



# Preliminary Feasibility Report

Bellevue, Washington  
September 2017



Prepared at the request of The City of Bellevue

# Acknowledgments

Artspace would like to thank the City of Bellevue for inviting us to conduct the Preliminary Feasibility Visit. Specifically Scott MacDonald and Emil King with the Planning and Community Development Department for their continued support and coordination. We would also like to acknowledge the focus groups attendees for their insight and participation.

## Civic Leaders Focus Group

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- Bellevue City Councilmember Lynne Robinson
- Bellevue City Councilmember Conrad Lee
- King County Councilmember Claudia Balducci
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- Carla Villar, Chair, Human Services Commission
- Dan Stroh, Director of Planning and Community Development
- James Henderson, Director of Office of Economic Development

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- Deb Twersky, 4Culture
- Jackie Moynahan, Capital Programs Manager, King County Department of Community and Human Services
- Andrew Golden, Building for the Arts, ArtsFund
- Roxane Shepherd, Development Director, Tateuchi Center

## Business Sector Focus Group

- Bill Finkbeiner, Wilburton Property Owner
- John Su, Su Development
- Linda Abe, Su Development
- Mary Pat Byrne, Su Development
- Matt Jack, Bellevue Downtown Association
- Lawrence Lee, Cowork Box
- Afshan Abbas, Fuchsia Handmade
- Claire Sumadiwiryra, Bellden Coffee
- Betty Speith-Croll, Wright Runstad



Source: Visit Bellevue Washington

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# EXECUTIVE SUMMARY

The City of Bellevue invited Artspace, a national nonprofit real estate developer of affordable space for the arts, to conduct a Preliminary Feasibility Study (PFS) in order to evaluate the potential for long-term affordable space solutions for Bellevue's creative sector and to recommend next steps. The PFS is a process created by Artspace to respond to communities seeking their own affordable artist live/work, mixed-use-model development. Initially an Artspace development screening process only, the PFS has evolved over the years into a tool for advancing a community vision without regard to the project concept or eventual developer. Information is collected during a community visit consisting of a series of focus groups, community meetings, and site tours. Artspace uses its thirty-plus years of knowledge as a practitioner in the field, including regional experience, to make its recommendations for next steps. The study methodology is qualitative and focused on six areas:

- Project Concept
- Arts Market
- Funding/Financing
- Potential Sites
- Local Leadership
- Sustainable Community Impact

On May 9-11, 2017, Artspace – represented by Wendy Holmes, Senior Vice President of Consulting and Strategic Partnerships; Teri Deaver, Vice President of Consulting and Strategic Partnerships; and Julie Alexander, Asset Manager for Artspace's West Coast projects – conducted a Preliminary Feasibility Visit in Bellevue. What follows is an executive summary of the full Preliminary Feasibility Study, which contains Artspace's observations, findings and recommendations from its visit. For greater nuance, detail, citations, and context, please refer to the full report starting on page 12.



Source: Visit Bellevue Washington

# Regional Observations

Bellevue is a city of 140,000 diverse residents on the east side of Lake Washington across from Seattle. Incorporated in 1953, Bellevue was historically a bedroom community to Seattle with a downtown chiefly known for Bellevue Square Mall. Now, with a rapidly developing urban downtown, growing BelRed area and a new East Link light rail line under construction with six Bellevue stations opening in 2023, the city is transforming itself into a multicultural economic center.

With all this change in sight, the Focus Group participants noted the creative community is getting displaced. Market-rate rents are rapidly rising and both individual artists and non-profit arts organizations anecdotally are feeling the pressure not only in the spaces where they create and practice their craft, but where they present it as well.

Bellevue has many exciting opportunities, including:

- Bellevue is transforming itself with light rail and re-imagining light industrial areas (BelRed and Wilburton) into vibrant and transit-oriented mixed-use neighborhoods;
- Policy in its Comprehensive Plan directs the City to strategically preserve some affordability for creative businesses and nonprofit arts organizations beyond affordable housing;
- 3 million square feet of new office space under construction or planned; and
- The new East Link light rail line that will dramatically change its connections to some of the other Eastside communities and Seattle, including many of Seattle's established arts and cultural districts.

Bellevue also faces challenges, such as:

- Expensive land prices;
- Fluctuating rental rates for retail/commercial/office space; and
- Development in BelRed is beginning to show signs of pressure and potential displacement of creative businesses and arts organizations.



Source: *Maydenbauer.com*

# Findings Overview

## PROJECT CONCEPT

In Bellevue, and throughout the Puget Sound region, affordable space is at such a premium that many kinds of affordable space are needed. During the Preliminary Feasibility Visit, a need was consistently expressed by the community for live/work housing, working studios, shared space with specialized equipment, and creative business/commercial space, that would serve both individual artists and their families and creative businesses in Bellevue and elsewhere on the Eastside. Artspace recommends three primary strategies to create affordable space in Bellevue:

1. Create an Artspace-model mixed-use facility that incorporates multiple types of creative space mentioned above;
2. Adopt/expand developer incentives to encourage carve-outs of below-market rate creative spaces in private developments; and
3. Curate a shared space collaborative for creative commercial enterprises and nonprofit arts-related organizations.

These strategies are not exclusive to one another and could be combined or implemented in multiple neighborhoods to help make Bellevue a place that attracts and retains creative enterprises and individual creative people who will live and work in Bellevue. The first concept mentioned above is most likely the strongest in terms of attracting and retaining creative people, particularly if the facility remains affordable over the long-term to help prevent displacement in the future.



Source: City of Bellevue

## Artspace Model Live/Work Housing Defined

Space that meets standard residential codes (or a local live/work, or work/live ordinance) and is somewhat larger than a typical dwelling unit. In an Artspace developed project sizes typically range between 600-800 sq. ft. for an efficiency and up to 1,400 sq. ft. for a 3-bedroom unit. The space is designed flexibly, incorporating both wide open areas and private rooms, to allow artists and others working in creative fields to arrange and adapt their living and working environment in a way that best suits their artistic/creative and family needs. Durable surfaces allow residents to create in a variety of mediums anywhere in the space. Artist-friendly design features, amenities and management policies are adopted.

## ARTS MARKET

A market survey would bear out how much and what type of creative space would be supported by demand in Bellevue, but given the discipline- and mission-diversity of the individuals and organizations/businesses interviewed, it is expected that a mixed-use project that includes live/work housing, private studio/creative work-only space, shared creative space, and commercial space for small businesses would find a strong market. This is based on feedback from the focus groups, and also on the strong demand evidenced by past surveys in the nearby cities of Everett, Olympia, and Tacoma, as well as the long waiting lists for housing at Artspace's three Seattle properties.

Given this experience and the interest shown during the focus groups and at the public meeting, demand for a mixed-use property in Bellevue is anticipated to be strong. It is recommended that a Bellevue-specific study of the arts market's need for creative space (for Artspace's version of their Arts Market Study, see the Artspace process in **Appendix III**) be conducted. This will quantify demand of artists currently living in Bellevue and on the Eastside in particular, but also to examine willingness of artists to relocate to Bellevue from elsewhere in King and Snohomish Counties. A survey of the arts market's space needs would test the assumptions that were formed during the course of this PFS, and determine:

- Amount artists pay for studio/work space;
- Amount artists pay for housing;
- Types of shared or community spaces that are most important;
- Types of private studio workspaces that are most important;
- Location preference; and
- Whether commercial space in a mixed-use project would serve both nonprofits and small creative businesses.

In addition to providing key information about the demand for space within the context of a mixed-use affordable artist housing project, a survey of the arts market's space needs would also provide valuable information for other developers and organizations who might consider carving out space for artists in their projects.

## FUNDERS AND FINANCING

Artspace typically partners with the City and philanthropic community in identifying the resources for predevelopment and development, often a combination of Low-Income Housing Tax Credits, Community Development Block Grants, HOME funds, Federal Home Loan Bank, tax increment financing (where allowed by law), other housing and economic development programs, and private philanthropic support. When considering financial feasibility, it is important to note the multiple points of impact and return on investment a project of this nature could have, including but not limited to economic, adaptive reuse, and infrastructure investment in the cultural economy.

There is an impressive array of tools and comprehensive planning goals for affordable housing in Bellevue. While never easy, the opportunities for funding and financing are tremendous. City, County and State funding representatives were interviewed as a group and discussed the following funding programs. While none of these replace the depth of the substantial gap funding source, the Housing Trust Fund in the City of Seattle, they are more robust opportunities than found in many other communities in which Artspace has done consulting and/or development projects. Possible sources of funding for a mixed-income and mixed-use project include:

- Regional Equitable Development Initiative (REDI) Fund;
- ARCH Housing Trust Fund;
- Multifamily Property Tax Exemption Program;
- King County Housing Finance Programs (HOME Funds, Capital Financing Round, Interim Loan Program, Credit Enhancement Program, TOD Funds);
- State of Washington Housing Trust Fund (HTF);
- State of Washington Ultra-High Energy Efficient (UHEE) Fund;
- 4Culture;
- Building for the Arts (BFA); and
- Private philanthropic partners (Foundations, Corporations and Individuals).

To complement State, County and Federal funding programs, the City of Bellevue has its own municipal tools for projects that contribute to greater community goals such as those for affordable housing, including:

- Transportation impact fee waivers for workforce housing;
- Below-market rate land contributions and long-term land leases; and
- In BelRed, an in-lieu affordable housing fund for projects in this area.

A typical funding stack for an Artspace-model project includes a wide variety of sources, with approximately 80% of project costs coming from public sources and 20% from private sources, including a modest 1st mortgage. Each of the above potential resources and incentives would be explored fully during a predevelopment phase of work.

## POTENTIAL SITES

During a Preliminary Feasibility Visit, Artspace’s primary goal is to identify potential areas or sites for further study should a project move forward. Among the factors considered are:

- Location;
- Access to Transit;
- Ease of/Opportunity for Acquisition/Timing;
- Potential for Sustained Community Impact/Alignment with Community Priorities;
- Viability for the Most Appropriate Project Type(s); and
- Other considerations, or “Intangibles.”

Three potential neighborhoods (Downtown, BelRed and Crossroads) were toured during the Preliminary Feasibility Visit and a fourth (Wilburton) emerged out of the focus groups and public meeting. All four of these neighborhoods would be appropriate for development of affordable creative space, each with its own strengths and weaknesses:

- **Downtown.** A centrally located, vibrant area, Downtown is walkable and highly accessible to transit. The city does own a large vacant property, but the development potential (FAR of 6.0 with a maximum height of 403’), currently under review by the City Council, far exceeds a typical affordable arts development without integrating an arts facility into a much broader development. A development here would help build the narrative of Bellevue as a cultural destination, and would most appropriately be mixed-use live/work with more emphasis on creative retail space.



- **BelRed.** BelRed is close to Downtown and will have excellent access to transit when light rail opens. Transit-oriented development as part of Sound Transit’s Operations and Maintenance Facility-East (OMFE) site could be an excellent opportunity for a mixed-use live/work facility with creative business space and artist studios. There are also opportunities for a TOD project around 130th Avenue, an area which has been identified for a cultural district. Many artists and nonprofit arts organizations are currently in BelRed and facing displacement; a development here would help them remain in the area and would also advance the initiative to turn BelRed into an Arts District.
- **Crossroads.** Crossroads is less centrally located and accessible to transit than the other three neighborhoods considered, though it is on an already-operating Bus Rapid Transit line. A mixed-use live/work facility with creative business space and artist studios could dovetail with efforts to re-imagine Crossroads Shopping Center and could have the opportunity to create strong connections with newer immigrant communities. Availability of appropriate real estate here is currently unclear.
- **Wilburton.** Between BelRed and Downtown, Wilburton is currently being re-envisioned through a Council-initiated planning process. It also will have excellent access to transit, with one LRT station within the community and an additional three within walking distance. A mixed-use live/work facility with creative business space and artist studios in Wilburton could help catalyze the creativity and innovation envisioned for the area and build a cultural bridge between BelRed and Downtown. The City currently owns the Lincoln Center property on 116th Avenue NE.

With a limited number of appropriate sites immediately available and the volatility of the real estate market in Bellevue, Artspace recommends getting a site under control as soon as possible. Sound Transit’s OMFE site should be the first site on which to focus. While data from a study of the arts market could confirm that this is a site of interest to artists, because of Sound Transit’s time frame for the OMFE site, it is critical that the City take steps now to begin conversations about a future mixed-use affordable artist housing project on the site, including potentially influencing the language in the forthcoming RFP. This site would qualify for TOD funds.

A second good alternative would be the Lincoln Center property in Wilburton.



*Photos from the site tour, Source: Artspace*

## LOCAL LEADERSHIP

Local leadership is an area of focus that is hard to quantify, but vitally important to a successful new facility development or space initiative. Leadership is considered in two parts. First is the local, regional and state civic leadership including elected or appointed officials and staff. Second is the private sector, including arts/cultural, business, education, nonprofit, philanthropic and broadly the area's community leaders. The most successful projects include a coalition of supportive leaders from both the public and private sectors. For this reason, Artspace highly recommends local communities form a Core Group made up of both.

In Bellevue specifically, local staff leadership is extremely strong. In addition, the quality of the partners in the room for the Funding and Financing Focus Group were reflective of the leadership in the region at many levels. There was a true sense of partnership and collaboration that is often rare, especially between counties and cities.

In the future, and as this initiative continues, the arts community needs private sector representation in the Core Group to underscore the efforts of City staff. Adding creative sector voices to the table will also help with the next phase of work in determining the market demand for space.

## SUSTAINABLE COMMUNITY IMPACT

Artspace's best projects are those that make a significant difference in the communities they serve, not only immediately but over time. This reflects both Artspace's nonprofit mission "to create, foster, and preserve affordable space for artists and arts organizations" and to its goal of "building better communities through the arts." Whatever gets built should address as many broad community goals as possible. Artspace looks for projects that have this potential, and given two otherwise equal development opportunities, preference is typically given to the one with the greater potential upside over the long haul.

Bellevue has several opportunities to combine the space needs of the broader creative community as part of a mixed-use artist housing project. These include:

- **Multicultural Facility.** Combining the potential physical space needs of a Multicultural Facility to be inside or adjacent to a future mixed-use affordable workforce artist housing project.
- **Creative Businesses and Nonprofit Arts Organizations.** Evaluating and quantifying the space needs of those organizations/businesses that will be losing their space in BelRed, for the purpose of including them as a tenant in a mixed-use artist housing project.



© Miguel Edwards 2016  
*2016 Bellwether Art walk performance by Michelle de la Vega, Source: Miguel Edwards via City of Bellevue*

# Recommendations

- Conduct an Arts Market Study (see **Appendix III**) or similar study to test the potential for a mixed-use, 75-100 unit live/work project concept and to provide quantifiable data that may encourage multiple affordable artist space developments.
- Refine the project concept, per Arts Market Study or similar study results.
- Meanwhile, discuss priority areas of opportunity and agree upon two potential sites. It is recommended that one of these be Sound Transit's OMFE site, and that the City begin the process to influence the language in the RFP immediately. The other to possibly pursue is the Wilburton Lincoln Center City-owned site.
- By September 2017, identify a leader or leaders in the creative community to form an artist advisory group that can help engage the creative community in a future market survey, participate in development/design process, and serve in an advocacy role.
- Add more artist/creative business voices to the Core Group and the conversation in general, as well as representatives of culturally distinct arts organizations and members of new immigrant communities/communities of color.
- Consider combining space for a new Multicultural Facility into a mixed-use artist housing project.



EBT Gisele, Source: Gabe Heninger via City of Bellevue

# COMMUNITY PROFILE

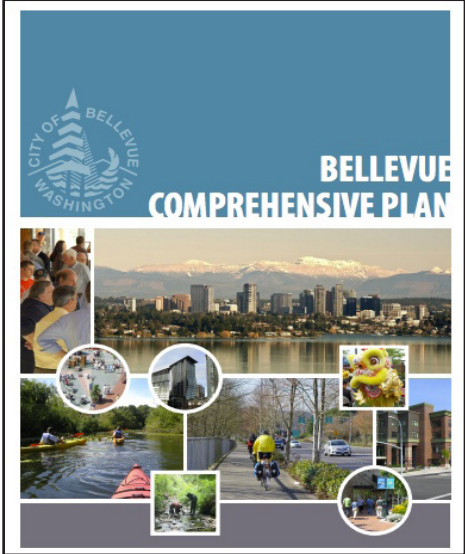
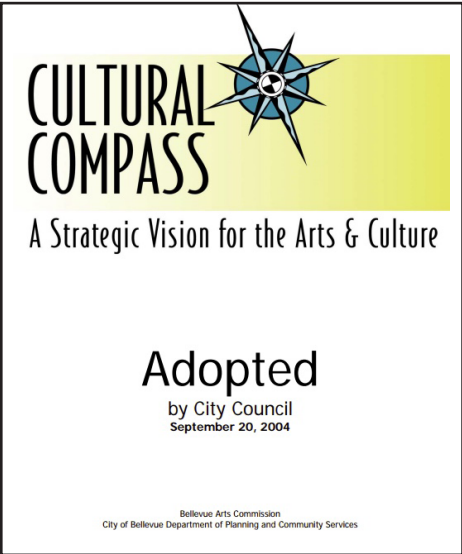
## Introduction

Bellevue is a city of 140,000 diverse residents on the east side of Lake Washington across from Seattle. With a City Council whose Vision Statement begins, “Bellevue welcomes the World, our diversity is our strength,” this community is transforming itself from a former bedroom community of Seattle to a multicultural city with a rapidly developing urban downtown, over 2,000 acres of parks and open space, a new light rail line under construction with six Bellevue stations opening in 2023, and a large focus on creating quality pedestrian and bicycle facilities throughout the city. With all this change in sight, the relatively dispersed creative community is getting displaced. Market-rate rents are rapidly rising and individual artists, nonprofit arts organizations, and creative businesses are feeling the pressure not only in the spaces where they create and practice their craft, but where they present or sell it as well.

Incorporated in 1953, Bellevue was historically a bedroom community to Seattle with a downtown chiefly known for Bellevue Square Mall. Now, the city has developed into the economic center of the Eastside, the third largest municipality in the Seattle Metro Area, and what Bellevue’s Office of Economic Development calls a “premium community.” Downtown Bellevue employment is now dominated by high-tech and international companies including Microsoft, Expedia, Nordstrom, Eddie Bauer, and many gaming companies.

The City of Bellevue invited Artspace to conduct this Preliminary Feasibility Visit as part of a policy directive that came from Bellevue’s Comprehensive Plan adopted in 2015. The planning document outlines a vision for 2035 that includes enhancing the arts and providing more affordable housing. The BelRed neighborhood is specifically mentioned as a developing arts district that is in need of a variety of housing types and particularly affordable housing.

In addition, out of the Cultural Compass: Vision for the Arts 2004 plan for developing arts and culture in Bellevue, one of the strategies was to “Create Space for Arts and Culture,” and specifically mentioned inviting Artspace to complete an artist housing feasibility study.



Past Plans, Source: City of Bellevue

## BRINGING ARTSPACE'S NATIONAL EXPERIENCE TO BELLEVUE

It is in the context of previous plans and Bellevue's rapidly changing real estate environment that Artspace shares its observations, findings, and recommendations based on what was observed and heard during its May 2017 visit. This report is also informed by experience working in other cities that have invested in affordable housing and other facilities for artists and arts organizations. This experience provides a useful context for evaluating the feasibility and importance of artist spaces in Bellevue. In that regard, the following thoughts and observations draw upon national experience from the 50 Artspace developments in twenty-one states:

- Multi-tenant, multi-use creative spaces generate economic revitalization and development. Every Artspace 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, community conveners, and volunteers with youth and cultural organizations.
- To create affordable live/work housing for artists (see text box) with guaranteed long-term affordability is to create and sustain an authentic community of artists who collaborate not only with one another but also with other local, national, and international artists.
- Arts facility 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 or shared across cultures.
- Arts projects are catalysts for private and public investment, such as façade improvements and general beautification, in the surrounding area.
- These projects create permanent community spaces that give resident artists opportunities to interact with the public through gallery events, demonstrations, performances, and installations, and give the larger arts community opportunities to showcase their work.

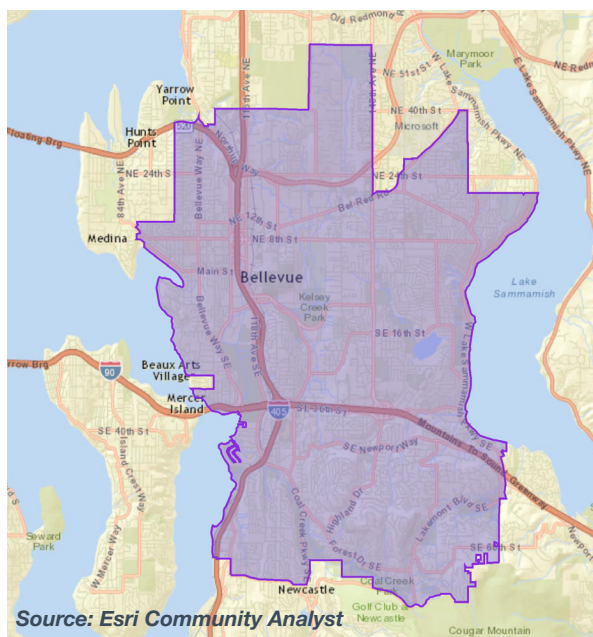


*Bellevue Arts Fair, Source: City of Bellevue*

## BELLEVUE AT A GLANCE

- Bellevue is transforming itself with light rail and re-imagining light industrial areas (BelRed and Wilburton) into vibrant and transit-oriented mixed-use neighborhoods.
- Bellevue has an opportunity through their Comprehensive Plan to strategically preserve some affordability for creative businesses and nonprofit arts organizations beyond affordable housing.
- There are a number of successful live/work projects in the region and Bellevue's public sector is interested in bringing this trend to Bellevue, due to the high premium on space. **(Appendix IV).**
- Rental rates for retail/commercial/office space are slightly higher than in Seattle. There is a constant stream of companies looking at Bellevue for office space. The average rental rate for office space in Bellevue as of June 2016 was \$29.33/SF/Year. In comparison, the King County average was \$24.59/SF/Year for office space and \$25.37/SF/Year for retail, and the Seattle averages were at \$27.81/SF/Year for office and \$28.48/SF/Year for retail space, respectively.<sup>1</sup>
- Land, particularly in Downtown, is expensive and ranges widely from \$200-600/SF. It is anticipated that the lower-end range will soon increase above \$400/SF.
- Bus Rapid Transit and the new East Link light rail will dramatically change the connections between Bellevue, other Eastside communities and Seattle, including culture-rich neighborhoods like Chinatown-International District, Pioneer Square, and Capitol Hill.
- 61% of Bellevue workers are employed in management, business, science and/or arts occupations (as of 2015).
- In 2015, 49% of Bellevue's housing stock was in single-family, detached structures, while 40% were in structures with five or more units.
- Bellevue boasts the tenth highest percentage of Asian residents for cities in the nation 100K+ and the highest outside of Hawaii and California.

<sup>1</sup> [http://www.loopnet.com/Bellevue\\_Washington\\_Market-Trends](http://www.loopnet.com/Bellevue_Washington_Market-Trends) ; [http://www.loopnet.com/Seattle\\_Washington\\_Market-Trends](http://www.loopnet.com/Seattle_Washington_Market-Trends)



Source: Esri Community Analyst

### BELLEVUE, WA

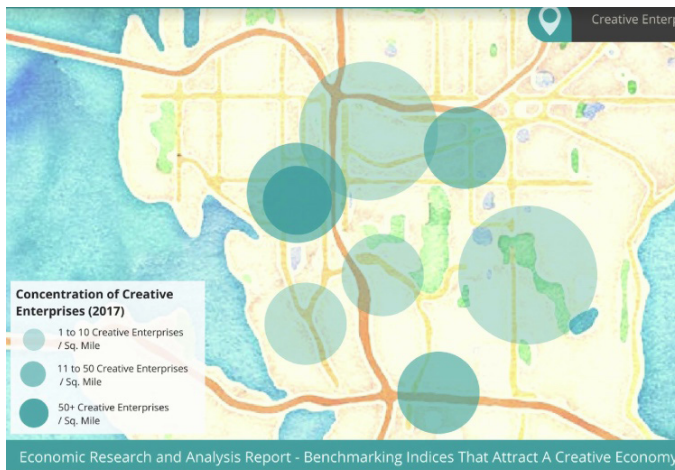
**Population (2017 estimate):** 142,203  
**Households (2017 estimate):** 57,975  
**Population, % change 2010-2017:** +11.2%  
**Est. Population growth 2017-2022:** +6.9%  
**Median Age (2017 estimate):** 39.7  
**Bellevue Median HH Income (2017 est.):** \$96,794  
**King County 2017 AMI (4-person):** \$96,000  
**Median gross rent, 2015:** \$1,530  
**Renter occupied households, 2017:** 42.9%  
**Race and Ethnicity, 2017 (top 3):**  
 White 57.1%;  
 Asian 32.2%;  
 Hispanic/Latino Origin 7.6%  
 (Source: Esri Community Analyst, US Census)

## CREATIVE EDGE

The City of Bellevue in coordination with the Bellevue Arts Commission undertook a study to analyze its creative economy. The study identified how the arts, culture and creative sectors contribute to Bellevue’s community and economy. The second phase of the study will include strategies to strengthen and grow these sectors. As of Artspace’s involvement, the first phase of research and economic analysis was available to review. The findings included that Bellevue has a highly ranked creative economy. It outranks other “edge cities” and Seattle on several creative economy factors including talent, tolerance, and technology. One of the strategic themes and issues that emerged was the need to expand creative spaces and address cultural facility needs.

# CREATIVE EDGE BELLEVUE

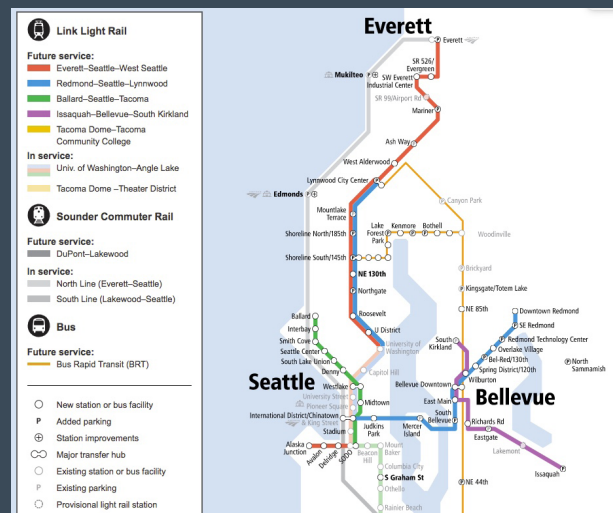
“Address the need for creative spaces including live-work space, studios for individual artists, incubators for start-up creative enterprises, and low cost office space for existing creative enterprises”  
- Creative Edge



Creative Enterprise Map, Source: Creative Edge Bellevue

## Bellevue Transportation Expansions

- The Sound Transit East Link Extension project, already underway, will bring six new stations to the city from South Bellevue to BelRed/130th. The line, opening in 2023, will connect to Seattle at the Chinatown-International District station and extend north to Redmond Technology Center:
- Recently voter-approved expansion of the light rail system will further extend the line to Downtown Redmond in 2024.
- Bus Rapid Transit (BRT): Bellevue is currently served by a BRT line connecting to Redmond through the Crossroads area and Kirkland:
- Voters recently approved an expansion of BRT along I-405, which is scheduled to commence in 2026.



Sound Transit Extension, Source: Sound Transit

# PRELIMINARY FEASIBILITY VISIT

A Preliminary Feasibility Study is the first step in understanding how an affordable arts development may serve the community, how it could be funded, and what the general concept for a facility could be. In Artspace's development model, Artspace uses this visit to gather information from the community in order to shape the project concept, provide feedback about the feasibility of the proposed project, share information about how these projects come together, develop recommendations for next steps, and gauge support for the project.

Central to the Study is the Preliminary Feasibility Visit, in which an Artspace team meets with key leaders and stakeholder focus groups, visits potential sites, and conducts a public meeting. The Bellevue Preliminary Feasibility Visit was conducted May 9-11, 2017. Artspace was represented by Wendy Holmes, Senior Vice President, Consulting and Strategic Partnerships; Teri Deaver, Vice President, Consulting and Strategic Partnerships; and Julie Alexander, Asset Manager for our West Coast projects, who resides in Seattle. Artspace wishes to express deep gratitude to City of Bellevue staff who recruited key stakeholders for topic-specific focus groups, developed and promoted the public meeting, and guided and informed our study. Primary staff involved include Scott MacDonald, Associate Planner, Department of Planning and Community Development, who led the organization and planning for this study along with Emil King, Strategic Planning Manager; Josh Heim, Arts Program Manager; and Jesse Canedo, Economic Development Manager. Artspace thanks them all for their hospitality and feedback. It was a pleasure to work with such a committed group.

During a Preliminary Feasibility Visit, Artspace gathers information about six main topics: project concept, artist market, potential sites, finance and funding, local leadership, and the potential for sustained community impact.

## PRELIMINARY FEASIBILITY VISIT

BELLEVUE, WASHINGTON



### Components of the Study

During the Bellevue Preliminary Feasibility Visit, the Artspace team:

- Facilitated four Focus Group meetings with persons having knowledge of or affiliated with the following categories:
  - Artists and Arts Organizations
  - Funders and Financing
  - Civic leadership
  - Business Sector
- Held a Public Meeting at Bellevue City Hall. The session drew about 60 participants, including artists, developers, representatives from arts and cultural organizations, interested citizens, community leaders and residents of Artspace buildings in Seattle and Everett.
- Toured candidate neighborhoods, including: BelRed, Crossroads, and Downtown.
- Met the Core Group several times formally and informally

Prior to and subsequent to the visit, Artspace collected data and information from City staff and other entities, including the active arts organizations within the Arts District.



**Project concept.** Rather than a prescriptive blueprint for a specific future development, the “project concept(s)” that Artspace aims to reveal during the Preliminary Feasibility Visit is a vision the community hopes to achieve by means of the project. Although many communities have a well-developed project concept in mind before they contact Artspace, others look to Artspace to help translate larger civic goals, such as economic development or historic preservation, into a viable project concept. General project concept elements may be interchangeable and are informed by the information gathered about the following five criteria.

**Arts market.** Is there a sufficient market to support an arts facility? To begin answering that question, Artspace collects qualitative data through focus group meetings. Specifically, artists are asked if they and/or their peers need space to live, work, create, teach, share, and/or sell their art, how much rent they consider affordable, and what amenities are important to them. This information helps assess the feasibility of the project concept is a precursor to a formal study of the arts market, which provides quantitative data about the creative community’s space needs.

**Funders and financing.** Arts facilities typically represent significant investments of civic resources. Although a variety of state and federal programs can be used to generate revenue for construction, Artspace relies on local funding and financing programs from both private and public institutions as well as philanthropic donations to support predevelopment expenses and gap funding. The Preliminary Feasibility Visit provides no more than a basic sense of the community’s capacity to commit resources and other funding options.

**Potential sites.** During a Preliminary Feasibility Visit, the primary goal is not to select the best site or neighborhood, but rather to identify candidates for further study. Among the factors considered are a candidate’s location, size relative to concept, access to amenities like public transit, ease of/opportunity for acquisition, and capacity to impact the broader community. As a project moves into predevelopment, candidate sites (and perhaps others) should be identified and evaluated in the context of a refined project concept, the quantitative data collected by a study of the arts market, a clearer understanding of local development priorities, and an in-depth study of funding sources.

**Local leadership.** Are there leaders on the ground who are willing and able to advocate for the project, open doors, and keep lines of communication flowing between the developer and the community? These leaders come to the project from all industries, from elected officials who control agencies and program dollars to citizens who are passionate about making their community a better place to live, work, and play.

**Sustainable community impact.** Deeply rooted in “creative placemaking” practice, the goal here is to begin to identify strategies and partnerships that can leverage impact, so that the operating project can be greater than the sum of its parts. Site selection, anchor tenants, programmatic activities, and other considerations all contribute to overall community impact.

While these are not the only factors Artspace considers in making a recommendation to move a project forward, they help frame the discussion – especially in the Preliminary Feasibility stage.

# FINDINGS

Following is an overview of each of the areas of focus in this study. Each section includes an introduction to the topic, salient points, key findings and/or recommendations.

## Project Concept

The first question Artspace asks when first entering a community is: “What are you trying to accomplish?”

Some communities are clear about what they hope to achieve. The goal may be to preserve a specific building; Loveland, Colorado, which contacted Artspace in hopes of saving its historic Feed & Grain Building, is a recent case in point. It may be to help revive a derelict area, such as the Lowertown neighborhood of St. Paul, Minnesota, where Artspace developed two large projects in the early 1990s. Or it may be something else: to create a new arts center, perhaps, or to protect a popular arts district from being gentrified out of existence. In many communities, more than one goal is in play.

For other communities starting from scratch, they look to Artspace as a guide. We usher 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. A project can be entirely residential, entirely non-residential, or a combination of both. Although affordable live/work space for artists is central to most Artspace projects, residential projects are not necessarily the right fit for every community or neighborhood. If a mixed-use project is being considered, Artspace asks focus group participants what types of commercial and community spaces would best complement artist live/work space.

In Bellevue, the identified need for affordable creative space arose directly out of calls from the artists and arts organizations themselves, many of whom currently reside and/or work in the designated Arts District of BelRed but are concerned about the sustainability and longevity of those spaces due the rapid pace of development there. Fortunately, the City of Bellevue had already acknowledged the value of the presence of artists and cultural groups, including in 2009 by providing direction and implementing strategies regarding the arts as part of the land use code in BelRed. Indeed, within the City’s Comprehensive Plan, which was subsequently adopted in 2015 and lays out a vision for the City over the ensuing 20-year period through 2035, the City acknowledges the role of Arts & Culture, as well as Urban Design, in shaping the character of the community and creating a people-oriented, aesthetically pleasing, and vibrant place to live and work. The plan directly refers to “Livability” as a driver of economic competitiveness and a key element of Bellevue’s Economic Development strategy, requiring “strong policy recognition of the importance of investments in urban amenities like the arts..., quality urban design...[and] affordable and diverse housing options.”<sup>2</sup> Further, policy states that Bellevue “seeks to foster a strong arts and cultural community chiefly supported through a wide range of artists, art and cultural institutions, and arts groups offering a variety of experiences” in order to “give residents and visitors the opportunity to engage with the community and learn about [the] cultural traditions”<sup>3</sup> of its rapidly diversifying population. The Creative Edge Bellevue report mentioned earlier also noted the same need.

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2 *Economic Development. City of Bellevue Comprehensive Plan. <https://planning.bellevuewa.gov/planning/adopted-plans-and-policies/comprehensive-planning/>*

3 *Urban Design & the Arts. City of Bellevue Comprehensive Plan. “<https://planning.bellevuewa.gov/planning/adopted-plans-and-policies/comprehensive-planning/>”*

Upon arriving in Bellevue for the Preliminary Feasibility Visit, Artspace entered into a community whose local government and artistic residents/workforce both recognized that integral to the development of a diverse and vibrant arts and culture community – and through it the increase of Bellevue’s livability – is the long-term availability of continually affordable living, work, and performance/gallery space for artists and arts organizations. With this level of buy-in from the get-go, and the urgency of a burgeoning real estate market displacing Bellevue’s current creative community, Bellevue is at a critical and prime moment for the development of an affordable creative space project.

**Challenge:** While Bellevue’s community clearly values the arts and its role in driving and defining the experience of the city, Artspace sees the lack of a visible presence of the arts, beyond organizations like the Bellevue Arts Museum or a potential future Tateuchi Center, as a major issue for the sustainability and growth of the Bellevue and the Eastside arts community. Coupling this with a clear need for affordable spaces – including housing, working studios, shared space with specialized equipment, and creative business/commercial space – for artists and art organizations alike, Bellevue needs a development that visibly puts the arts on the map. This space should provide not only affordable space to the artists, arts organizations, and creative businesses living and working within, but access to the broader community to participate in the local arts culture.

**Opportunities:** The three recommended primary strategies to create affordable space in Bellevue are not exclusive to one another and could be combined or implemented in multiple neighborhoods. The strategies aim to make Bellevue a place that attracts and retains creative enterprises and individual creative people who will live and work in Bellevue:

- **Strategy A:** Create a dynamic hub through an Artspace-model project. Creating long-term affordable space for Bellevue’s creative people is a critical part of the mix needed to both attract and retain the City’s artists and creative entrepreneurs. This mixed-use facility could have multiple types of creative spaces referenced above incorporated. A comprehensive Arts Market Study, the second step in the Artspace process, (or a similar study of the arts market), would narrow down and quantify the exact types and size of space needed by local artists and arts organizations (see more about Artspace’s Arts Market Study in **Appendix III**). It is also recommended exploring the inclusion of the planned Multicultural Center in or adjacent to a mixed-use facility as part of this strategy.
- **Strategy B:** Adopt/expand developer incentives to encourage carve-outs of below-market rate creative spaces in private developments. This strategy can serve as an amenity within future market-rate projects and as a “Community Give Back” as part of a community benefits package. Types of incentive programs to be considered include:

1. **Density Bonuses and Land Use Codes for developers** are defined by the Center for Land Use Education at the University of Wisconsin-Stevens Point as “an incentive-based tool that permits developers to increase the maximum allowable development on a property in exchange for helping the community achieve public policy goals.”<sup>4</sup> These incentives are often offered in exchange for leasing space for community purposes, such as affordable creative space. This can be done project by project or it can be done as part of a larger policy-level decision and recommendation. For example, in the RiNo Arts District in Denver, CO (a historically creative community located in former industrial neighborhood just north of downtown), community members have worked with the city to address an increase in demand for property development (spurred by a new transit stop) by creating parameters for new developments such as the inclusion of affordable creative commercial

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4 [https://www.uwsp.edu/cnr-ap/clue/Documents/PlanImplementation/Density\\_Bonus.pdf](https://www.uwsp.edu/cnr-ap/clue/Documents/PlanImplementation/Density_Bonus.pdf)

space, including studio and makerspace. They have also adopted affordable housing parameters that support creatives remaining in the arts district. Tenants for these potential new spaces will be chosen with input from a neighborhood council, including local artists.<sup>5</sup>

Bellevue currently has developer amenity incentives in Downtown. This includes amenities such as Performing Arts Space, Historic Preservation of Physical Sites/Buildings, Neighborhood Serving Uses, and a Flexible Amenity to be approved by Council on a case by case basis. For the areas outside of Downtown under consideration for a creative space project, particularly BelRed and Wilburton Tier 1a includes Affordable Housing (which is required to do first if a residential development is using the incentive system) and Tier 1b includes park dedications, stream restoration and the like. Tier 1 amenities can equal up to 2.5 FAR above the base in most BelRed districts. Once the 2.5 FAR is met, developments can utilize up to .5 FAR from Tier 2 in most districts. Potentially applicable Tier 2 amenities include Child Care/Nonprofit Space, Public Restrooms, and Public Access to Outdoor Plaza. Currently, there are no amenity incentives in the BelRed system for Performance Space. These incentives can help facilitate and identify creative tenants for potential new developments – like the RiNo Arts District mentioned above.

**2. Tax Incentives for Creative People** can be structured as an abatement of local and/or state sales taxes on the sale of “art” or “creative items” within a specific zone or in specific circumstances. This can be an “artist-based” program or a “place-based” program. With an “artist-based” tax incentive program, artists are exempt from tax on income they receive from the sale of their work, as well as royalty income, regardless of where they live within the city/county/state. Conversely, with a “place-based” program, artists are exempt from tax on income from their work only if they live/work within a designated “arts district”; similarly, galleries/theaters/other creative businesses are exempt from sales and other types of tax if located in the “arts district.” See examples here from the State of Louisiana (“artist-based” program) and State of Rhode Island (“place-based” program): [http://www.mtauburnassociates.com/pubs/Utilizing\\_Tax\\_Incentives\\_to\\_Cultivate\\_Cultural\\_Industries.pdf](http://www.mtauburnassociates.com/pubs/Utilizing_Tax_Incentives_to_Cultivate_Cultural_Industries.pdf), <http://www.arts.ri.gov/special/districts/>. For more information on this topic: <https://www.avalara.com/blog/2017/05/10/sales-tax-shapes-arts-wacky-tax-wednesday/>.

Currently, the State of Washington does not have any artist- or place-based tax incentives for creative people. However, the State passed a law in 2017 that does allow municipalities to establish their own cultural districts, certified by the Washington State Arts Commission. In order to receive accreditation as a state-certified “creative district,” a district must be geographically contiguous and distinguished by physical, artistic, or cultural resources that contribute to the life of the community. Specifically, the law makes reference to “a concentration of artistic or cultural activity [and/or] a major arts or cultural institution or facility.” While it is unclear what funding mechanisms could be combined with creative district certification in the future, this possibility should be kept in mind, with a potential mixed-use or other creative facility used as the anchor to pursue certification.

**3. Property Tax Abatement or Reduction Programs.** The Planned Industrial Expansion Authority, or PIEA, for the Crossroads Arts District in Kansas City, Missouri, is a particularly good example. This program was established by the KCMO City Council in 2006 as a 10-year program of property tax abatement to individuals who own properties in which creative businesses and/or individual artists have space. The program was extended in

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5 <https://rinoartdistrict.org/post/density-bonus>

December 2016 for another 15 years. The now nearly 40 properties in the Crossroads that are occupied by artists or for arts activities receive a 50% tax abatement on property taxes for 15 years.<sup>6</sup>

Bellevue's existing Multifamily Tax Exemption Program sets somewhat of a precedent and could potentially be a model for a property tax abatement program targeted towards artists. However, abatement requires legislative legwork that may render this a long-term rather than short-term strategy. If this is of interest to Bellevue, the City should develop a network of local, regional and state leadership to help advance such legislation.

**4. Other incentives and strategies** for preserving long-term affordability and reducing creative sector displacement. For example:

**a. Real Estate Acquisition/Leasing**

- i. Creation of a property acquisition program in collaboration with foundations and other public/private partners, modeled on CAST (Community Arts Stabilization Trust) in San Francisco. ([cast-sf.org](http://cast-sf.org))
- ii. Lease City-owned or other public property at affordable rates, modeled on Spaceworks in New York City. ([spaceworksnyc.org](http://spaceworksnyc.org))
- iii. Purchase/acquire properties via a community land trust
- iv. Creation of affordable temporary spaces in private developments in existing vacant/underutilized buildings, modeled on Spaceworks Tacoma ([spaceworkstacoma.com](http://spaceworkstacoma.com))

**b. Financial Assistance:** Provide direct financial assistance to artists/arts organization to avoid displacement, including funding to support operating costs, rent payments, etc., modeled on San Francisco's Nonprofit Displacement Mitigation Program.

**c. Technical Assistance:** Through the City of Bellevue's Arts Program, establish a robust portfolio of technical assistance programs to help artists/arts organizations strengthen their practices and remain in Bellevue.

**d. Cultural Facilities Fund:** Bellevue's City Council has recently funded emergency or capital requests for arts facilities in Bellevue. Recent granted requests include Kidsquest Children's Museum and Music Works Northwest. Bellevue should formalize a cultural facilities program that provides funding for capital facilities to help organizations stay and grow their capacity in Bellevue.

A summary of additional Creative Space Development Incentives/Funding Opportunities, compiled by Artspace for the City of Tacoma in 2014, can be found in **Appendix V**.

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<sup>6</sup> <http://kcur.org/post/crossroads-tax-abatement-artists-and-arts-businesses-extended-15-years#stream/0>

*NOTE: The first three strategies in this subsection are drawn from and can be explored in more detail in the following memorandum from the Mayor of Oakland, CA regarding the "Top Three Strategies to Stem Artist Displacement" in Oakland. <http://www2.oaklandnet.com/oakca1/groups/ceda/documents/agenda/oak057556.pdf>*

- **Strategy C:** Curate a shared space collaborative for creative commercial enterprises and nonprofit arts-related organizations. This concept surfaced during the Preliminary Feasibility Visit, particularly during the Artist and Arts Organization Focus Group, and could stand alone or be included as one component of a mixed-use artist housing project. Because of the challenging real estate environment in Bellevue, this concept of shared space or co-location are viable options to consider at this time.

There are a variety of co-location models. Co-location spaces for the artist or creative are cost effective; provide collaboration and networking opportunities; flexibility to expand; flexible lease terms; and can be furnished if needed. From a community's or city's perspective, co-location or shared work environments also provide many benefits. Centralized location for accessing a critical mass of organizations, businesses and artists and the events or products generated; barriers for small, new, or emerging organizations, businesses and artists are low; and shared "real estate" in the form of office space is particularly valuable in expensive markets where rents are in the \$20-40/sf+ range. They are also an efficient way to provide multiple individuals and organizations with space; and provide synergy between organizations and individuals that often leads to unique and productive collaborations – the sum of the parts become stronger than the individuals or organizations.<sup>7</sup>

For Nonprofit- and arts-organization co-location models offer similar benefits. A 2015 Nonprofit Centers Network study, "State of the Shared Space Sector," focused on the experience of nonprofits who have co-located. 83% reported improvement in their organizational credibility; 82% reported improvement in their ability to achieve goals; cost savings from co-location were primarily redirected into programs and staffing; and a majority of those surveyed saw increased foot traffic in the vicinity of the shared-space center and an increased number of services available to the community.<sup>8</sup>

## Mission-Driven Shared Spaces Examples

### Open Book, Minneapolis, MN:

- Open Book is an umbrella organization and shared space in the Mill District area of Minneapolis' Downtown East neighborhood, co-founded in 2000 by three literary-oriented nonprofits – The Loft Literary Center, Milkweed Editions, and Minnesota Center for Book Arts – out of the shared need for sustainable space. The resulting building houses offices for each of the three organizations, a gallery/coffee shop, retail space for MCBA, and performance/meeting spaces for rent.

### Nonprofit Leader.org (NLO), Seattle, WA

- Located in South Lake Union, NLO is a collaborative shared office space for nonprofit/social purpose organizations that offers below-market rate workspace, shared amenities, and incubator-style collaboration, networking, and mentorship

### ArtCore, Chicago, IL

- ArtCore is a non-merging collaborative of three nonprofit organizations – Arts & Business Council of Chicago, Audience Architects, and Chicago Cultural Alliance – who began sharing space and back-office services in 2012. Recognizing that the proximate environment led to peer-to-peer learning and joint programming, the three organizations review revealed the opportunity to collaborate further on business and financial operations in order to focus more staff time and energy on program delivery and improvement. The result was the formation of ArtCore, supported by a grant from the John D. and Catherine T. MacArthur Foundation.

<sup>7</sup> <https://hbr.org/2015/05/why-people-thrive-in-coworking-spaces>

<sup>8</sup> State of the Shared Space Sector Survey 2015. The Nonprofit Centers. [www.nonprofitcenters.org/sector](http://www.nonprofitcenters.org/sector)

# Arts Market

The term “arts market” refers to the demand for the kinds of space that artists regularly need and use. As previously noted, the goal of the Preliminary Feasibility Visit is to obtain qualitative data from artists and others familiar with the local arts scene. During the Artists and Arts Organizations and the Business Sector Focus Groups, and the Public Meeting, artists and others engaged in creative pursuits were asked if they and/or their peers need space – residential, studio, exhibition, rehearsal, performance, display, sales, education, office, storage, etc. They were also asked what they consider “affordable” in terms of rent and what amenities are high priorities for them.

**Challenge:** Perceived need is tremendous both from creative people and businesses already in Bellevue and from those who may want to move under the right conditions.

**Opportunity:** Test market demand in order to be responsive and develop strategies for preserving and creating affordable space for the creative sector. Learn more about specific space needs and the levels of affordability that artists need and in turn what complementary research is needed to quantify demand, refine incentive programs; and, conceptualize and initiate the design of a multi-use art facility project.

In the meantime, find temporary, affordable priced space for nonprofit arts organizations who are facing imminent displacement. Consider Lincoln Center as possible temporary relocation in Wilburton.

## WHAT IS AN ARTIST?

Artspace's definition of an artist is very broad. An “artist” is a person who has a demonstrable commitment to the arts or a creative pursuit. This does not mean that the artist generates any or all income through his or her art. Artspace intentionally keeps its definition of an “artist” broad because each community has different definitions of what it means to be creative. While the term is broad and varies from community to community, if affordable housing is utilized in a project, all “artists” must still qualify for affordable housing by income.

- A person who works in or is skilled in any of the fine arts, including but not limited to: **painting, drawing, sculpture, book art, mixed-media and print-making.**
- A person who creates imaginative works of aesthetic value, including but not limited to **film, video, digital media works, literature, costume design, photography, architecture and music composition.**
- A person who creates functional art, including but not limited to **jewelry, rugs, decorative screens and grates, furniture, pottery, toys and quilts.**
- A performer, including but not limited to **singers, musicians, dancers, actors and performance artists.**
- In all culturally significant practices, including a **designer, technician, tattoo artist, hairdresser, chef/culinary artist, craftsperson, teacher or administrator** who is dedicated to using their expertise within the community to support, promote, present, and/or teach and propagate their art form through events, activities, performances and classes.



Source: Miguel Edwards via City of Bellevue

## ARTIST FEEDBACK

A summary of the qualitative feedback from the creative people met during the visit is as follows:

- Many want to stay in Bellevue but don't see an affordable path;
- Some artists don't want to stay and say they can't attract customers to the area;
- City tends to "close up shop" after 5 pm. Many say that's changing;
- Some organizations rely on artists or teachers who, like many in the Bellevue workforce, cannot afford to reside in the city;
- Co-location and makerspace is of interest;
- Centralized marketing of arts happenings in Bellevue is lacking. A coordinated strategy, like an arts calendar, is needed to broadly boast Bellevue's creative assets and develop a culture of local arts consumption;
- Some who worked in the past to help BelRed flourish as an arts district feel disappointed and disillusioned, citing a lack of civic investment in infrastructure and way-finding. Similarly, a desire was voiced for a less top-down approach and more programs and policies that encourage organic growth of the arts;
- Affordable performing arts space is needed. Existing (and planned) performance spaces are too expensive to lease and those that are not, like school facilities, prioritize school functions. Some have had their programs bumped from schedules. Having secure designated "community access" dates for school facilities, that are also available a year in advance to performing arts groups, is requested. Rehearsal spaces can be hard to find;
- There are many performing and other arts groups with strong cultural identities and ties that are not represented in the focus groups. Many have similar space needs;
- Gallery/exhibition space is needed;
- Creative businesses need to be in a walkable location with a critical mass of offerings to be viable. Downtown and traditional commercial areas that are accessible to visitors and workers are too expensive;
- The arts in Bellevue should be seen as foundational, not something else "on the menu." New space must instill value in the arts and dispel the notion of the "starving artist;" and
- Consider non-arts commercial tenants that serve a broader population and public purpose for tenancy in a multi-use arts facility. For example, social service organizations, adult daycare, arts education space for those with disabilities, etc.



Source: City of Bellevue

Space needs and other information, collected from focus groups conversations and a short questionnaire provided to participants, suggests that a broader space-needs survey may be customized for the Bellevue creative community. See **Appendix VI** for full questionnaire. In general, when conducting a survey of the arts market for Bellevue, Artspace recommends aiming to reach participants in both King and Snohomish County. Based on anecdotal feedback from the focus groups it is expected that a successful survey will reach well beyond Bellevue to creatives who currently live and/or have studio/creative work spaces in other cities including Redmond, Kirkland, Issaquah and Seattle. This would result in a project that attracts artists from other cities to live and/or work in Bellevue. Additionally, most artists that took part in focus groups or the public meeting preferred a live/work arrangement rather than housing-only. Shared creative space is particularly needed.



## MARKET DEMAND

Given the discipline- and mission-diversity of the individuals and organizations/businesses Artspace met with in Bellevue, a mixed-use project that includes live/work housing, private studio/creative work-only space, shared creative space, and commercial space for small businesses, would find a strong market. This is further described in the Project Concept section earlier in this report. This concept is based on feedback from the focus groups, as well as the strong demand evidenced by past arts market surveys in the nearby cities of Everett (2005) built with 40 live/work units, Olympia (2014), and Tacoma (2015) seen in the table below. Furthermore, the wait list for Artspace’s projects in Seattle is nearly 5,000 people. The most recent Puget Sound-area development, the Mt. Baker Lofts in Seattle (opened in 2014) already has a 900-person wait list and the other two projects in Seattle, Hiawatha (opened 2008) has 2,000 people on the wait list and Tashiro Kaplan (opened 2004) has 1,850 people wait listed. More information on these Artspace projects can be found in **Appendix IV**.

**A mixed-use project that includes live/work housing, private studio/creative workspace, shared creative space, and commercial space for small businesses, would find a strong market in Bellevue.**

Arts Market Study Results			
Community	Everett	Olympia	Tacoma
Total # of Respondents	651	603	410
Total interested in “relocating to an artists’ live/work community”	281	200	152
Total interested in renting “studio, creative work, production or fabrication space for artists and creatives on an ongoing basis”	301	130	156
Catchment area (mile radius)	50	50	50

Source: Artspace, 2017

It is anticipated that demand for a mixed-use property in Bellevue would be strong. Still, a Bellevue-specific study of the arts market would not only quantify demand of artists currently living in Bellevue and on the Eastside in particular, but also examine the willingness of artists to relocate to Bellevue from elsewhere in the Puget Sound region. Examples of specific information gathered through the comprehensive Arts Market Study include:

- **What types of artists will this project serve?** Artists who practice different disciplines require different amenities for creative space. Determining the types of artists interested will assist with project planning and design.
- **What can artists pay for studio/work space?** Based on experience in similar communities, it is anticipated that less than \$1.00 per square foot or less than \$500 a month (artists most commonly request space of between 100 and 500 square feet) to be an acceptable affordability range, but Bellevue may be different.
- **What can artists pay for housing?** It is anticipated that HUD-set rents at or below 60% area median income would be considered very affordable to many artists burdened by high rental costs.

- **What types of shared spaces are most important?** It is anticipated that there is a strong need for community space, communal gallery/exhibition space, makerspace, co-working space, rehearsal space (music and dance), teaching space, and performance space.
- **What types of private spaces are most important?** It is anticipated that there is a strong need for office space and private spaces where an artist’s work can be showcased on an ongoing basis (in addition to housing).
- **Location preference.** While many factors influence where new space is built (available land, funding priorities, etc.), understanding where the creative sector would like to have space is important. It is anticipated that BelRed will be of particular interest, as well as other areas that offer the opportunity for foot traffic and easy access to transit. A study of the arts market should seek to quantify how attractive BelRed (potentially even distinguishing the 120th and 130th nodes from each other), Crossroads, and Wilburton are to artists.
- **Whether commercial space in a mixed-use project would serve both nonprofits and small creative businesses.** Based on feedback by the participants in the Artist Focus Group, it is anticipated that there is a strong mix of organizations and businesses that could benefit from long-term affordable space in a mixed-use artist housing project. During the focus group, several organizations mentioned they will be losing their space in BelRed in the coming year, for example. It is recommended these organizations’ space needs be evaluated.
- **Where are the interested artists located?** Would this type of facility meet the needs of the resident/Eastside artists and the creative workforce or would this be a draw from the bigger region?

In addition to providing key information about the demand for space within the context of a mixed-use affordable artist housing project, a study of the arts market would also provide valuable information for other developers and organizations who might consider carving out space for artists in their projects once they understand the demand and the pricing. Many developers assume artists cannot pay rent. This is far from the case. Bank lenders with whom Artspace has worked have frequently cited how artists consistently pay their rent because their space is a critical part of their livelihood and ability to generate revenue. Armed with this information, other developers may also consider carving out space in their larger projects for creative space needs.

For example, In Loveland, Colorado, a local developer created 20 working studios and a gallery which he recently expanded to 32 working studios, all based on the data from the Artspace Arts Market Study. That same developer also created a “makers space” for artists who needed access to 3D laser printers and other high-tech equipment often formidable for individuals to own. From there, the developer created a co-working space for creative entrepreneurs and small business owners, most of whom are in creative professions.

In Tacoma, Artspace performed a series of developer workshops for nonprofit and for-profit developers to consider creating space for artists within their larger affordable and market rate developments. With this arts market data, the City of Tacoma has advanced its first formal live/work project, the McKinley Lofts, set to open in 2017. Six of the Lofts’ fourteen units are targeted as affordable space for creatives. A second private development is currently in the planning phase as of this writing. The lead on that project is using Artspace’s Arts Market Study data to develop a concept that aligns with the live/work space and affordability preferences of the creative sector.



*McKinley Artist Lofts Rendering Source: [tacomaartistlofts.com](http://tacomaartistlofts.com)*

## Cultural Note: Tateuchi Center

Of note in the conversation about artist market and Bellevue’s cultural assets is the Tateuchi Center project, a decades-long endeavor to fund and build a state-of-the-art performing arts center in Downtown Bellevue. The vision is a venue to present performances reflective of Bellevue’s coming-of-age into a culturally diverse, educated and creative community, where patrons can experience performances by Seattle Symphony Orchestra, Pacific Northwest Ballet, Bellevue Youth Symphony Orchestra, and other regional performing arts organizations. The latest plans for the building include a 2,000-seat Concert Hall, smaller Studio Theatre for performances and arts education programming, and an ample Patron’s Lounge. After years of planning, the project was buoyed by a \$20 million investment from the City of Bellevue in 2015, and has raised \$123.5 million of its \$195 million goal to date. Plans call for a groundbreaking in 2018 and Grand Opening in 2020.

Artspace recommends including a representative from the Tateuchi Center leadership in the core group to ensure coordination on the private philanthropic component of a future mixed-use artist housing project.

## ARTS MARKET SURVEY



In addition to the anecdotal data collected during the Preliminary Feasibility Visit, related to the creative sector’s space needs and affordability needs, an Arts Market Study (AMS) is a required step in the predevelopment of an Artspace project. It is an in-depth analysis of the space needs of artists and creatives in a community. Starting from a proprietary survey template developed in 2000, Artspace works with the community to modify it to reflect the unique characteristics of the proposed project concept, and then hosts it online for 6-8 weeks. Customizing the survey, publicizing it, collecting data, analyzing the results, and preparing the report takes about six months.

The goal is to determine the size and nature of the market for an affordable mixed-use arts project. It tells Artspace how many live/work units and studios the local arts community can fill and what design features and amenities are desired. It is used effectively to demonstrate need to the public and private entities that decide whether or not to financially invest in an Artspace project.

The AMS gathers a wealth of data about the area’s creative individuals, including the arts disciplines; amenities and neighborhoods of interest; current income range and the percentage of it that is generated by art; current workspace arrangement; amount they are willing to pay for housing and studio space; and general demographic information.

See **Appendix III** “Arts Market Study Summary of Scope” for a more detailed description of the AMS process.

# Funders and Financing

An affordable mixed-use arts facility represents a substantial financial investment in the community where it is located. In most cases, however, only a fraction of that investment comes directly from the community itself, because such developments rely mainly on federal programs, such as Low-Income Housing Tax Credits (LIHTCs), Historic Tax Credits (HTCs), and HOME funds, to pay for development. These programs, and others like them, exist to encourage the development of affordable housing, the rehabilitation of historic buildings, the economic revitalization of neighborhoods, and other public purposes.

Nevertheless, the local community plays a significant role in the broader funding and fundraising effort, especially during the early steps of the process – that is, initial planning and predevelopment. And if affordable housing is not part of the project, the community’s financial role is likely to be much greater than otherwise.

There is an impressive array of tools and comprehensive planning goals for affordable housing in Bellevue. While never easy, the opportunities for funding and financing are tremendous. At the Finance and Funding focus group, attendees representing City, County and State housing, capital facilities and financing programs discussed the following funding mechanisms. While none of these replace the depth of the substantial gap funding source, the Housing Trust Fund in Seattle, they are more robust opportunities than found in many other communities in which Artspace has done consulting and/or development projects.

Funding Source	Relevance
<p><b>Regional Equitable Development Initiative (REDI) Fund</b></p>	<p>The REDI Fund is a public-private Transit-Oriented Development Fund created in 2016 to support the acquisition and development of properties along transit corridors in King, Pierce, and Snohomish Counties in order to preserve the availability of affordable housing and community facilities. Projects may be affordable housing or mixed-use (or land acquired for such) within ½ mile of light/commuter rail or ¼ mile of frequent bus/streetcar stops. Loans of up to \$5 million, with term of up to 48 months for multifamily properties and 84 months for vacant/redevelopment sites.</p> <p><b>More info:</b> <a href="http://www.enterprisecommunity.org/financing-and-development/community-loan-fund/redi-fund">http://www.enterprisecommunity.org/financing-and-development/community-loan-fund/redi-fund</a></p>
<p><b>ARCH Housing Trust Fund</b></p>	<p>The ARCH Housing Trust Fund (HTF) was created by ARCH member communities (including Bellevue, Bothell, Issaquah, Kenmore, King County, Kirkland, Mercer Island, Redmond, Sammamish, Woodinville, and others) in 1993 as a way to directly assist the development and preservation of affordable housing for ‘Low’ and ‘Moderate’ Income individuals and families in East King County. The trust fund is capitalized by both local general funds and locally controlled, federal Community Development Block Grant (CDBG) funds. ‘Low’ Income is defined as less than 50% of the King County median income, and ‘Moderate’ Income is defined as less than 80% of the King County median income.</p> <p><b>More info:</b> <a href="http://www.archhousing.org/developers/housing-trust-fund.html">http://www.archhousing.org/developers/housing-trust-fund.html</a></p>

<p style="text-align: center;"><b>Multifamily Property Tax Exemption Program</b></p>	<p>The MFTE Program is a voluntary affordable housing incentive for new apartment development. The MFTE provides a 12-year exemption from property taxes paid on the housing portion of qualifying projects in exchange for setting aside 20% of the units for income-eligible households. Projects must be located in these targeted mixed use residential areas. All four of the neighborhoods currently being discussed as potential sites are targeted through this program.</p>
<p style="text-align: center;"><b>King County Housing Financing Programs</b></p>	<p><b>HOME</b> - a program of the federal Department of Housing and Urban Development, administered locally by the King County Department of Housing and Community Development. Funds are available for building, buying and/or rehabilitating affordable housing for households with incomes at or below 60% AMI. In 2016, \$3.1 million in HOME Funds were distributed in King County. <a href="http://www.kingcounty.gov/depts/community-human-services/housing/services/housing-finance/funding.aspx">http://www.kingcounty.gov/depts/community-human-services/housing/services/housing-finance/funding.aspx</a></p> <p><b>Capital Funding Round</b> – capital funding from a variety of funding sources is administered annually through a Request for Proposals (RFP) process.</p> <p><b>Interim Loan Program</b> - provides low-cost financing for the acquisition of property that will be developed to provide low income housing, prioritizing projects proposing the development of permanent affordable housing with at least 25 percent of the units for homeless households. Additionally, units must be affordable to households at or below 50 percent of area median income, with homeless units to be at or less than 30 percent of area median income.</p> <p><b>Credit Enhancement Program</b> - an initiative to assist in the development of affordable housing. On select projects that meet King County priorities, King County will provide a credit enhancement which reduces the financing costs for housing developments. In exchange for project savings, the developer agrees to set aside affordable units within the project.</p> <p><b>TOD Funds</b> - Belred received an additional earmark for \$10 million allocation of bond financing for workforce housing projects near BelRed Corridor Transit Stations. Guidelines still being finalized. City needs to advocate with King County on how these funds are administered.</p>

<p><b>State of Washington Housing Trust Fund (HTF)</b></p>	<p>The State HTF is a program of the State of Washington Department of Commerce. Funds are used to help fill gaps in both 9% and 4% funding deals. The application is completed in two stages and funds are allocated every two years in the fall. As much as \$3 million can go to any one project if there is a good fit between the project and the state’s goals. This fund primarily serves develops serving 30% to 60% of Area Median Income.</p> <p>According to the State’s website, “projects can serve people with incomes up to 80% of Area Median Income, but the majority of projects funded to date serve households with special needs or incomes below 30% of Area Median Income, including homeless families, seniors, farmworkers, and people with developmental disabilities.”</p> <p><b>More info:</b> <a href="http://www.commerce.wa.gov/building-infrastructure/housing/housing-trust-fund/">http://www.commerce.wa.gov/building-infrastructure/housing/housing-trust-fund/</a></p>
<p><b>State of Washington Ultra-High Energy Efficient (UHEE) Fund</b></p>	<p>Supplemental funding through the Washington State Department of Commerce for HTF recipients to design and construct ultra-high energy efficient affordable (net-zero energy) housing projects. Must receive HTF award to be eligible. Awards of approximately \$500K - \$1M for multifamily projects, in addition to HTF award.</p> <p>\$2.5M for the UHEE Fund was appropriated by the WA Legislature for the 2015-17 budget biennium, but it is unclear whether this line item will be included in the 2017-2019 cycle.</p> <p><b>More info:</b> <a href="http://www.commerce.wa.gov/wp-content/uploads/2015/12/UHEE-Funding-Plan.pdf">http://www.commerce.wa.gov/wp-content/uploads/2015/12/UHEE-Funding-Plan.pdf</a></p>
<p><b>4Culture</b></p>	<p>Grant support for Cultural Facilities is available through 4Culture, King County’s cultural funding agency. Funding is designated for nonprofit arts and culture organizations – as well as public agencies – to build, remodel, or buy permanent specialized facilities to house cultural work.</p> <p><b>More info:</b> <a href="https://www.4culture.org/grants/cultural-facilities/">https://www.4culture.org/grants/cultural-facilities/</a></p>
<p><b>Building for the Arts (BFA)</b></p>	<p>This unique Washington State of Commerce Department, bond-generated funding source is allocated on a Biennium calendar that mirrors the Housing Trust Fund. It may be used toward capital costs related to the residential and commercial components of the project. BFA grants can provide up to \$2 million and can be used to pay up to 20% of eligible project costs. Applications require control of the site/facility (ownership or long-term lease). BFA can be used for predevelopment costs (including design, architectural and engineering work, building permits/fees, and archaeological/historical review); construction labor and materials; property acquisition. Applications for the 2019-2021 Building for the Arts Grant will open in Spring 2018. Funding requirements may trigger increased building costs, in excess of the fund’s benefits.</p> <p><b>More info:</b> <a href="http://www.commerce.wa.gov/building-infrastructure/capital-facilities/building-for-the-arts/">http://www.commerce.wa.gov/building-infrastructure/capital-facilities/building-for-the-arts/</a></p>

## FINANCING PARTNERS

In addition to these programs, there are several key foundations, corporations and private partners and equity investors that could help fill a gap in a mixed-use affordable artist housing project. The following private sources partnered to fund Artspace’s three properties in Seattle and one in Everett (some are geographic-specific; others are not):

- The Paul G. Allen Family Foundation
- Boeing Foundation
- Ford Foundation
- JP Morgan Chase
- Raynier Institute & Foundation
- Seattle Foundation
- South Downtown Foundation
- U.S. Bancorp Foundation
- JP Morgan Chase
- Impact Capital
- National Equity Fund
- RBC Dain
- Citibank

To complement the State, County and Federal funding programs, the City of Bellevue has its own municipal tools for projects that contribute to greater community goals such as those for affordable housing. These include **transportation impact fee waivers for workforce housing**, depending on the site and the specific impact fees, waivers can be a huge financial benefit for an affordable housing project. Additionally, **below-market rate land contributions and long-term land leases** are also great financing tools.



Source: Miguel Edwards via City of Bellevue



As an example of how all the above funding and financing might be combined to support a project in Bellevue, below is a breakdown of funding sources for Artspace’s most recent project in the Puget Sound area – the Artspace Mt. Baker Lofts in Seattle, which opened in 2014.

### Artspace Mt. Baker Lofts // Seattle, Washington

SOURCE	AMOUNT	PCT.
<b>Public Sources</b>		
Federal low income housing tax credits (LIHTC)	\$7,473,319	41%
<b>City of Seattle Office of Housing Levy Funds</b>	<b>\$5,500,000</b>	<b>30%</b>
Washington State Housing Trust Fund	\$900,000	5%
<b>Private Sources</b>		
Residential Mortgage	\$1,350,000	7%
Commercial Mortgage	\$600,000	3%
Artspace Sponsor Loan (Philanthropic)*	\$922,000	5%
FHLB AHP Sponsor Loan*	\$500,000	3%
Sponsor Loan (Developer Contribution)*	\$78,000	<1%
Purchase Price Hold Back**	\$641,741	4%
GP Capital Contribution	\$10,185	<1%
Deferred developer’s fee	\$110,000	1%
<b>TOTAL</b>	<b>\$18,085,245</b>	<b>100%</b>

\*The term “Sponsor Loan” references the philanthropic dollars that were aggregated and “lent” to the project in the form a zero percent interest loan. For many Artspace projects, the proportion philanthropic contributions falls approximately in the 10-15% range of the total development cost.

\*\*One item that may not be clear is the source titled “Purchase Price Holdback”. The Federal Transit requirement for Market Value Sale did not allow for consideration of known soil and foundation piling requirements. We knew about this and so did Sound Transit. The solution created was to escrow a portion of the purchase price to pay for increased costs associated with foundation pilings if they were needed (all parties knew that they were needed). Once we closed, the general contractor issued a change order for foundation pilings which was the basis for requesting a release of escrowed funds. In effect, this was a seller “give-back” for inflated acquisition price.

The biggest challenge for projects in Washington State outside the City of Seattle is how to replace the equity from Seattle’s Housing Trust Fund, noted in red above, which accounted for 30% of the total development cost for the Artspace Mt. Baker Lofts. In the case of Bellevue, it is possible that the County TOD funds for BelRed could provide a nearly equal level of equity.



# UNDERSTANDING LOW-INCOME HOUSING TAX CREDITS (LIHTC)

**STEP 1 (OF 10)**

The **low-income housing tax credit — LIHTC** — is the government's primary program for building affordable housing. **Here's how it works...**



**STEP 2 (OF 10)**

The **IRS** has a pool of tax credits that it divvies up every year among **58 state and local housing finance agencies**, based on population size.



**STEP 3 (OF 10)**


**Let's say you're a developer** and you want to build an apartment building with units designated for low-income people. To decrease rents, you'll need help to offset your costs. That's where those tax credits come in.



**STEP 4 (OF 10)**


First, you go to your **housing finance agency** to request money to build. You promise to:

- Offer a certain amount of low-income units and keep it that way for at least 30 years.
- Meet the housing agency's requirements. For example, you might set aside units for veterans or the homeless.



**STEP 5 (OF 10)**

If your application is approved, the housing agency gives **about 70 percent of your allowable cost in tax credits**, which you can claim for 10 years once the building is completed.



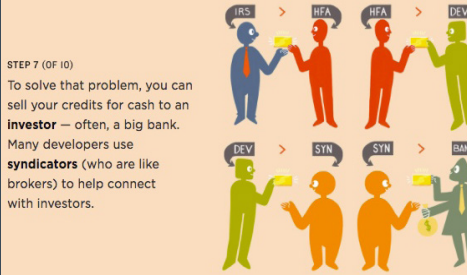
**STEP 6 (OF 10)**

But tax credits are just a promise that you won't have to pay as much at tax time and are not very useful for buying concrete or labor.



**STEP 7 (OF 10)**

To solve that problem, you can sell your credits for cash to an **investor** — often, a big bank. Many developers use **syndicators** (who are like brokers) to help connect with investors.



**STEP 8 (OF 10)**

Everybody in this process earns a fee for their work.




**STEP 9 (OF 10)**

Investing in LIHTC buildings helps banks meet their obligations under the Community Reinvestment Act, which requires banks to invest in the poorer communities where they do business.



**STEP 10 (OF 10)**

**When the project is complete**, the investor owns the majority of the building and gets 10 years of tax benefits. Because taxpayers subsidized the building, the rents on the low-income units are cheaper than market rate.



Source: NPR, Illustrations by Chelsea Beck/NPR. Explainer by Meg Anderson, Alicia Cypress, Alyson Hurt, Laura Sullivan and Ariel Zambelich/NPR and Emma Schwartz/Frontline

# Potential Sites

During a Preliminary Feasibility Visit, Artspace’s primary goal is not to select a site but rather to identify candidates for further study should a project move forward. Among the factors considered are location, access to transit, ease of/opportunity for acquisition, potential for sustained impact on the broader community, viability for the intended project type(s), and intangibles.

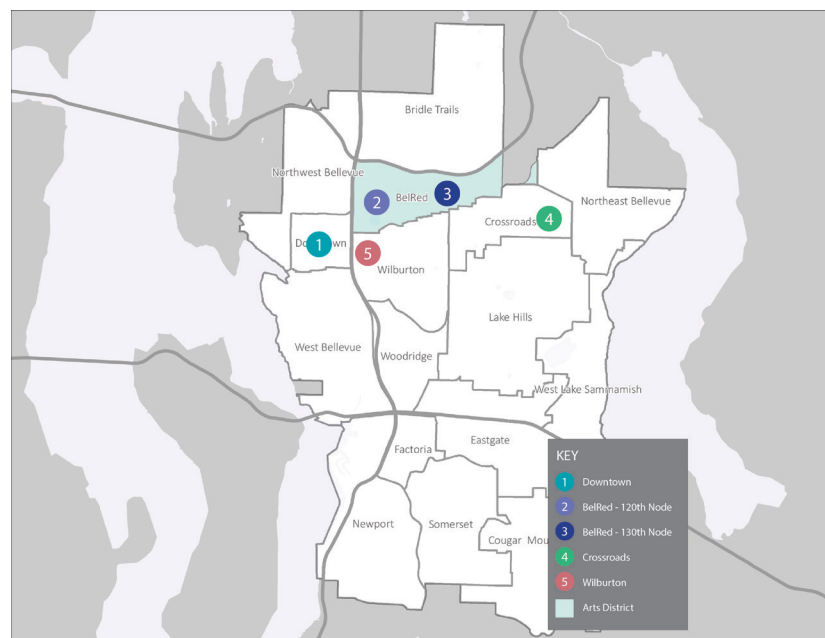
It is preferred not to restrict the focus to a single district or neighborhood during the first visit to a community, the hosts are generally asked to show several areas that can be regarded as possible candidates for development as an arts facility. This is requested even if the project concept involves a single site, such as a historic theater or decommissioned school, or a specific area, such as an established arts district, because it gives insight into what community leaders are looking for.

**Challenge:** There are a limited number of City or Government Agency-controlled site options for a mixed-use live/work project. There are also timing issues with many of the priority areas.

**Solution:** Get a site under control as soon as possible with a priority given to sites that will support long-term affordable space for Bellevue’s creative community – in the form of affordable workforce housing, shared community space, co-location, and below-market creative commercial spaces. Sound Transit’s OMFE site (see below) should be the first site on which to focus. While the data is not yet available from an arts market study to confirm that this site is of interest to artists, but because of Sound Transit’s quick timeframe for OMFE, the City should be proactive and begin conversations with Sound Transit. This TOD site would make a great future mixed-use affordable artist housing project. Specifically, the City should attempt to advocate for the inclusion of creative space/artist workforce housing in the TOD plans, and work with Sound Transit to design the language in the forthcoming RFP to support this type of project. While a date for the RFP release has not been made public as of this writing, it was expressed to Artspace during the Preliminary Feasibility Visit that Sound Transit will be moving forward soon.

## SITE OBSERVATIONS

During the visit, Artspace toured five potential areas within four neighborhoods (Belred, Wilburton, Downtown, Crossroads). Though specific sites were not identified in these neighborhoods, impressions of each are described on the following pages.



*Potential Sites Map, Source: City of Bellevue*

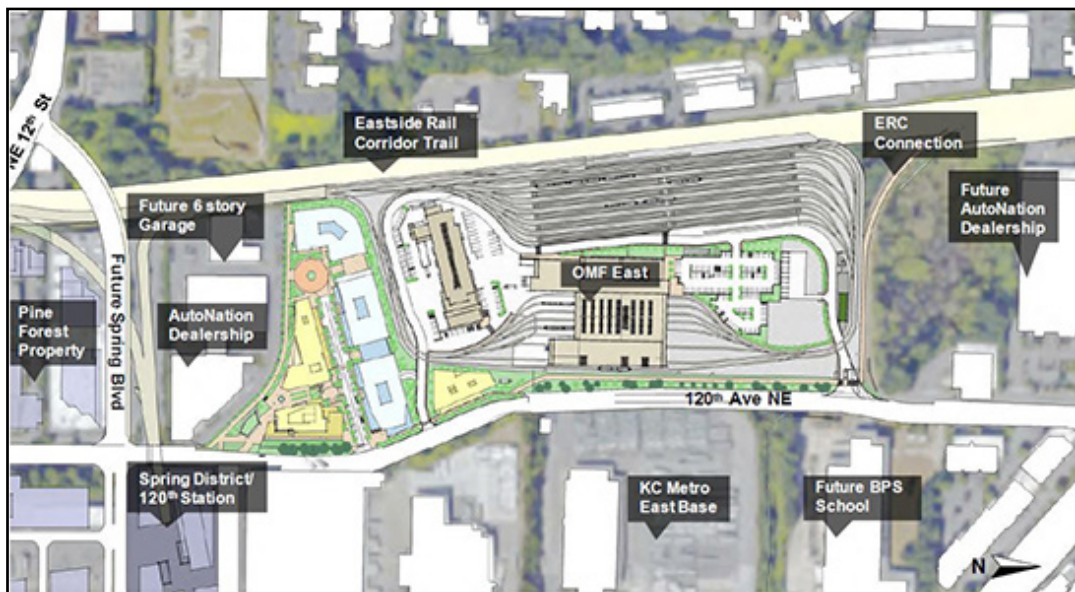
## BELRED:

**BelRed Arts District (130th node):** In years past, the area’s light industrial buildings and relatively cheap rents attracted arts groups and individual creative makers, leading to a 2008 arts district designation in the BelRed Plan. However, the arts-related businesses and nonprofit arts organizations in this area are being displaced and need affordable space options to stay in Bellevue. With the plan for this area including new light rail stations and significant new transit-oriented development, the look and feel of BelRed will soon be completely different from what it is today. New development will eventually fill in the station areas there will be little chance for naturally-occurring affordable space without interventions. Unless a strategy is put into place to incentivize developers to include below-market rate space in new developments for the creative sector (preferably \$12-18 per square foot, annualized), the “arts district” moniker will need to be removed to align expectations with the realities of the market force.

**The Spring District (120th node):** Within the BelRed area northeast of Downtown, the Spring District is a 36-acre multi-building development currently under construction. Within this district, several mixed-use multi-family buildings have recently been completed as well as the Global Innovation Exchange, a graduate level technology institution that is a partnership between the University of Washington, Tsinghua University of Beijing, and Microsoft. While this is not an area considered for a mixed-use artist housing project, this development is notable within the context of Bellevue’s growing urban neighborhoods.

### Sound Transit’s Operations and Maintenance Facility-East (OMFE) site is the best opportunity for a mixed-use live/work project.

**Best Opportunity in BelRed:** Sound Transit’s Operations and Maintenance Facility-East (OMFE) site is the best opportunity for a mixed-use live/work project in the BelRed area. It is located west of the Spring District between the Eastside Rail Corridor trail and 120th Avenue NE. As part of the OMFE Master Development Plan, approximately 6.7 acres will be used for transit-oriented development, just south of the Sound Transit maintenance facility. It is imperative that the City works to influence the language in Sound Transit’s RFP for the transit-oriented development. In order to address the space needs of creative businesses and artists, the City may want to push for the inclusion of specific language about affordable space – including affordable artist housing.



Map of Proposed Future Sound Transit OMFE, Source: Sound Transit

## WILBURTON:

During the visit, Artspace learned that there may be temporary creative space opportunities in Wilburton to help those at risk of displacement remain in Bellevue until a permanent solution is in place. Wilburton is directly adjacent to Downtown and just south of the Spring District and BelRed. Though currently dominated by auto dealerships, it is envisioned as a dense, mixed-use area. Sandwiched between BelRed/ the Spring District – which has a heavy education focus due to a lot of the creative and tech institutions/ firms – and Downtown – which is dominated by established tech firms like Microsoft, Bungie, Expedia, and lots of gaming companies – Wilburton is often talked about as a place for startups and idea generation.

The City of Bellevue is currently working with a Citizen Advisory Committee to develop a land use, transportation, and urban design vision for the Wilburton area. Early indications from the Citizen Advisory Committee envision the area of having a mix of uses, with densities between those of Downtown and the Spring District. The study area will have one light rail station (Wilburton Station), and an additional three within walking distance (Downtown, East Main, Spring District). I-405 separates Wilburton from Downtown, with modest existing pedestrian connections to Downtown and its cultural amenities. A future, and much more user-friendly, connection to Downtown is being planned via the Grand Connection. It is important to note that the Grand Connection will be a 1.5 miles-from Wilburton and the Eastside Rail Corridor through Downtown, terminating at Lake Washington via Meydenbauer Bay Park.



*Wilburton Proposed Future Land Use, Source: City of Bellevue*

Wilburton is well positioned in terms of amenities. The Bellevue Transit Center is within easy walking distance. There are several grocery stores, including a major Asian food store, Uwajimaya, and Whole Foods, within a quarter mile of a city-owned parcel (approximately at NE 6th) and an elementary school being built just to the east of the mixed-use area. Wilburton is also home to an amazing cultural asset – the Bellevue Botanical Garden.

The Grand Connection will establish a pedestrian and cyclists focused connection across Interstate 405. Currently in its visioning stages, the project has identified three alternatives for crossing the interstate, each with specific implications to the city owned Lincoln Center site. Additionally, the Lincoln Center site has been discussed as a potential opportunity for a public private partnership that could include incubator space for retail and entrepreneurs, as well as creative and cultural space. The city is evaluating the three crossing alternatives and their impacts to the city owned property as part of the Wilburton planning initiative and will identify a preferred alternative in the first quarter of 2018. Furthermore, the city is engaged in a facilities master planning process citywide which could provide recommendations and concepts for the city owned parcel in Wilburton. The combination of the Grand Connection, Wilburton planning initiative, and facilities master plan will provide the trajectory of the city owned property and its relationship to the Grand Connection and opportunities for creative and cultural uses.

Artspace believes that Wilburton, although not connected to light rail, has sufficient connectivity and a centralized location to be highly considered for a mixture of creative space developments and uses including working studios, creative business space, nonprofit arts organizations space and live/work housing. The city owned property provides a somewhat rare opportunity to create a priority for affordable space for Bellevue's creative sector.

## DOWNTOWN:

Currently, the city has one parcel that it owns near City Hall, but unless there are partnerships with developers, this area is not the right area for an Artspace project. However, it could be the right area to sprinkle affordable creative enterprises and entrepreneurs who want to start new businesses in an incubator setting. Foot traffic is a strong benefit of this location. Including an affordable city or creative sector-operated retail or exhibit space would offer much needed exposure to local artists, organization and creative businesses. Several focus group participants from the artist group commented on needing true “retail” space for their creative operations. These would need to be priced affordable for the creative market. In Artspace’s experience, the rental rate that works best for the creative market is approximately \$1/SF/month, often including utilities.

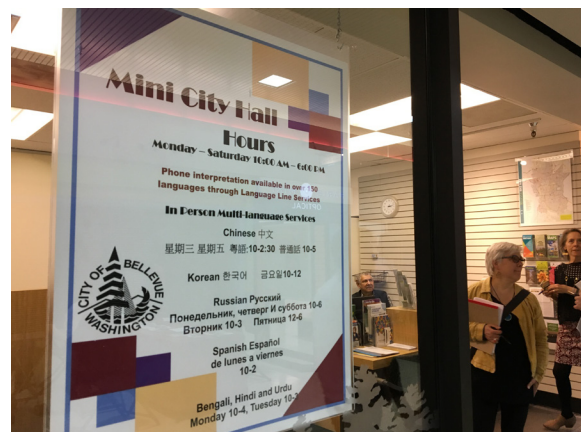
Also in downtown, there may be specific opportunities to partner with developers to encourage carving out small amounts of space at affordable rental rates for creative businesses, particularly those seeking space to sell their work. This is further referenced in the “Density Bonuses for Developers” page earlier in this report.



*Downtown Tour, Source: Artspace*

## CROSSROADS:

The Crossroads area is near the Crossroads Shopping Center, the Bellevue Youth Theater, and adjacent to Crossroads Community Center and International Park. The evolution of the shopping center and mix of uses is very innovative with many of the older traditional mall chain stores turned into creative food court options with local multicultural offerings and other small businesses reflecting the new cultural diversity of the area. This area should be given special consideration for the multicultural center that is being discussed. The center could align with this development in one of the yet unturned big boxes such as Bed Bath & Beyond. Market rate commercial rents in the Crossroads area currently fall in the \$20-\$30/SF per year range, making this area expensive for creative people without allowing for special circumstance.



*Mini Bellevue City Hall accessible to Crossroads’ diverse population, Source: Artspace*

## SITE SUMMARY

All four neighborhoods would be appropriate for development of affordable creative space. The matrix compares each in terms of **location, access to transit, ease of/opportunity for acquisition, potential for sustained community impact, most appropriate project type, and intangibles.**

Criteria	BelRed	Wilburton	Downtown	Crossroads
<b>Location</b>	Excellent: Proximate to Downtown and highly accessible	Excellent: Close to both Downtown and BelRed	Excellent: In the heart of the action; walkability	Good: More isolated than other neighborhoods
<b>Access to Transit</b>	Excellent: Two light rail stations planned in area, at 120th Ave/Spring District and 130th Ave/BelRed	Excellent: Two light rail stations planned in walking distance, Downtown and Wilburton	Excellent: Three light rail stations planned in walking distance: Downtown, Wilburton, and East Main	Good: On existing Bus Rapid Transit line, but no planned light rail station
<b>Opportunity for Acquisition</b>	Excellent: Opportunity with Sound Transit RFP for OMFE TOD area. Also may be possibilities for TOD development around the 130th Ave/BelRed light rail station	The Lincoln Center site is City-owned and is also the touchdown point of the Grand Connection bridge and directly across the freeway from City Hall	Fair: City-owned with future process to determine use	Unknown: Not aware of any publicly-owned sites large enough at this time
<b>Potential for Sustained Community Impact</b>	Excellent: Helps artists/ arts orgs already present remain in area and advances initiative to turn BelRed into an Arts District	Excellent: Could help catalyze creativity and innovation already taking place and build cultural bridge between BelRed and Downtown	Excellent: Helps build narrative of Bellevue as a cultural destination	Good: Could dovetail with innovative efforts to re-imagine Crossroads mall

Criteria	BelRed	Wilburton	Downtown	Crossroads
<b>Most Appropriate Project Type</b>	Mixed use live/work with creative business space and artist studios. Could also be combined with shared makers and co-working type spaces. Could be combined with arts education space to complement developments in the Spring District	Mixed use live/work with creative business space and artist studios	Mixed use live/work with more emphasis on creative retail	Mixed use live/work with creative business space and artist studios. Could also combine culinary arts if located near the mall, as well as potential future multicultural center
<b>Intangibles</b>	Many nonprofit arts orgs are currently in this area and will need to be relocated. This location could be part of the solution	Area envisioned as a good place for entrepreneurs and start-ups	Vibrant area with lots of foot traffic; planned Grand Connections trail will increase walkability	Connections with newer immigrant communities would be strong here



Bellwether Art Fair, Ezra Dickinson  
Source: City of Bellevue

In terms of funding potential, each area is included in the Multifamily Property Tax Exemption Program. BelRed offers a particular advantage as King County has allocated \$10 million in special funds for affordable TOD housing projects in BelRed. Guidelines for this funding are still being developed by King County.

Another key factor in comparing the above potential neighborhoods is understanding where creative people want to be. This is still unknown and will need to be addressed with an arts market study.



Bellevue Arts Museum, Downtown  
Source: BBBSPS.org

# Local Leadership

Strong local leadership is essential to the successful development of an Artspace project. Its importance cannot be overstated: without someone on the ground to open doors, advocate effectively for the project, and keep communication flowing between the developer and the community, there is little chance of success.

Beginning with the Core Group that participates in the entire two-day Preliminary Feasibility Visit, Artspace looks for effective local leaders from the very start. Over the course of the stay, the Core Group provides valuable information and insights about the community, its history, and its strengths and weaknesses. If a project makes the transition from planning to predevelopment, the Core Group is likely to change as well. But some local leaders step forward on day 1 and continue until the grand opening.

In Bellevue, local staff leadership is extremely strong. In addition, the quality of the partners in the room for the Funders and Financing Focus Group were reflective of the leadership in the region at many levels. There was a true sense of partnership and collaboration that is often rare, especially between the County and the City. In the future and as this initiative to creative affordable space for Bellevue's creative sector continues, the arts community needs private sector representation in the core group to underscore the efforts of City staff. Adding creative sector voices to the table will also help with the next phase of work in determining the market demand for space.

In Artspace's first group meeting with City staff and elected officials, the following goals were mentioned that underscore the leadership around preserving affordability and Bellevue's creative sector:

- Aggressive goals for affordable workforce housing: the creation/preservation of 2,500 additional homes for households at or below 50% AMI, and 2,000 homes for households between 50% and 80% AMI.<sup>9</sup>
- Arts are an economic development driver.
- Give the public more opportunities to interact with the arts.
- The community values quality of life experiences.
- Activate neighborhoods to their fullest potential with character and diversity of uses.
- More activity concentrated in TOD areas.
- "Diversity is our Strength. Bellevue welcomes the world." -City Council Vision Statement
- Make the arts come to the forefront. Leadership doesn't want the arts to get squeezed out.

## What is Local Leadership?

Civic Leadership - Leaders from the public sector, school district, State and County, economic development professionals alike all help Artspace projects through different avenues including allocation of public funds.

Business Leadership - Representatives from banks, foundations, colleges, real estate professionals, developers, as well as individual business owners all play an important part in bolstering lively areas and Artspace communities.

Arts Community Leadership - Artists and arts advocates are known to do so much with few resources in many communities, supporting an affordable arts facility can further the momentum for the arts and advocates of artist rights.



# Sustainable Community Impact

In Artspace’s experience, the projects that have the greatest impact make a significant difference in their communities over the long term. Often the lasting impact comes in two forms: ensuring affordable space for artists and arts organizations; and through the creation of the community that these projects facilitate – both in the residents and in the surrounding community. This is reflected in Artspace’s nonprofit mission “to create, foster, and preserve affordable space for artists and arts organizations” and the goal of “building better communities through the arts.” To accomplish this the development built should align with as many broad community goals as possible. Given two otherwise equal development opportunities, it is recommended that the City pursue the one with the greater potential upside over the long term.

Bellevue has several opportunities to combine the space needs of the broader creative community as part of a mixed-use artist housing project.

## MULTICULTURAL FACILITY

Councilmember Lee is a strong advocate for a Council-wide initiative to provide low-cost performance and studio space for some of the new immigrant community’s cultural groups, events and activities, particularly in regard to fostering cross-cultural interaction and understanding. The City Council approved \$50,000 in its 2017-18 budget to study the interest and needs related to cross-cultural programming, which could include but is not limited to an exploration of a possible facility to house this type of programming. City Staff has begun this scoping effort and plans to complete it by the end of 2017.

One outcome of the study could be to combine the potential physical space needs of a Multicultural Facility to be incorporated or adjacent to a future mixed-use affordable workforce artist housing project. A Multicultural Facility could be an anchor tenant of a future mixed-use facility. Such an anchor would add street-level vibrancy to a housing project and open the door for future collaborations between the creative people living and working in a future facility and the people working and participating in the Multicultural Facility’s offerings.

**Combining the space needs of a future potential Multicultural Facility should be considered as part of a future mixed-use artist housing project. Other creative businesses or nonprofit arts organizations should also be considered.**



*Bollywood Beats, Lunar New Year Celebration Source: City of Bellevue*

## CREATIVE BUSINESSES AND BUSINESSES AND NONPROFITS ARTS ORGANIZATIONS

As evidenced by many participants in the Artist and Arts Organizations Focus Group, there are other organizations and businesses that could benefit from long-term affordable space in a mixed-use artist housing project. Several organizations who will be losing their space from the BelRed District in the coming year including the Pacific Northwest Ballet. These organizations' space needs should be evaluated and quantified as part of a future arts market study of Bellevue's creative sector. In Artspace's portfolio there are good examples of this sort of partnership, highlighted below.

### Best Practices - Artspace and Non-Profit Tenant Partnerships

- **Buffalo, NY** - The Buffalo Arts and Technology Center (BATC) is an anchor tenant in our mixed-use affordable artist housing project in Buffalo. The BATC occupies 15,000 sq. ft. of space on the first and lower level of the historic electric car factory that housing 36 units of artist housing on floors 2-5. They are a nonprofit subsidiary of Manchester Bidwell out of Pittsburgh, PA. The focus of the BATC is two-fold: 1. To provide high quality art instruction to low income children in the neighborhood, with an eye toward potential art careers and 2. To provide medical technology training to low income adults in the neighborhood. They then help place the adults into jobs at the nearby medical campus. There is a synergistic relationship with both the nearby hospital and the artist residents, some of whom act as faculty in the BATC program.
- **St. Paul, MN** - Springboard for the Arts is an anchor tenant in our mixed-use project in the Lowertown Historic District of St. Paul. Springboard provides resources, workshops and training for individual artists and small to mid-sized arts organizations to help them find access to the resources they need to be successful artists. Springboard has a symbiotic relationship with artists across our 10 projects in Minnesota.
- **Seattle, WA** - At the Baker Station Artist Lofts in Seattle, Washington, a bilingual daycare serves the multicultural needs of the neighborhood.
- **Dearborn, MI** - The City Hall Artspace Lofts has an important partner in the Arab American National Museum, whose Executive Director joined the Board of Directors at Artspace, further solidifying the relationship.

## TAKING A MEASURE OF CREATIVE PLACEMAKING



This report summarizes the findings from two studies, “How Artist Space Matters” and “How Art Spaces Matter II,” which examine the long-term impact and sustainability of five Artspace projects: the Northern Warehouse Artists’ Cooperative, the Tilsner Artists’ Cooperative, the Traffic Zone Center for Visual Art (all in MN), the Tashiro Kaplan Artist Lofts (Seattle, WA), and the Riverside Artist Lofts (Reno, NV). These studies found that creative spaces benefit communities by:

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

Read the full report at: <http://www.artspace.org/ideas-insights/artspace-publications/taking-measure-creative-placemaking>

# SUMMARY AND RECOMMENDATIONS

The City of Bellevue is well positioned to pursue an affordable live/work mixed-use facility for artists and creatives in the region. With a robust arts and creative community that is getting squeezed by the rising cost of real estate and with creatives getting displaced, a need for space is paramount. The State of Washington, King County, and Bellevue have resources for affordable housing and transit-oriented development available although they are increasingly competitive. When combined with a strong creative sector and a new transit system underway, Artspace has a strong sense that the timing is critical for Bellevue to focus on the benefits of raising the visibility of their artist community and creating long-term affordable space to keep and attract creative people.

The City’s Comprehensive Plan supports residential density, affordable housing, and the arts. A project in the model of an Artspace live/work facility could advance numerous community goals within that plan and be an asset to any of the priority neighborhoods or corridors addressed in this report. A development of this nature could both help retain artists and arts organizations and attract new ones to the area. This also could be a solution to the issue of the need to expand creative spaces and address cultural facility needs highlighted in the Creative Edge Bellevue report.

**Artspace strongly recommends the next step of an Arts Market Study, to help Bellevue understand the depth and breadth of the local and regional creative community.**

An Arts Market Study will quantify the need for artist live/work, studio/work-only, shared space concepts, and other kinds of creative production and exhibition spaces, thereby providing reliable information for others – including prospective LIHTC investors, as well as market-rate developers who might also consider creating below-market-rate creative space once the market is revealed with the data. Resulting data should also be helpful to policy makers to encourage further infrastructure investment in support of the creative community and creative economy. It is also recommended that either the Arts Market Study include an 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.

## 3:1 Redundancy

In Artspace’s experience, the threshold for market strength of an affordable artist housing financed project requires a minimum 3:1 redundancy, identifying at least 3 interested artists for every 1 live/work space created. The triple redundancy method accounts for factors that may influence live/work demand assumptions, including:

- Interested artists who have household incomes at or below 60% of the Area Median Income
- Interested households in which more than one artist responded to the survey
- Interested artists who are currently full-time students, and whose household incomes/compositions are likely to change post-graduation.

Based on findings from the visit and previously mentioned past experience in the Puget Sound region, Artspace’s instinct is that Bellevue can support 75-100 units of artist housing in addition to 10,000 SF or more of below-market-rate creative commercial space. These estimates are based on our experience using the (3:1) triple redundancy formula, which we’ve found to be effective in markets of Bellevue’s size. Instinct however, is not a sufficient reason for bankers and funders to offer a mortgage loan; the statistical evidence of market demand can only be provided through an Arts Market Study.

## ADDITIONAL NEXT STEPS

- **Project Concept/Potential Sites** Discuss priority areas of opportunity with City staff and agree upon two potential sites for a mixed-use artist housing project. If possible, begin the process to either influence the language in RFPs, as would be the case with the Sound Transit OMFE site in the BelRed District, or take steps to tie-up a property for a near-future development.
- **Artists and Arts Organizations** Add artists and creative business voices to the conversation, as well as representatives of culturally distinct arts organizations and groups and the Tateuchi Center. If this initiative moves forward, more artists and creative business owners/entrepreneurs – as well as members of new immigrant communities and communities of color – will need to be a part of the leadership to successfully advance this project and ensure it is reflective of the Bellevue community.
  - Develop capacity building programs and opportunities for artists and organizations to interact.
  - Consider space for a new Multicultural Facility into a mixed-use artist housing project.
- **Funders and Financing** Bellevue and King County have several funding programs that align with the Project Concept. The new King County TOD Fund would be particularly important for advancing a project in BelRed, including the Sound Transit OMFE Site.
- **Local Leadership** Encourage leaders within the arts community to formalize an advisory group that can help engage the creative community in a future market survey, participate as needed in a future development/design process, and serve in an advocacy role. Identify a leader or leaders in this group by September 2017.
- **Sustainable Community Impact** Ensure any site and concept aligns with other community goals in order to have maximum support.

Artspace greatly appreciates the opportunity to have visited Bellevue and engaged with and learned from its residents and leaders. Artspace 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. Insights and recommendations in this report should help guide a project to the next phase of development with the ultimate goal of Bellevue being home to an affordable arts facility.

ARTSPACE PROJECTS AROUND THE COUNTRY



Top to Bottom: First residents at the Artspace Tannery Lofts in Santa Cruz, California; Residents in El Barrio's Arspace PS109 in East Harlem, New York; Interior of a live/work unit in the Northern Warehouse Artists' Cooperative in St. Paul, Minnesota; Grand Opening of the Brookland Artspace Lofts in Washington D.C.; Exterior of City Hall Artspace Lofts in Dearborn, Michigan.

# Appendix I

## ABOUT ARTSPACE



### Artists at work

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



### Lively neighborhoods

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



### Sustainable solutions

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

Established in 1979 to serve as an advocate for artists' space needs, Artspace effectively fulfilled that mission for nearly a decade. By the late 1980's, 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 D.C.

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 41 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 of the buildings it develops; our portfolio now comprises more than \$600 million worth of real property. We strive to manage our properties so that they will be well-maintained, yet remain affordable to the low-and moderate-income artists for whom they were developed in the first place. Revenues in excess of expenses are set aside for preventive maintenance, commons area improvements and building upgrades.



## CONSULTING SERVICES

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

# Appendix II

## PATH OF AN ARTSPACE PROJECT



### THE PATH OF AN ARTSPACE PROJECT

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

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

STEP 1: PRELIMINARY FEASIBILITY	
<b>Overview</b>	<ul style="list-style-type: none"> <li>• <b>Information Gathering and Outreach</b></li> </ul>
<b>Primary Activities</b>	<ul style="list-style-type: none"> <li>• Meet with artists, civic leaders, and other stakeholders</li> <li>• Conduct public meeting to introduce Artspace and solicit feedback</li> <li>• Tour candidate buildings and/or sites</li> <li>• Conduct extended outreach as needed to ensure that people from underrepresented communities are included in the process</li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• Written report with recommendations for next steps</li> </ul>
<b>Prerequisites for Moving Forward</b>	<ul style="list-style-type: none"> <li>• Demonstrated support from local leadership</li> <li>• Critical mass of artists and arts organizations with space needs</li> <li>• Established base of financial support</li> </ul>
<b>Time frame</b>	<ul style="list-style-type: none"> <li>• 3-5 months, kicked off by a 2-day visit</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>• \$25,000</li> </ul>



STEP 2: ARTS MARKET SURVEY	
<b>Overview</b>	<ul style="list-style-type: none"> <li>• <b>Assessing the Need</b></li> </ul>
<b>Primary Activities</b>	<ul style="list-style-type: none"> <li>• Assemble a comprehensive list of artists (and arts organizations, if applicable) in the area</li> <li>• Reach out to artists and creative organizations from diverse arts disciplines, ages, ethnic backgrounds, etc., asking them about their space needs</li> <li>• Conduct a public meeting to launch the survey and educate the community about the project</li> <li>• Analyze and report on survey findings</li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• Written report with recommendations for next steps</li> </ul>
<b>Prerequisites for Moving Forward</b>	<ul style="list-style-type: none"> <li>• Sufficient number of responses from eligible, interested artists to support an Artspace live/work project</li> </ul>
<b>Time frame</b>	<ul style="list-style-type: none"> <li>• 4-6 months</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>• \$30,000 (artists only) or \$42,500 (artists and arts organizations)</li> </ul>

## STEP 3: PREDEVELOPMENT I

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

STEP 4: PREDEVELOPMENT II	
<b>Overview</b>	<ul style="list-style-type: none"> <li>• <b>Project Design and Financial Modeling</b></li> </ul>
<b>Primary Activities</b>	<ul style="list-style-type: none"> <li>• With City participation, establish process for selecting architectural team</li> <li>• Confirm development goals and space program with architectural team</li> <li>• Engage architect to create conceptual plans and schematic designs</li> <li>• Engage contractor or cost consultant to provide pre-construction services</li> <li>• Resolve any contingent conditions relating to site control</li> <li>• Create capital and operating budgets</li> <li>• Obtain proposals and/or letters of interest from lender and equity investor financing partners</li> <li>• Prepare and submit Low Income Housing Tax Credit application</li> <li>• Submit other financing applications as applicable</li> <li>• Maintain excitement for the project within the creative community</li> <li>• Encourage and guide local artists to activate the site with arts activities</li> </ul>
<b>Deliverables</b>	<ul style="list-style-type: none"> <li>• Schematic designs</li> <li>• Financial pro-forma detailing capital and operating budgets</li> <li>• Preliminary proposals and letters of interest for project mortgage and equity financing</li> <li>• Summary of project status</li> </ul>
<b>Prerequisites for Moving Forward</b>	<ul style="list-style-type: none"> <li>• Award of Low Income Housing Tax Credits (first or second application) or commitment of alternative funding</li> </ul>
<b>Time frame</b>	<ul style="list-style-type: none"> <li>• 10-13 months</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>• \$300,000+</li> </ul>

## STEP 5: PREDEVELOPMENT III

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

## STEP 6: CONSTRUCTION

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

# Appendix III

## Arts Market Study Summary of Scope

Following is a truncated scope of work outline for the Arts Market Study. Each section includes an estimated percentage breakdown of cost/time for the work performed

### 1. Survey Preparation and Design Phase (40% of work/cost)

- Provide Survey Template for review
- Create a timeline for the Scope, outlining tasks and target for all project partners
- Provide online access to the Artspace Survey Outreach Packet. The packet includes original documents to guide outreach strategy, templates to organize the outreach effort, and examples from other communities. This content can be used in websites, social media, printed materials, and for coordinating events.
- Facilitate one kick-off phone call to walk through the timeline and the Artspace Survey Outreach Packet, review the template and goals of the study, and discuss the formation of the Core Group, and answer any questions.
- Customize templates to provide the survey instrument(s) and Welcome Letter and present final draft
- Host the survey Welcome Letter and survey link on the Artspace website, if requested.
- Support local outreach efforts by providing guidance and reviewing promotional materials developed

### 2. Survey Launch and Ongoing Support (15% of work/cost)

- Conduct a Survey Launch visit; and participate in a meeting with the Core Group to review Survey Launch and discuss outreach strategy moving forward.
- Provide weekly survey updates to support outreach strategy.

### 3. Survey Analysis and Reporting (45% of work/cost)

- Analyze data and deliver a Technical Report of findings. The Technical Report articulates methodology and summarizes statistical information on the individual artists interested in space in the Project. (The organization/business response data, if applicable, is provided in a spreadsheet that can be used for space development decisions.)
- Artspace will provide a Recommendation Letter that interprets the Technical Report in the context of the Project.
- Compile and deliver Supplementary Materials, including:
  - Contact information of respondents to the survey(s) who wish to receive follow up notices;
  - Verbatim responses provided from open-ended text fields;
  - Summary of total respondent data; and
  - Zip code data
  - (Note: Artspace does not provide raw survey data)
- Conduct a Presentation of Findings visit. Visit includes:
  - Presentation at one stakeholder meeting; and
  - A meeting with the Core Group to discuss the results of the survey, answer questions and discuss next steps.

#### Deliverables:

- Technical Report
- Recommendations Letter
- Supplementary Materials

# Appendix IV

## Regional Affordable Live/Work Arts Developments

### Youngstown Arts Center and Cooper Artist Housing, Delridge Neighborhood, Seattle, WA

- Developed and managed by the Delridge Neighborhood Development Authority (DNDA)
- 36 live/work units
- Utilizes the Washington State Housing Finance Tax Credit Program
- Accepts Housing Authority Section 8 vouchers
- Approximate Wait Time: Over a year
- Facilities for affordable rent Thelma Dewitty Theater (150 seats), classrooms, movement studio, dressing rooms and a kitchen. Rates for the theater are \$75/hour or \$55/hour for nonprofits
- Anchor tenants (all arts and community organizations): Totem Star, Arts Corps, Interagency Southwest, The Service Board, Reel Girls, Twelfth Night Production, West Seattle Tool Library
- “The dynamic Youngstown Cultural Arts Center in the renovated historic Frank B. Cooper School provides 36 affordable live/work studios for rent to artists of all disciplines. The ground floor houses the Youngstown Cultural Arts Center which provides arts programming focusing on youth and the many cultures of the surrounding Delridge community.” <http://youngstownarts.org/about-us/>



### 12th Avenue Arts Capital Hill Neighborhood, Seattle, WA

- Developed and managed by Capital Hill Housing Authority
- 88 Affordable Units (not specific to artists): 8 studio, 72 one bedroom, and 8 two bedroom
- Income requirements: Both theaters are rigged with lighting and audio equipment and includes use of a production shop, lobby, dressing rooms, and Green Room.
- Affordable Arts Spaces: 2 theaters available for affordable rent for 5 to 6 week periods to support longer production runs. The Studio Theatre has up to 67 seats. 2017 rates for the Studio Theatre are \$1100 per week. The Mainstage Theatre seats approximately 125. 2017 rates for the Mainstage Theatre are \$1500/week. Both theaters are rigged with lighting and audio equipment and includes use of a production shop, lobby, dressing rooms, and Green Room. Rental of either theatre allows 24 hour 7 days a week access to the facilities. Renters are free to schedule as many performances as they would like during the rental.
- 12th Avenue Arts also includes office space for Capital Hill Housing and other nonprofits.
- Building was partially funded by Seattle Police and includes underground parking for police vehicles
- <http://12avearts.org/>; <http://www.capitolhillhousing.org/ourproperties/buildings/12aa.php>



## Tashiro Kaplan Artist Lofts/Tashiro Arts Building Pioneer Square, Seattle, WA

- Owned and Developed by Artpace in 2004
- Pioneer Square Community Association was the active community partner
- 50 live/work units
- One, Two, Three Bedroom units range from 800-1,863 SF
- Flexible floor plans to accommodate different artistic disciplines
- 28 commercial tenants; including: 4Culture, individual artist studios, artist exhibit co-ops, 15 commercial galleries, and a coffee shop
- 130,000 SF total; 59,000 SF commercial
- Heart of the First Thursday Art Walk in Pioneer Square
- Wait-list of 1,850 people
- 2 building rehab + new construction upper floors
- “The TK filled the first floor with active businesses and sidewalk life. You felt safer because now there were people moving into and out of the businesses after dark .... Before, that part of Pioneer Square had very little activity except for people passing through — going through it to get from A to B.” — Nora Liu, City of Seattle, Department of Planning and Development



## Artpace Hiawatha Lofts Jackson Place, Seattle, WA

- Owned and Developed by Artpace in 2008
- 61 live/work units one block from the Light Rail
- 89,000 SF total; 5,000 SF commercial
- Wait-list of 2,000 people
- 4-story new construction building
- Built at a cost of \$17.1 million, the Hiawatha is a four-story building with an expansive exterior courtyard and a large community room that accommodates a variety of uses, including performances and lecture/demonstrations by Hiawatha tenants. Designed to recall the industrial buildings that formerly dominated the northern end of the Rainier Valley, it has large windows, high ceilings and durable surfaces that accommodate a wide variety of creative uses



## Artpace Mount Baker Lofts Mount Baker, Seattle, WA

- Owned and Developed by Artpace in 2014
- 57 live/work units; adjacent to Mt. Baker Light Rail Station; TOD building
- 3 stories of residential above small commercial spaces with roof deck garden
- Designed to encourage walk, bike, ped, and transit facilities, it has bike storage and reserved car-share parking spaces, but no parking garage
- Studio, 1 bedroom, and 3 bedroom layouts
- 12 commercial spaces from 275 SF to 1,170 SF
- Wait-list of 900 people



# Appendix V

## Creative Space Development Incentives/ Funding Opportunities

### Developed for Tacoma, WA

\*Incentives may be city-wide or restricted to designated creative or cultural corridors, BIDs, TIF districts, Redevelopment Areas, etc.

#### FOR DEVELOPERS/PROPERTY OWNERS

##### 1. Property tax exemption

**Existing:** (4 units and up to 20% of units set aside as affordable to those under 80% AMI, developer received property tax exemption for 8-12 years) Currently “Mixed-Use Centers” are the area of focus for this incentive.

**Potential:** An additional layer could be applied that extends the exemption time frame for providing a preference for artist households and designing/leasing for creative business uses within a designated area.

**2. Traditional affordable housing/redevelopment/economic development funding (HOME, CDBG, loans)** can be targeted as a priority to developments that include creative public spaces (exhibition/gallery, workshop/performance space, etc.) or artist housing, within identified creative districts or city-wide. This could be a strategy for encouraging creative-use development proposals for City issued site development or funding RFP’s. Prioritizing and including artist live/work housing, or creative space commercial development as part of the Consolidated and Strategic Plan would be a first step.

**3. Development Loan Program or private foundation PRI funding program** that provides low interest capital loans to developers/property owners who offer long-term affordable spaces for creative businesses and artists.

**4. Municipal Art Fund:** Expansion to allow for creation of public spaces for the arts (studio, exhibition, performance etc.). Add a developer percent for public art requirement with options for either on site “art” or creation of public “art space”. May also incentivize payment into the Municipal Art or other Fund, by offering a 1% option into the fund or a 2% option for on-site public art/public art space.

**5. Density bonus for inclusion of permanently affordable, live/work space for artists.** Developers would include a leasing preference for artists and provide appropriate design.

**6. Policy Related: Streamlined planning approval processes; codes and zoning overlays** that encourage live/work and other creative, non-conventional-uses; relaxed design guidelines or other regulations in return for the incorporation of long-term affordable creative commercial and residential spaces.

**7. Reduced zoning/building fees** for the inclusion of permanently affordable space for the arts (working, retail, creative office, production space etc.)

**8. A policy that encourages the creation of an artist preference** for the affordable units in any 80/20 deals occurring in Tacoma and within a designated creative district.



**9. PILOT (Payment in Lieu of Taxes) program** that freezes property taxes for a stipulated time period and within an identified creative corridor or other district. Require that a specific percentage of new space qualifying for the PILOT be set aside for public arts uses or as affordable space for the creative community.

**10. Façade grants and other forgivable, new-business loans** for building owners who provide affordable creative spaces and maintain creative business/artists in those spaces for an agreed upon time period.

## FOR CREATIVE BUSINESSES

**1. Adopted Arts and Cultural District(s)** that provides incentives to “qualified creative businesses” that relocate or expand within the boundaries and meet specific criteria. Williamsburg VA example includes: Business Tax rebate, Sales Tax Benefit (1% return of sales taxes generated within a designated time period), zoning and building fee exemptions for building or expanding within the district.

**2. 1% sales and use tax for cultural facilities.** Such a fund could provide revolving loans, capital improvement grants for tenant build-out, for subsidizing long -term master-leases for creative industries or for providing direct rental subsidy to qualified creative businesses leasing in a commercial building. Building owners could be required to provide a rental rate reduction in return for the benefit of a long-term master-lease.

**3. Foundation PRI funded program** that directs funding to creative businesses for equipment and other start-up costs. May be forgivable loans if the business remains in operation for a specified time period.

## FOR ARTISTS AND THEIR FAMILIES

### 1. Homeownership assistance

**Existing:** “Tacoma Down Payment Assistance” The program allows up to \$20,000 in down payment assistance with payments deferred for 30 years at a 4% simple interest rate. The program combines with the Washington State Housing Finance Commission’s Home Advantage first mortgage loan program.

**Potential:** Artists and other creative industry workers often qualify for homeownership assistance programs but are not aware of the program or may have difficulty having their loans (first and second) approved due to independent contractor rather than w-2 income. Outreach to the creative community about this and similar opportunities along with underwriter education with regard to artist income may help seed more creative worker homeowners in Tacoma.

**2. Live/work zoning** and similar initiatives that remove obstacles that may prevent artists from operating a creative business in their home, converting garages into studios, etc. Particularly within a residential or mixed-use neighborhood targeted for creative uses.

## OTHER ECONOMIC DEVELOPMENT/PRIVATE INVESTMENT OPPORTUNITIES

**1. State of Washington’s Building For the Arts capital funding** available to qualified nonprofits (may trigger Davis Bacon wages)

**2. Tax Increment Financing** to capitalize creative business spaces and nonprofit organizations within the TIF district

# Appendix VI

## PFV QUESTIONNAIRE RESULTS

At the beginning of the focus group meeting of artists and arts organizations, a Creative Space Needs Questionnaire was distributed. Each participant was asked to answer the questions as completely as possible. The focus of the questionnaire was to collect information about individuals or organizations that are interested in renting space in the project. With the understanding that many of the participants would not be in need of space, the group was instructed to skip the questions that do not apply to them and to feel welcome to add comments to the end of the questionnaire. Below is a summary of the results from the 10 artists and creative people who completed the questionnaire.

### Additional Comments

Other comments and concerns asserted that arts businesses are being driven from BelRed due to increasing rents, and there is little affordable rehearsal and performance space. Further there is a need for space to display art and help organizations such as ArtForma trying to make creativity more visible.

### Individual Artists

#### Creative Pursuits

Primary Art Discipline(s)	
Discipline	# of Responses*
Painting	5
Dance	2
Mixed Media	2
Visual Art	2
Ceramics	1
Music/ Recording Music	1
Performing Arts	1
Photography	1
Theater	1
Writing	1

\*Respondents could note more than one discipline.

Do you pursue art/creative work full-time?	
Yes	5
No	5

If no, would an affordable arts facility further your creative pursuits?	
Yes	5
No	1

## Current Workspace

What neighborhood do you studio/practice your creative work?	
Bel-Red Arts District	2
Bellevue	1
Belltown (Seattle)	1
Georgetown (Seattle)	1
Hiawatha Artspace (Seattle)	1
Kirkland	1
Redmond	1
West Seattle	1

Do you rent/own studio space outside of your home?	
Yes	3
No	7
If yes, what do you pay monthly, excluding utilities?	
\$8,000	2
\$200 (shared space)	1

## Current Residential Space

Do you rent or own your household?	
Rent	4
Own	4
Other	1

What do you pay monthly for your housing, excluding utilities?	
<\$1,000	4
\$1,000-\$2000	2
>\$2000	2

Live/Work Space		
	Yes	No
Do you have studio/creative space at home?	9	3
Is your home designed for live/work uses?	1	10

## Interest in Renting Space

Rental Market Interest			
Type of Space	Yes	No	If yes, maximum you could pay
Affordable Studio/Workspace	6	0	\$300-\$8300
Affordable Live/Work Space	3	3	\$900-\$2000
Affordable Living Only	1	4	N/A
Shared Creative Space	5	0	\$50/day

Neighborhood Preference			
Neighborhood	For Studio/Workspace	For Housing	For Org/ Business
Bel-Red Arts District	2	2	2
Downtown Bellevue	1	1	1
Bellevue - general	1	1	1
Bellevue - I-90 corridor	1	1	2
Issaquah	1	1	1
Sammamish	1	1	1

Do you know other artists/ creatives that would be interested in renting affordable studio or live/work space?	
Yes	9
No	0

## Organizations

### Creative Spaces and Amenities

What type of org/business do you represent?	
Non-profit	5
For-profit	4
Other	3

What type of creative space do you need?	
Working Space	5
Creative Office/ Admin	3
Performance/Rehearsal	2
Storage	3
Large facility space	3
Retail/Storefront	0

Future org/ business space		
	Yes	No
Interested in relocating/renting in a new multi-use facility?	7	0
Interested in sharing space/ co-locating with other arts organizations?	7	0

Preferred Type of Lease	
Long Term 1 year +	7
Hourly	2
Membership	0

What building amenities are most needed?	
Performance/ Rehearsal space	4
A/C	2
Backstage space	2
Industrial sink	2
Locker-room/Storage space	3
Natural lighting/windows	2
Showcase window/display space	2
Sprung floor	2
Affordable, safe parking	1
Dance studios w/ 5000-6500sqft	1
High ceilings	1
Open space	1
Teaching space	1
Ventilation	1
Ceramics center	1