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KENOSHA, WISCONSIN

PRELIMINARY FEASIBILITY REPORT



January 2014

Prepared by Artpace



Harbor Park

The cornerstone of the redeveloped Lake Michigan shoreline



Kenosha, Wisconsin

In the heart of the Great Lakes region.



Streetcars

Connects the Metra station, Downtown Kenosha and Harbor Park.

Nestled on the shore of Lake Michigan, just north of the Wisconsin-Illinois border and halfway between the metro areas of two much larger cities, Chicago, IL and Milwaukee, WI, the City of Kenosha has endeavored to assert itself as more than a bedroom community. It is a midsize city within the megalopolis of the Great lakes; as of the 2012 census update, the city’s population was 100,150 and that of the Chicago-Naperville-Joliet Metropolitan Statistical Area was 9,522,434. Though Kenosha is geographically closer to Milwaukee, it looks to Chicago more frequently and is a part of the Chicago MSA. From the mix of business, including Jockey brand headquarters and the imminent arrival of branches of Amazon and Festival Foods, to the recreation and cultural tourism of the lively marina and campus of museums on the lakefront, Kenosha seems to strike a balance between big city sophistication and small town lifestyle.

In the past 25 years, Kenosha has reinvented itself, turning its most recognizable face – the lakefront – from a manufacturing hub into a cultural, recreational, and residential destination. Many Kenoshans would name 1987 as the turning point, when Chrysler Corporation purchased and subsequently closed the American Motors plant the following year. Three years later, in 1991, the City laid out an ambitious Master Plan for the Downtown, which outlined the reclamation of the lakefront through the development of multi-family housing, museums, public space, commercial development, and a streetcar system. With this Harbor Park development bringing new life to the lakefront, Kenosha next focused its attention on the heart of the city, its Downtown.

Downtown Kenosha had experienced the same economic decline experienced by most American downtowns, but is coming back to life with this mixed-use development and intentional planning. In January 2012, Kenosha Area Business Alliance (KABA) engaged The Lakota Group to create a Downtown Strategic Development Plan, documenting a game plan “that sets the stage for funding strategies, capital improvement programming, new development and retention/attraction of new and existing businesses.”

Based on public input, the Downtown Strategic Development Plan ranked the top implementation concepts for the city. Of the top ten, four items (in bold) relate to our study:

1. Indoor Market
2. Community/Downtown Branding Program
- 3. Support Higher Density in the Downtown Core**
4. “Made in Kenosha” Retail Strategy
5. Downtown Management Program
- 6. Rehabilitation of Key Buildings**
- 7. Enhance Arts Community**
- 8. Develop the “Heart” of the City**
9. Downtown Wayfinding/Signage
10. Kenosha Theater Rehabilitation

Other themes that were highlighted in the Plan were:

- Growing demand for rental apartments and residential units Downtown
- Importance of improving the “livability” of Downtown
- Historic preservation
- Support for the creative economy.

Downtown Kenosha benefits from a compact footprint that has maintained much of its historic architecture. The city has 21 locations and three districts listed on the National Register of Historic Places. When talking about what they like about Kenosha, residents also refer to the low crime rate and the relatively low cost of living for a lakeside community. It is a city that is very easily accessible by multiple forms of transportation; Interstate 94 runs through Kenosha on the way from Milwaukee to Chicago, the Metra line’s northernmost stop connects commuters to Chicago by train, and the Southport Marina is a short walk from Downtown along the revitalized lakefront.

However, this accessibility also works in the opposite direction. According to the Lakota Group study, nearly 2 out of 5 workers living in Kenosha commute to jobs outside the county. This trend suggests that residents are less likely to frequent the venues, shops and restaurants where they live. The benefits of tourism can also have unintended effects. The desirable residences of the Harbor Park development saw a number of second-home buyers and snowbirds purchasing properties, in turn dampening the year-round vitality that was anticipated.

Despite its challenges, Kenosha is well-situated amongst comparable cities in the area. There is a palatable sense of excitement as new partnerships, physical improvements, and a sense of collaboration takes hold. As multiple people commented, Kenosha is heading towards a tipping point.

Artspace was invited to Kenosha to conduct a Preliminary Feasibility Visit for the purpose of furthering these objectives and assessing the feasibility of an Artspace mixed-use project in the community. Our visit was sponsored by the Kenosha Area Business Alliance (KABA) Foundation, Kenosha Community Foundation and Arts Fund, The Kenosha Area Convention and Visitors Bureau, Carthage College, United Communications Corporation, and support from the philanthropic arts community. The visit took place October 29-30, 2013. Artspace was represented by Wendy Holmes, Senior Vice President of Consulting and Strategic



Signs of the Future

Posters featured on Downtown sidewalks give passersby a glimpse of the possibilities

Partnerships; Anna Growcott, Consulting Associate; and Thomas Downing, Artspace volunteer.

We gratefully acknowledge KABA President Todd Battle and Downtown Kenosha Executive Director Violet Ricker for their hard work in arranging our visit. Second District Alderperson Chris Schwartz; Commission on the Arts Vice Chairperson Francisco Loyola; local developer and President of the Lakeshore Business Improvement District, Paul McDonough; United Communications Corporation President and former Artspace board member, Lucy Brown Minn; and her mother, Betsy Brown were active participants throughout our visit, and we are pleased here to acknowledge and thank them for their involvement. We also acknowledge the National Endowment for the Arts, which provided financial support. The Core Group proved a valuable touchstone for which we are deeply grateful. Finally, we thank the City of Kenosha, Mayor Keith G. Bosman, and other elected and administrative leaders, who had a presence throughout the visit, framed several of our discussions, and helped make this a very successful visit from our perspective.

FINDINGS

During a Preliminary Feasibility Visit, Artspace gathers information about six main topics: project concept, artist market, site feasibility, financial feasibility, local leadership, and potential for sustained community impact.

If the project concept has been determined, we evaluate it in the context of other factors. For example, if the community wishes to adapt a particular building for use as an artist live/work project, we consider whether the building is structurally sound, suitable for the intended use, available at a reasonable price, and so on. We ask, too, whether the project concept appears appropriate to the needs of the community. Are there enough artists in the area who need and qualify for affordable live/work space to justify the time and expense of developing a project? Is the difference between market rate and affordable rents sufficient to make a live/work project an attractive option for artists of low and moderate income? If the site hasn't been determined, is there a suitable site? Because our business model requires substantial civic investment and fundraising in the private sector, does the community have the financial resources and the will to make a significant philanthropic investment in the project? Are local leaders willing and able to advocate for the project in a variety of ways? And finally, does the project, as conceived, have the potential to make a significant positive impact on the community over time? While these are not the only factors we consider in making our recommendations, they help us frame the discussion.



Public Meeting

Wendy Holmes presenting at the Kenosha Public Museum

PROJECT CONCEPT

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

In Kenosha, the project concept appears to have two primary goals: to foster economic renewal in the Downtown area and to strengthen the arts community by providing permanently affordable live/work housing for artists and their families. Both of these goals tie into what we observed as a community-wide interest in historic preservation.

These goals are complementary in that the presence of artists in a neighborhood can be a powerful magnet for urban revitalization. An artist live/work project is evidence that the area is not only safe but also desirable, and other development soon follows. A case in point is Lowertown, the warehouse district of

downtown Saint Paul. In the 1970s and 1980s, Lowertown resembled a ghost town, especially after dark. But in the early 1990s, with the completion of two Artspace live/work projects, the Northern Warehouse Artists' Cooperative and the Tilsner Artists' Cooperative, the renaissance of Lowertown was underway. Now, Lowertown is not only Saint Paul's fastest-growing neighborhood but also a true "urban village" in the best sense of the term.

KENOSHA HAS SUFFICIENT RESOURCES TO LEAD US TO BELIEVE THAT A WELL-PLACED ARTS PROJECT OF 40 TO 50 AFFORDABLE LIVE/WORK UNITS, PLUS ARTS-FRIENDLY COMMERCIAL USES AT STREET LEVEL, HAS AN EXCELLENT CHANCE TO SUCCEED.

The economic impact of an Artspace project depends on many factors, including its size, its location, the surrounding neighborhood, and the community at large. As a city of 100,000 in a metropolitan area of 9.5 million, Kenosha has sufficient resources – among them the local institutions of higher education University of Wisconsin at Parkside, Carthage College, and Gateway Technical College – to lead us to believe that a well-placed arts project of 40 to 50 affordable live/work units, plus arts-friendly commercial uses at street level, has an excellent chance to succeed.

ARTIST MARKET

"If you build it they will come" may work in the movies, but it has no place in real estate development; in order for Artspace to proceed with a proposed project, there must be a market for the spaces it will create. Artspace looks very carefully, therefore, at the indicators we encounter during our Preliminary Feasibility Visit, including the size and makeup of the Arts Focus Group. We want to learn as much as possible about the arts community, and these artists are usually our first guides. What we learn from them plays a major role in determining whether we recommend proceeding with the formal survey known as an Arts Market Study.



Artist Engagement

Musician Shaun Fishman performed at the public meeting

The Arts Market Study is an online survey conducted for the purpose of obtaining a clear picture of the demand for various kinds of arts spaces in an area. We use the study to determine both the size and the nature of the market for a project. It tells us with reasonable accuracy how many live/work units the local arts community can support and whether there are special considerations, such as a need for specific kinds of studio space that might influence the design and scale of the project. If a mixed-use project is under consideration, the survey can also be used to identify the space needs for arts organizations, creative businesses, and arts-friendly commercial ventures such as coffee shops and restaurants. Developing the questionnaire, publicizing it, gathering the responses, and analyzing the data takes about four to six months.

We recommend proceeding with an Arts Market Study if, based on our

Preliminary Feasibility Visit, we are confident that the survey will indicate the existence of a market sufficient to support a project of at least 30 and preferably 35 to 40 units. In a few cases, we recommend an Artist Market Survey to a city that wishes to have a better or more complete picture of the size and makeup of its arts community, even though we believe that the survey is unlikely to reveal a market for an Artspace project.

In Kenosha, we were happy to meet artists throughout the visit, speaking not only with those who attended the focus group, but also with multiple artists who participated at the public meeting, in the core group gatherings, and even a young artist who invited us to see the ‘underground’ studios as a side trip on our way out of town. We met a diverse representation of artists both in terms of disciplines – from cultural organization staff members to painters, musicians, a stained glass worker, a soap maker, a sewer, and a person who works in video and audio – and also in terms of age. We don’t always see much age diversity in these focus groups, and we regard that dynamic as a key positive indicator for a successful project.



Kemper Center

Viewing the artwork in the gymnasium

On our tour of the city and its cultural assets, we also had the opportunity to visit the Kemper Center and its Anderson Arts Center. This historic site on 17.5 acres of park along the shoreline of Lake Michigan is a beautiful resource for the community’s artistic, educational, social, and athletic pursuits.

At the Arts Focus Group, we spoke with a small but diverse and articulate group. We asked the artists and arts leaders a number of questions about space, collaboration, and affordability.

Here is some of what we heard:

- Excitement about how much more collaborative things would become with a project like this. There could be resource sharing and collaboration across disciplines.
- Many artists work out of their homes, but they talked about their desire to be a part of a larger artistic community – either in the form of working studios or live/work space.
- Local educational institutions have strong art departments, but graduating students often move away or stop making art.
- There has been an increase in artists in Kenosha, especially musicians. Many artists are independent and unaffiliated or are hobbyists.
- Well-established artists in Kenosha often don’t choose to show their work here, and opt for larger cities.
- There is cautiousness about projects for artists, due to other area projects that were set up for artists but are not as focused on the arts anymore. They wouldn’t want a Kenosha project to lose its creative edge.



Pop-Up Art

Tour of the pop-up gallery on 6th Ave

- “In order to expand my business, I need more space. But until I expand my business, I can’t afford it.”

Among the arts groups represented throughout the visit was the Commission on the Arts, which supports economic development of creative endeavors by developing relationships among artists, businesses, government and other organizations. Kenosha Art Association, a nonprofit located downtown, offers arts classes, events, and scholarships to local artists and community members. Lemon Street Gallery, a nonprofit gallery and artist membership organization, also offers classes and a public Clay Studio. Left of the Lake, a free, Kenosha-based quarterly arts magazine, covers the creative communities from Milwaukee to Chicago. Kenosha Community Media, a nonprofit offering production, broadcasting, and publishing services, also expressed an interest in working more closely with artists (e.g. sharing tools and teaching skills). The Kenosha Commission on the Arts was represented in the core group by Vice Chairperson Francisco Loyola.

SITE ANALYSIS

During a Preliminary Feasibility Visit, Artspace’s primary goal is not to select a site but to identify candidates for further study should the project move forward. Several factors to consider include location, building capacity, availability, viability, and ability to impact the broader community. In Kenosha we visited three candidate sites, two of which impressed us as candidates for further consideration. The physical amenities we seek for artist housing – high ceilings, open floor plans, and access to natural light – are present in most of the sites we visited. The sites described in this section are not the only ones that should be considered by the community as sites for a potential Artspace development.

Any decision impacting site selection in Kenosha will be influenced by several factors:

- Downtown redevelopment is still a relatively new consideration in the history of Kenosha. Starting with the 1990s removal of the Chrysler plant from Kenosha’s downtown waterfront, the city has experienced a slow but meaningful renaissance.
- There is a negative perception about affordable housing, primarily due to a very visible downtown project that was designed poorly and is a bit of an eyesore in the downtown landscape.
- Kenosha is anxious to prove that it should be the first city in Wisconsin where Artspace does a project.
- There is a sense of healthy competition with Waukegan, where Karcher Artspace Lofts, a live/work project opened in 2012.
- Kenosha is fortunate to have several downtown building owners who have their eye on the big picture and would embrace an Artspace project.
- Kenosha believes it can attract artists from Milwaukee and from northern Illinois. This will be something to test in an Arts Market Survey.
- Arts and culture are alive and well in downtown Kenosha with three unique museums, a pop-up gallery, an art supply store, an arts magazine, several galleries, and numerous venues that feature live music.
- Historic preservation and downtown development are priority issues for the City.



Map of properties visited on the tour
(Marked with yellow stars)



Alford Building



Parking lot behind the Alford

**ALFORD BUILDING
58TH STREET AND 7TH AVENUE**

This two-story, former JC Penney retail store is a beautiful building in a terrific central location at the corner of 7th Avenue and 58th Street downtown. We heard about the momentum around exciting things happening in this area, including the plans for the Kenosha News PressRoom coworking/incubator space as well as potential plans for an indoor market.

However, the Alford Building’s layout, limited natural light, and low square footage (40,608) make it a challenge for a mixed-use artist housing project. The property owner provided concept plans for 24 apartment units on the second and (new construction) third floors. Even with the additional floor, space is limited in this property. Artspace looks at a minimum of 30-35 live/work units for its projects, each of which are typically 100-200 square feet larger than standard residential units. This extra space provides workspace within the residential unit. Artspace typically likes to see a minimum of 60,000 gross square feet for a mixed-use development.

Though it may be possible to “build up” and add additional floors, at this point, without confirmation that the structure is structurally sound for additional floors, we would advise the community not to depend on that option.

As another expansion option for a mixed-use project at this location, it is possible that an adjacent vacant parcel, such as the parking lot located behind the Alford Building, could be used to build a contiguous new construction facility. All things considered, on first assessment, the former department store building is not a top contender for artist housing.



Kenosha National Bank

**KENOSHA NATIONAL BANK
7TH AVENUE AND 57TH STREET**

At eight stories and 80,000 square feet, this beautiful bank building in the center of downtown Kenosha is owned by one of Kenosha’s progressive downtown building owners and developers, Paul McDonough.

Paul has renovated several floors of this magnificent building and filled them with tenants. However, he indicated that he would be willing to move those tenants in favor of a larger development.

The floor plates are rather small at 10,000 square feet but the windows and ceiling heights are excellent in size and scale for an artist live/work facility. We estimate that 7-8 units could be carved out on each floor for a total of 42-48 units on the upper floors, certainly a number to test in the Arts Market Survey.

The grand former lobby, with decorative tile ceilings and several historic art pieces, is an impressive space. It could be a tremendous asset to the community if a more public use, such as an events space or gallery, could be created in the lobby.

The combination of location, adaptability, scale, and street level accessibility, in addition to the intangible charm of its historic features, make this building a strong candidate.



Unfinished unit



Lobby of the National Bank



Orpheum Theater



Vacant units in the Orpheum

ORPHEUM THEATER

6TH AVENUE BETWEEN 58TH AND 59TH STREETS

Kenosha has three downtown theaters. Of the three, only one, the Rhode Theater, is operating as a performing arts venue at this time. The other two, the Orpheum Theater and the Kenosha Theater, are underused and not operating as theaters.

The storefront space of the Orpheum Theater is currently home to an ice cream shop and a toy store, but the rest of the building is vacant or used for storage. In addition to the large volume of space that was once a live theater and then converted in to a four Cineplex spaces, the building has two floors of additional space that would be well-suited for live/work apartments. The owner has contemplated converting these floors into residential space himself and is open to the concept. Having artists live and work in this location would bring a lot of energy to downtown.

Though the building is too small for an Artspace project, there is a City-owned vacant lot behind the theater that could be considered for a combination of historic preservation and new construction. Additionally, we will discover more about the demand for working studio and market rate residential space for artists in the Arts Market Survey. Perhaps these empty floors could be converted into studios or residences to meet those needs. This could be a win-win for the owner, the City and the creative sector.

It should also be noted that the Orpheum is referenced as a priority for redevelopment in the City's Strategic Redevelopment Plan.

We were not asked to focus on potential new uses for the theater spaces themselves. However, for the right use, we can imagine that the old theater could be returned to its original grandeur.

The history of the Orpheum and the energy of the storefront shops help to envision this property returning to an arts use. The upper floors and adjacent lot have potential. However, the reuse of the auditorium space is a large, unknown variable. We would not strike the Orpheum off the list of potential locations, but acknowledge that there are questions about scale, market, and the auditorium space, that would need to be addressed.

SITE FEASIBILITY SUMMARY

All three sites opportunities are in terrific locations for a mixed-use, arts-centric project that would enliven the streets of downtown Kenosha. However, the Kenosha National Bank is the best suited for a project that would include ground floor space for creative businesses, coworking or makerspace and upper floors for live/work residential space for artists and their families. Redeveloping a building of this size and scope would make a huge impact on downtown Kenosha, attract other development, create construction job opportunities during the typical 12-month construction cycle, and certainly provide numerous opportunities for working artists. Artspace is hopeful that Kenosha can identify the additional funds for an Artist Market Survey so we can understand the depth of breadth of the market, a prerequisite for further site development.

FINANCIAL ANALYSIS

An Artspace live/work project typically represents a significant investment of civic resources. While an assortment of federal and state programs can be used to generate revenue for construction, we look to the community for predevelopment revenue and a commitment of affordable housing allocations, typically in the form of Community Development Block Grants (CDBG), HOME funds and other housing and economic development programs.

When one considers financial feasibility and return on investment, it is important to note the multiple points of impact of a potential project site. "Returns on investment" include not only affordable housing but also blight remediation, adaptive reuse of historic buildings, and infrastructure investment in the cultural economy. Communities, civic leaders and politicians have to share in this vision to maximize impact.

We were encouraged by the participation of both city and private entities in the discussions around "where the funding might come from." In addition to a very experienced Downtown Kenosha and City Economic Development staff, the core group brought together representatives from the private (real estate) development community, local Convention and Visitors Bureau, the Foundation community, bankers and others who could help inform the funding and financing picture.

Some of the key findings we learned about financing a mixed-use live/work project in Kenosha:

- Wisconsin's Historic Rehabilitation Tax Credit Program allows property owners to receive a state tax credit of 20 percent of eligible expenses for approved rehabilitation work on certified historic structures. On December 11, 2013, Wisconsin Governor Scott Walker signed a bill that increases state historic tax credits from 5 percent to the current 20 percent. This is a tremendous boost for a project that could include an historic preservation component.
- Tax Incremental Districts (TID) are used as a financing tool in Wisconsin and would benefit a potential Artspace project. TID can be applied both by project and by district, and work similar to Tax Increment Financing (TIF).
- Federal Low Income Housing Tax Credits (LIHTC) distributed by the State of Wisconsin are likely a viable funding source. An Artspace project would align with several of the State's current affordable housing objectives. Although the Wisconsin Housing and Economic Development Authority's (WHEDA) Qualified Allocation Plans are subject to annual revision, we anticipate that WHEDA will continue to

“Support State of Wisconsin job creation goals, and increase the quantity of affordable workforce housing near employment centers.”

- The City received a \$947,000 allocation of Community Development Block Grant (CDBG) funding in 2013.
- HOME allocation for 2013 is \$386,000 if through a Community Housing Development Organization (CHDO), \$290,000 if not. Kenosha is having challenges finding projects that qualify for HOME funding so an Artspace project could be an opportunity for the City to apply these funds.

Among the other civic and elected leaders, there appears to be a broad consensus that the arts are an important part of what makes Kenosha special and that an Artspace live/work project would be a good fit for the community, particularly in the downtown core. To the extent that our first impressions were correct, we see no major financial impediments at this time. We acknowledge, of course, that public programs that can be used for this type of development, such as the CDBG program and the Low Income Housing Tax Credit (LIHTC) program, are constantly under fire and are increasingly competitive.

That said, mixed-use arts projects of the kind Artspace has developed over the years could tap into a number of federal and state funding programs. Chief among these are LIHTCs, a federal program established in 1986 to encourage the development of affordable housing and amended in 2008 to extend the definition of eligible projects to those intended for artists. An Artspace live/work project in Kenosha’s downtown core could prove to be well aligned with WHEDA’s objective of supporting job creation goals and increasing affordable workforce housing near employment centers because a potential project would provide:

- **Cottage industry opportunities for artist-residents.** Artists naturally operate as small businesses, producing and selling works of art, teaching skills, and/or hiring other artists at various stages of production. Artspace live/work units are typically 100-200 square feet larger than traditional affordable housing units, providing space for residents to work on their craft without the extra cost of renting additional workspace.
- **Proximity to job opportunities in Downtown Kenosha and public transportation to surrounding areas.** A project located in the downtown core offers residents accessibility to job opportunities at local downtown businesses and establishments. Nearby mass transit options provide additional accessibility to other job centers. These convenient locations reduce automobile reliance, which can lead to a further affordability and a healthier, walkable lifestyle.

If the project involves a building on the National Register of Historic Places, federal and state Historic Preservation Tax Credits can also be used. The chart on the following page shows, in simplified form, the financial sources for a \$16 million, 60-unit Artspace live/work project with 13,000 square feet of ground floor commercial space in Buffalo, NY.

The cost per unit of housing is higher in an Artspace live/work project than in traditional affordable housing projects. This is due to four basic features of Artspace projects, which relate to the unique nature of functional artist space and contribute to their effectiveness for the arts:

- **Wider hallways**, for functional gallery space as well as ease of moving large artworks

- **Common areas and community rooms**, for gathering, exhibiting and performing
- **Larger square footage of units**, to accommodate living and working space
- **Larger volume of spaces within the units**, due to the higher ceilings

Regarding potential commercial space, Artspace seeks relationships with creative businesses and arts organizations that are seeking space and interested in playing a curatorial and business development role. The amount of commercial space will depend, of course, on the building, size of parcel and most importantly, on the neighborhood and community needs.

SOURCE	AMOUNT	PCT.
Public Sources		
Federal low income housing tax credits	\$ 6,592,060	41%
State low income housing tax credits	\$ 2,796,404	17%
Federal historic tax credits	\$ 1,678,775	10%
HOME funds (\$900,000 from state, \$400,000 from city)	\$ 1,300,000	8%
Community Development Block Grant (city)	\$ 300,000	2%
Federal allocation	\$ 250,000	2%
Private Sources		
Private sector (philanthropic gifts)	\$ 1,400,000	9%
First mortgage	\$ 1,200,000	7%
Deferred developer's fee	\$ 670,944	4%
TOTAL	\$ 16,188,183	100%

Project: Artspace Buffalo Lofts

Example of Funding sources for Artspace Buffalo Lofts, opened in 2007

LOCAL LEADERSHIP

Strong local leadership is an essential ingredient of an arts project. Without someone on the ground who can advocate effectively for the project, open doors, and keep lines of communication open between the developer and the community, there is little chance of success. For this reason, we place a very high value on local leadership, almost more important than on any other factor.

Downtown Kenosha, KABA, the City and the Convention and Visitors Bureau seem well poised to support an Artspace project. Artspace understands that in order to compete for allocations of CDBG, HOME and LIHTC, which make up 60-70% of the total development cost, the City of Kenosha would need to make an Artspace project a top priority for these funding programs for the next 1-2 years. We feel confident that we have already identified many of the local leaders in Kenosha who could make a project successful.

The leaders with whom we met were “over the moon” about an Artspace project. However, we will need to see evidence of support from more of the local and state elected officials to have a more balanced perspective about the real potential here.

POTENTIAL FOR SUSTAINED COMMUNITY IMPACT

We met with many who have a vested interest in Kenosha, particularly the downtown core, and the benefits that an Artspace live/work project can offer. In focus groups and the public meeting, we heard from individual artists, arts agencies and organizations, developers, nonprofits, community activists, local residents, business owners, educational institutions, property owners, and funders.

In a follow-up call after the Preliminary Feasibility Visit, we had the chance to speak with representatives from the Wisconsin Women’s Business Initiative Corporation (WWBIC), a nonprofit economic development corporation with a regional office in Downtown Kenosha. WWBIC’s work to support small existing and emerging businesses (with a focus on the men and women of underserved communities) presents interesting opportunities for partnering with individual artist residents or small creative businesses in an arts facility.

During the visit, we learned about additional initiatives to create other types of spaces that will support the creative community in Kenosha. Including:

- **Indoor Market.** CDBG funding for a feasibility study has been approved by the City. The Harbor Market LLC has been created, the RFP is currently being written, and a review committee has been formed. The RFP is scheduled to be released in early 2014.
- **Incubator/Coworking Space – Kenosha News PressRoom.** Initial meetings with Kenosha News, Carthage Collage, and KABA staff have progressed the concept for build-out of the currently vacant 7,500 square foot pressroom space in the Kenosha News building. The PressRoom would operate as a coworking space with a focus on news, journalism, and digital media. With Wisconsin Economic Development Corporation (WEDC) and KABA support, the space could be renovated and operating by mid-2014, bringing college students and young professionals downtown and increasing the 24/7 vibrancy of the city center.

Planning for both the Indoor Market and the Kenosha News PressRoom is ongoing, and both efforts have received commitments of financial support. The excitement around both of these projects adds to the sense of momentum towards a tipping point for positive change in downtown Kenosha.

As the project concept for a mixed-use, live/work project evolves, it will be important to continue to emphasize the project’s “placemaking” capacity by admitting multi-disciplinary artist residents and organizations and incorporating community-accessible space for programming, collaborations, and rentals. Both the artist residents and the larger community would benefit from shared spaces and access to workshops and classes, performances and demonstrations, lectures, and other on-site events.

Site selection will be a component of overall community impact. Other key elements to keep in mind as the project evolves include the need to quantify the project’s job-creation capacity, to develop synergistic ties to

other organizations and other areas of the core city, to identify community-based commercial tenants in the creative business sector, and to ensure that artist support services and programs are in place before the project goes into operation. Artspace can help to facilitate these things but can never substitute for the local drive and talent needed to make these projects more than about a singular community of artists.

In any discussion of our work, it should be noted that Artspace live/work projects are unlike most affordable housing in that we use an “artist preference” policy to fill vacancies. For each project, we appoint a committee made up of artists who are not candidates to live in that project. The committee interviews income-qualified applicants to determine their commitment to a career in their chosen art form. It does not pass judgment on the quality of an applicant’s work, nor is it permitted to define what is or isn’t art. Although the IRS challenged the “artist preference” policy in 2007, it dropped the challenge after the Housing and Economic Recovery Act of 2008 became law. That law states: “A project does not fail to meet the general public use requirement solely because of occupancy restrictions or preferences that favor tenants...who are involved in artistic or literary activities.”

The Artspace live/work model has been proven to 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

Although many neighborhoods balk at the notion of an affordable housing project in their midst, affordable live/work housing for artists is rarely, if ever, controversial. Indeed, in our experience it is precisely the opposite: many communities embrace affordable housing for artists as a means of spurring economic development in challenged neighborhoods or retaining artist populations at risk of displacement by gentrification.

NEXT STEPS

Kenosha is well-positioned to “reboot” itself by creating a healthy downtown environment that attracts creative professionals, retains young people from Carthage College and the University of Wisconsin at Parkside and other Kenosha colleges, and enhances the regional economy. Building on the impact of the creative community, in our view, is a dynamic step toward that goal.

The timing of a development focused on the creative sector and downtown seems particularly ripe for Kenosha at this time. An Artspace project would re-energize the core of the city and help attract other mixed-use development.

We strongly recommend the next step in the traditional path to an Artspace project, an Arts Market Survey, to help Kenosha understand the depth and breadth of its creative community. An Arts Market Survey will quantify the need for artist live/work and studio space as well as other kinds of spaces, thereby providing reliable information for others – including prospective LIHTC investors – whose support will ultimately be needed. Our gut feeling tells us that Kenosha can support 35 to 50 units of artist housing and/or studio space. But bankers do not accept gut feelings as sufficient reason to offer a mortgage loan: they require the statistical evidence of market need that an Arts Market Survey can provide.

Since retaining and attracting young people is such an important part of the challenge and opportunity that Kenosha has before it, concentrating on the needs of recent college graduates will be an important goal of the market survey information as well as testing the regional market in Milwaukee and Northern Illinois. Although Artspace has resident artists of all ages in the more than 1,100 live/work units we have created over the last quarter-century, artists under 40 occupy the majority of our residential units.

In Kenosha we believe the next key steps are these:

- From the group that was assembled for our visit, build a core group of advisors who will be key ambassadors for the project moving forward.
- Collaborate with Carthage College and the local arts community on an Arts Market Survey that focuses on the space needs of individual artists and their families.
- Post-market survey, enter into a predevelopment agreement during which the first scope of work is site evaluation and due diligence – environmental testing, space planning, etc. See “The Path of an Artspace Project” (Appendix II). This document provides an overview of the steps and fees involved in advancing a successful project.

We believe a project that includes both affordable live/work housing and space for creative businesses and working studios would provide a tremendous boost to the reputation and visibility of Kenosha’s arts community as well as stable, permanently affordable space. The presence of a critical mass of creative people would do much to ensure a permanent presence for artists, enhance the area’s reputation as an arts quarter, partner in educational activities, and catalyze additional development in neighborhoods where creatives are congregating.

It has been a pleasure meeting with members of the arts, civic, funding, and business communities in Kenosha. We thank KABA, the City, and each of the partners on this visit for inviting us to your community and look forward to continuing the conversation.

APPENDIX I: CONSULTANT PROFILE



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 1980s, however, it was clear that the problem required a more proactive approach, and Artspace made the leap from advocate to developer. Since then, the scope of Artspace's activities has grown dramatically. Artspace is now a national leader in the field of developing affordable space that meets the needs of artists through the adaptive reuse of historic buildings and new construction.

Artspace's first three live/work projects were in Saint Paul: the Northern Warehouse Artists' Cooperative (1990), Frogtown Family Lofts (1992), and Tilsner Artists' Cooperative (1993). In the mid-1990s, Artspace broadened its mission to include non-residential projects. The first of these, the Traffic Zone Center for Visual Art (1995), transformed an historic bakery in the Minneapolis Warehouse District into 24 studios for mid-career artists.

Since then, Artspace has expanded its range of activities to include projects in operation or development in more than 20 states across the nation. In all, these projects represent nearly 2,000 live/work units and millions of square feet of non-residential community and commercial space. Artspace has evolved from a Minnesota organization with a few national projects into a truly national organization based in the Twin Cities, with offices in New York, Los Angeles, Seattle, New Orleans, and Washington, DC.

Artspace programs fall in three broad categories: Property Development, Asset Management, and Consulting Services.

Property Development

Development projects, which typically involve the adaptive reuse of older buildings but can also involve new construction, are the most visible of Artspace's activities. To date, we have completed more than 35 major projects. A dozen more are under construction or in the development pipeline. Artspace live/work projects are operating from coast to coast.

Asset Management

Artspace owns or co-owns all the buildings it develops; our portfolio now comprises more than \$500 million worth of real property. We strive to manage our properties so that they will be well-maintained yet remain affordable to the low- and moderate-income artists for whom they were developed in the first place. Revenues in excess of expenses are set aside for preventive maintenance, commons area improvements, and building upgrades.

Consulting Services

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



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	
Overview	<ul style="list-style-type: none"> • Information Gathering and Outreach
Primary Activities	<ul style="list-style-type: none"> • Meet with artists, civic leaders, and other stakeholders • Conduct public meeting to introduce Artspace and solicit feedback • Tour candidate buildings and/or sites • Conduct extended outreach as needed to ensure that people from underrepresented communities are included in the process
Deliverables	<ul style="list-style-type: none"> • Written report with recommendations for next steps
Prerequisites for Moving Forward	<ul style="list-style-type: none"> • Demonstrated support from local leadership • Critical mass of artists and arts organizations with space needs • Established base of financial support
Time frame	<ul style="list-style-type: none"> • 3-5 months, kicked off by a 2-day visit
Cost	<ul style="list-style-type: none"> • \$15,000

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

STEP 3: PREDEVELOPMENT I

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

STEP 4: PREDEVELOPMENT II

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

STEP 5: PREDEVELOPMENT III

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

STEP 6: CONSTRUCTION

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