101:

OUR MISSION, HISTORY AND PROGRAMS

*Artspace Projects' mission is to create, foster, and preserve
Affordable space for artists and arts organizations.*

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), Houston (Elder Street Artist Lofts, 2005), Buffalo (Artspace Buffalo Lofts, 2007), and Fort Lauderdale (Sailboat Bend Artist Lofts, 2007). In all, these projects represent 660 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 2009, it will serve as a performing home for the Saint Paul Chamber Orchestra and more than 15 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 20 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 \$200 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.



WHAT WE DO, AND HOW WE DO IT: LIVE/WORK DEVELOPMENT EXPLAINED

ROME WASN'T BUILT IN A DAY, and neither is an Artspace live/work project. In fact, a typical Artspace live/work project takes from three to five years to complete — much longer than a conventional real estate project built by a commercial developer.

Why does it take so long? In part because Artspace's community-based approach to real estate development takes more time than for-profit development. In part because most Artspace live/work projects involve rehabilitating historic structures, a process that takes more time (and money) than conventional new construction. And in part because some of the financing tools on which Artspace relies are complex and have infrequent funding cycles.

No two projects, of course, are precisely alike. But 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.

Phase 1: Exploration and community development (1 to 3 months)

A new Artspace live/work project usually begins with an invitation to visit a community that has questions about developing affordable space for artists. The questions may be general or specific. Our first visit to Seattle, for example, was prompted by a request to speak to community groups about artist housing in the Pioneer Square Historic District. Our first trip to Fergus Falls, on the other hand, was for the express purpose of looking at a single building, the Hotel Kaddatz, and assessing its potential as a live/work facility.

If there is mutual interest in continuing the dialogue, we schedule a longer visit (two or three days) to meet with community leaders — not only elected officials but leaders of neighborhood, arts, business, and financial groups — to discuss their vision for the project. Although we also look at any properties under consideration, at this stage we're frankly more interested in the vision than in bricks and mortar. If a project is "building-driven" and something happens to the building, the project is likely to die; but if the community has a clear vision for the project, it will find a way to make it happen even if the preferred building is no longer available.

Phase 2: Feasibility (6 to 12 months)

During feasibility, Artspace gathers detailed information in five areas:

- *Site feasibility* — With the help of a small army of surveyors, engineers, architects, contractors, building inspectors, abatement specialists, and others, we learn as much as possible about every property under consideration. While any structurally sound building with high ceilings, large windows, and ample floor space is a good candidate for a live/work project, some are better than others. If possible, we identify a second and third choice in case the first choice proves unavailable. How many buildings will we consider? In Galveston, we looked at seven before selecting the National Hotel based on its size, location, condition, and availability. In Buffalo and Fort Lauderdale, we looked at more than 20.
- *Market* — An in-depth survey is needed to determine the size and nature of the market for the project. Developing the questionnaire, distributing the forms, collecting them, and analyzing the data takes four to six months. Sometimes the results surprise us: When we surveyed artists in Saint Paul’s historic Frogtown neighborhood, we discovered a strong demand for family housing. So we included more three-bedroom units than usual in the Frogtown Family Lofts.
- *Financial feasibility* — We consider all factors. Is the building for sale at a price we can afford? Can it be renovated at a reasonable cost? Are there major environmental clean-up issues that will drive the price out of our range? Can we assemble the necessary financing from the public and private sources available to us? And once the project is operational, will it be self-supporting?
- *Concept* — Does the community have a clear, unified vision for the project, and is that vision compatible with the available buildings and the needs of the market? If not, we need to bring them into alignment.
- *Community leadership* — None of the above matter unless the community itself is willing to take a leadership role in making the project a success. We make the rounds of civic, business, and arts leaders, educating them about the development process and enlisting their active support. We build relationships with local foundations, whose early support is essential.

Phase 3: Early predevelopment (12 to 24 months)

The first important milestone in the life of a live/work project occurs when Artspace obtains “site control” of a building. This may involve a formal designation of Artspace as project developer by a City Council, County Board, or other legal entity. Or it may involve the execution of a purchase agreement between Artspace and a private owner.

Once we have site control, we move forward on several fronts. We hire an architect to develop a basic design and prepare schematic drawings. If we have identified a local partner, we negotiate a formal partnership agreement. We ramp up our fundraising, both for predevelopment and for the development phase to come. If the project will contain commercial space, we begin looking for tenants.

We also begin to assemble an application for low income housing tax credits. Although it is possible to complete a project without them, low income housing tax credits usually provide the

LOW INCOME HOUSING TAX CREDITS

Low income housing tax credits are federal credits that are awarded by each state to developers of affordable housing. They are paid out over a period of 10 years. They can be bought and sold like government bonds.

When a developer receives low income housing tax credits, it sells them to obtain cash that can be used to help pay for the project. The purchaser is generally a syndicator such as the National Equity Fund, which resells them to businesses that use them to reduce their federal tax liability.

For the developer, the usual return is approximately 75 cents on the dollar. In other words, \$1 million in tax credits (spread over 10 years) translates into about \$750,000 in immediate cash that can be applied to the project.

The largest low income housing tax credit

lion's share — 50% or more — of the revenue needed to build an affordable live/work project. Thus they are an indispensable financing tool for a nonprofit developer such as Artspace.

In most states, tax credits are awarded once a year. They are highly competitive, and the application is dauntingly complex. Among the many requirements is a detailed financial statement that shows the source of every dollar needed to complete the project. This is a much more complicated process for Artspace, which cobbles together its financing from many sources, than for a developer that simply borrows what it needs from a commercial lender.

After we submit the application, the project is put on hold for several months until we learn

whether our request has been approved. If not, the delay will be even longer, because the income that would have been generated by tax credits must be replaced by income from other sources in order for the project to move forward.

Phase 4: From tax credits to closing (6 to 12 months)

Once we receive a low income housing tax credit award, the project moves forward swiftly. We instruct the architect to prepare a full set of working drawings. We hire a general contractor. We engage a syndicator to handle the sale of the tax credits. We shop for a first mortgage. If the project qualifies for historic tax credits, we submit the second part of that application (the first part having been submitted during predevelopment). We apply for funding from government programs such as HOME (Home Investment Partnerships Program) and CDBG (Community

Development Block Grants), both of which require complete architectural documents with the application. We increase our fundraising for equity. We submit plans and specifications to the appropriate authorities for permit approvals.

All of these tasks, and others, must be completed before closing, when we acquire legal title to the property. Closing is appropriately named, for it marks the end of predevelopment. Once we own the property and have all the financing in place, construction can begin.

Phase 5: Construction and lease-up (12 to 18 months)

Construction is the final phase in the development of a live/work project. Although 12 to 15 months are generally sufficient for a midsize project involving an historic building, special circumstances can extend the timeline. We budgeted two extra months for our Houston project, for example, because the building stands in the middle of a nineteenth century cemetery, and we wished to allow time to move any gravesites disturbed during construction.

In most cases, construction goes relatively smoothly. But not always. In Galveston, we encountered a serious structural problem involving the building's back wall — a flaw hidden from view until we removed a façade that had been installed during an earlier renovation. This delayed the project until we could study the problem and design a solution.

As construction gets underway, our Asset Management team prepares leases for the building's commercial tenants, if any, and maps out the process for marketing the project to qualified individuals and families. During the final weeks of construction, lease-up begins in earnest, so that tenants can move in as soon as the occupancy permit has been approved.

For Artspace, as for the community in which it happens, the opening of a new live/work project is a major event and a cause for celebration. Three to five years may seem like a long time to wait, but for the artists that live in them, and for the neighborhoods that benefit from their presence, an Artspace live/work project is an investment that will pay dividends for decades to come.

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THE EVOLUTION OF LOWERTOWN

Roy Close

IN THE YEARS before its incorporation in 1849, Saint Paul was served by two steamboat landings. The more important of them, and the one first reached by boats coming up the Mississippi River, was Lambert's Landing, located at the foot of Jackson Street. Because it was downstream from the other one, it was also known as the Lower Landing.

The area around the Lower Landing is called Lowertown. It has had a colorful history. In its earliest days, it was little more than a squatters' camp known as Pig's Eye, after its most notorious resident, a one-eyed tavern keeper named Pierre "Pig's Eye" Parrant. By the end of the 19th century, it was the heart of downtown Saint Paul, a bustling cluster of sturdy warehouses and office buildings — including the headquarters of James J. Hill's Great Northern Railroad.

Seventy years later, Lowertown was in deep decline. Downtown Saint Paul had migrated several blocks to the west. The railroads that had brought vitality and employment to Lowertown had ceased to be important contributors to Saint Paul's economy. Most of the warehouses stood empty. Lowertown had become a shabby, derelict neighborhood, a ghost town of dark buildings and dusty memories.

Fortunately for Saint Paul, the urban renewal mania of the 1960s and 1970s, which decimated historic districts in many other cities, spared Lowertown. And in 1978 the neighborhood's fortunes took a dramatic turn when Mayor George Latimer persuaded the Minneapolis-based McKnight Foundation to set aside \$10 million as seed money for leveraging private investment in Lowertown. To oversee the operation, the city established a nonprofit agency, the Lowertown Redevelopment Corporation (LRC), with urban designer Weiming Lu as its chief executive.

The LRC has been instrumental in attracting jobs, housing, and business to Lowertown, and Lu, still its president, is understandably proud of its success in creating a viable "urban village" with nearly 2,000 residents and some 7,000 jobs. The McKnight Foundation's initial \$10 million has generated \$440 million in investments in the neighborhood, and another \$130 million is in planning or underway.

ARTSPACE IN LOWERTOWN

Artspace Projects' involvement in Lowertown dates from the late 1980s, when it served as a consultant on the redevelopment of a five-story warehouse on Kellogg Boulevard between Wall and Wacouta Streets into a 29-unit artists' live/work cooperative. That project, now known as the Lowertown Lofts, was the first designated housing for artists in the Lowertown area.

Artspace's first official project, in which the LRC was not involved, was the Northern Warehouse Artists' Cooperative, a handsome six-story red brick building built in 1907-08 by the

Northern Pacific Railway. The Northern Warehouse stands at the corner of Prince and Wall Streets, two blocks from the Mississippi River in the southeast corner of Lowertown.

Developed in 1990 at a cost of \$5 million, the Northern created 52 affordable live/work units plus two floors of arts-compatible commercial and nonprofit tenants. Its studios feature high ceilings, exposed brick and beams, large windows, and modern kitchens and baths. The spacious units range in size from 1,000 to 2,000 square feet (the building as a whole contains 149,000 square feet) and are thus ideal for artists who require abundant space for large-scale work. Many units feature concrete floors, which make cleanup easy. Under a cooperative management structure, the Northern's resident artists share their building with several nonprofit arts organizations and arts-friendly commercial tenants, including a deli/coffee shop and an art restoration gallery.

The success of the Northern, which was fully leased before it opened, prompted the Lowertown Redevelopment Corporation to invite Artspace to tackle a second live/work project: the Tilsner Warehouse, which shares a block with the Northern. Built in 1894 for the hardware wholesale firm of Farwell, Ozmun & Kirk, the Tilsner had long outlived its original purpose and fallen into disrepair. In a \$6.5 million overhaul completed in 1993, Artspace transformed this massive relic, one of Saint Paul's most striking examples of Victorian Romanesque architecture, into a thriving community of 66 artists and their families.

Each live/work unit at the Tilsner offers high ceilings, pine floors, exposed brick walls, wood beams, large windows, and modern kitchens and baths. Building amenities include two seven-story atriums that fill the interior with light, a gallery, meeting rooms, a workshop, a children's playroom, and a laundry room on every level. The Tilsner's 66 apartments range from efficiencies to three-bedroom units, none smaller than 950 feet and some as large as 2,200 square feet (in all, the building has 139,360 square feet).

A MAJOR ROLE

While it would be inaccurate to claim that the Northern and Tilsner projects were solely responsible for the renaissance of Lowertown, they have unquestionably played a major role in the neighborhood's revitalization as well as a leading role in forging Lowertown's identity as an artists' quarter. Along with the Lowertown Lofts, they provide housing for nearly 150 artists and their families (many of whom are artists as well), and they have made Lowertown the main attraction of the Saint Paul Art Crawl, which brings thousands of visitors to the neighborhood twice a year to tour artists' studios.

Along with other nonprofit and commercial housing developments in the area, they have helped make Lowertown the fastest-growing neighborhood in Saint Paul over the last decade. Census Bureau statistics show that Lowertown's population grew at a rate of 164.8% during the decade, compared to 11.3% for the rest of downtown Saint Paul and 5.5% for the city as a whole. And while the total number of housing units in the rest of downtown Saint Paul actually declined by 22.7% during the decade, the number in Lowertown increased by 93.1%.

The table on the next page compares changes in five categories — population, total housing units, occupied housing units, owner-occupied housing units, and renter-occupied housing units — in Lowertown, the rest of downtown Saint Paul, and the city as a whole between 1990 and 2000. It shows clearly that Lowertown grew rapidly in every category even though the rest of downtown Saint Paul and the city as a whole grew much more slowly or even lost ground.

| POPULATION AND HOUSING DEMOGRAPHICS: LOWERTOWN, DOWNTOWN, AND SAINT PAUL | | | | |
|---|-------------|-------------|-----------------|-----------------|
| | 1990 | 2000 | # Change | % Change |
| POPULATION GROWTH | | | | |
| Lowertown | 733 | 1,941 | 1,208 | 164.8% |
| Downtown (excluding Lowertown) | 3,297 | 3,668 | 371 | 11.3% |
| Saint Paul | 272,235 | 287,151 | 14,916 | 5.5% |
| TOTAL HOUSING UNITS | | | | |
| Lowertown | 778 | 1,502 | 724 | 93.1% |
| Downtown (excluding Lowertown) | 2,978 | 2,301 | -667 | -22.7% |
| Saint Paul | 117,583 | 115,713 | -1,870 | -1.6% |
| OCCUPIED HOUSING UNITS | | | | |
| Lowertown | 498 | 1413 | 915 | 183.7% |
| Downtown (excluding Lowertown) | 2,180 | 2,154 | -26 | -1.2% |
| Saint Paul | 110,249 | 112,109 | 1,860 | 1.7% |
| OWNER-OCCUPIED HOUSING UNITS | | | | |
| Lowertown | 24 | 192 | 168 | 700.0% |
| Downtown (excluding Lowertown) | 285 | 349 | 64 | 22.5% |
| Saint Paul | 59,471 | 61,464 | 1,993 | 3.4% |
| RENTER-OCCUPIED HOUSING UNITS | | | | |
| Lowertown | 474 | 1,221 | 747 | 157.6% |
| Downtown (excluding Lowertown) | 1,895 | 1,805 | -90 | -4.8% |
| Saint Paul | 50,778 | 50,645 | -133 | -0.3% |

Source: U.S. Census Bureau

- Lowertown is bounded by Jackson Street, Interstate 94, Lafayette Freeway, and the Mississippi River.
- Downtown Saint Paul is defined as Census Tract 342.
- Saint Paul is defined as Saint Paul City, Minnesota.

A NEW 'CYBER VILLAGE'

It is no secret that neighborhoods which attract artists also tend to attract “creative” businesses, including architectural firms, public relations and marketing firms, graphic design firms, and technology-based enterprises such as internet service providers, web site designers and database managers. All these are present in Lowertown, and the presence of a number of information

technology firms has prompted the LRC to describe the neighborhood as “the region’s first cyber village.”

“Inside Lowertown’s historic buildings, a new center for the digital age is rapidly developing,” enthuses an LRC marketing brochure. “Lowertown’s new Cyber Village represents a creative combination of outstanding artistic talent and computer expertise. The neighborhood’s deep well of artistic talent, represented by a growing population of hundreds of working artists of all kinds, is an important resource for companies locating here.”

THE FUTURE

Thirty years ago, Lowertown’s future was very much in doubt. Now it is secure. The area’s abundance of historic buildings (many of them yet to be renovated), coupled with its proximity to downtown Saint Paul, the Minnesota State Capitol, Interstate Highways 94 and 35E, and Holman Field, a private airport just across the river, are tremendous assets that will continue to attract small and midsize entrepreneurial businesses that enjoy the atmosphere of an older inner city neighborhood. Its large population of artists, whose presence is guaranteed by Artspace’s ongoing commitment to maintaining the Northern and Tilsner as affordable developments, will continue to make Lowertown appealing to creative professionals of all kinds.

Over the next decade or two, it is reasonable to predict that the neighborhood’s population and economic importance will continue to grow. While Lowertown may never be the dominant factor in Saint Paul’s economy that it was a century ago, it will be an increasingly important contributor to the city’s economic and cultural vitality.

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