

PRELIMINARY FEASIBILITY REPORT

Little Rock, AR | September 2019



Prepared by Artspace Consulting for the Windgate Foundation

ACKNOWLEDGMENTS

This study is made possible by generous funding from the Windgate Foundation of Little Rock. Artspace heartily thanks the Foundation for its support, and we are especially grateful to Executive Director Patricia M. Forgy for her leadership and sagacity. Little Rock is fortunate to have Windgate, and the Foundation is fortunate to have Pat at the helm. The Core Group that she assembled offered us warm hospitality and invaluable insight throughout our visit. It is a pleasure to work with such a committed group of individuals.

For a list of Core Group members, see Local Leadership section, page 12.

We also thank Mary Kennedy, the inaugural director of the Windgate Museum of Art at Hendrix College, for serving both as Core Group leader and as our personal chauffeur; the nearly six dozen artists, arts organization leaders, civic decision-makers, and financial specialists who participated in our focus group sessions; and the more than 200 citizens who attended the public meeting at the Mosaic Templars Cultural Center — a highlight of our visit. We would be remiss if we failed to extend special thanks to the entertainers at that event: Core Group member Crystal C. Mercer, Lagniappe featuring Genine LaTrice Perez, and the Mabelvale Elementary School Drumline.

ABOUT ARTSPACE

Artspace is a nonprofit organization that uses the tools of real estate development to create affordable, appropriate places where artists can live and work. Because Artspace owns and operates the projects it develops, it can ensure that they remain affordable and accessible to artists in perpetuity. Over the last three decades, Artspace has led an accelerating national movement of artist-centric community transformation. While embracing the value the arts bring to individual lives, Artspace has championed the once-radical idea that artists living on the edge of poverty and chronically underfunded arts organizations can leverage fundamental social change. With headquarters in Minneapolis and offices in Denver, New York, Seattle, and Washington D.C., Artspace is America's leading developer of arts facilities and has served as a consultant to hundreds of communities and arts organizations nationwide.



Artspace Tannery Lofts // Santa Cruz, CA

FOCUS GROUP PARTICIPANTS

Artist Focus Group

- Zina Al-shukri
- Kate Askew, letterpress artist
- Ebony Blevins, photographer
- Justin Bryant, artist
- Brandon Campbell, LR Chamber of Commerce
- Eileen Devereux Dailey
- Hamid Ebrahimifar, artist at Arkansas Children's Hospital
- Bryan Frazier
- Diane Harper, visual artist/teacher
- Mariah Hatta
- Perrion Herd, printmaker
- Chris Jones, Innovation Hub
- Vianca Jordan Antonio
- Beth Lambert, ceramic artist
- Amanda Linn, artist/educator
- David Monteith
- David O'Brien
- Jonathon Opitz, Studio Main
- Peter Scheidt, woodworker
- Quincy Watson, musician

Arts Organizations and Creative Businesses Focus Group

- Robert Bean, Arkansas Printmakers Society
- Linda Fordyce, Hostel MacArthur Park
- Michael Fothergill, Ballet Arkansas
- John Gaudin, ACANSA arts festival
- Laura Grimes, Argenta Community Theatre
- Kerry Kemp, Art Outfitters
- Josh Marchesi, Arkansas Rep
- Mac Murphy, M2 Gallery
- Cody Oden, Dome Life
- Charley Penix, Cromwell Architects
- Lillie Peterson, Arkansas Cinema Society
- David Renfro, Arkansas Symphony Orchestra
- Kate Sain, Opera in the Rock
- Christina Shutt, Mosaic Templars Cultural Center
- Kathryn Tucker, Arkansas Cinema Society

Civic Leaders Focus Group

- Scott Carter, representing Mayor Scott, LR
- Jay Chessir, Little Rock Chamber of Commerce
- Nate Coulter, Central Arkansas Library System
- Joyce Elliott, Arkansas State Senate and Arkansans for the Arts
- Bill Fitzgerald, Little Rock Convention and Visitors Bureau
- Charles Frazier, Rock Region Metro
- Nathan Hamilton, representing Mayor Smith, NLR
- Stan Hastings
- Garbo Hearne, Hearne Fine Arts and Arkansans for the Arts
- Ashley Hight, North Little Rock Chamber of Commerce
- Chris Kent, Argenta Downtown Council
- Skip Rutherford, UA Clinton School for Public Service
- Charles Stewart, Arkansas Black Hall of Fame
- Kim Vu-Dinh, UA-Little Rock School of Law

Funders and Finance Focus Group

- Kelley Bass, Museum of Discovery
- Anita Davis, Esse Purse Museum
- Leslie Golden, arts grantwriter, formerly Wildwood
- Gabe Holmstrom, Downtown Little Rock Partnership
- Anna Kay Williams, Charles A. Frueauff Foundation
- Les Lane, Arkansas Capital Corporation
- Josh Malone, Arvest Bank
- Cathy Mayton, Stella Boyle Smith Trust AC
- Mike Mayton, Stella Boyle Smith Trust AC
- Sarah McBroom, Winthrop Rockefeller Foundation
- Martie North, Simmons Bank
- Bryan Scoggins, Arkansas Economic Development Corporation
- Arlo Washington, People Trust Community Loan
- Alma Willett, Charles A. Frueauff Foundation
- Lynn Wright, Regions Bank

TABLE OF CONTENTS

INTRODUCTION 5

PRELIMINARY FEASIBILITY STUDY (OVERVIEW) 7

INVESTING IN CREATIVITY 9

FINDINGS 10

 Alignment with Broader Community Goals 10

 Local Leadership 12

 Potential Sites 13

 Funding & Financing 21

 Arts Market 26

 Project Concept 28

RECOMMENDATIONS & NEXT STEPS 29

APPENDIX I 31

APPENDIX II 33

INTRODUCTION

COMMUNITY PROFILE: LITTLE ROCK / NORTH LITTLE ROCK

Few American cities dominate their states as completely as Little Rock, which is both the capital and largest city of Arkansas. With a population of nearly 200,000, Little Rock anchors an urban island of 400,000 that includes the 66,000 residents of North Little Rock, the state's eighth largest city, just across the Arkansas River. The six-county Metropolitan Statistical Area has more than 730,000.

Long an important regional economic and transportation center with a number of well-regarded cultural institutions, Little Rock gained new status and an economic shot in the arm in 2004 with the opening of the William J. Clinton Presidential Center, which houses the Clinton Presidential Library, the Clinton Foundation, and the University of Arkansas' Clinton School of Public Service. The Center's three-building complex commands a splendid 17-acre former industrial site overlooking the Arkansas River on the east side of downtown.

The Clinton Center notwithstanding, Little Rock is not as vibrant as civic leaders would like it to be. Its recent population growth has been slight and fueled largely by annexation. The 2018 Annual Urban Development Report prepared by the City's Planning and Development Department noted "historic lows, for the ninth year" in the construction of single-family homes.

Downtown Little Rock has had issues for decades. An ill-advised urban renewal project in the late 1960s demolished 471 commercial buildings, reducing the downtown area's population density from 18 persons per acre to five. Despite the welcome addition of a convention center and several large hotels and office towers, the largest land use in downtown Little Rock continues to be parking; a 2012 study, funded by an NEA "Our Town" grant, tallied more than 7,000 parking spaces within two blocks of the City's Creative Corridor, a four-block stretch of Main Street.

Designation as the Creative Corridor is the latest of several attempts to breathe new economic life into that section of Main Street, long the heart of Little Rock's central business district. In 1980 several blocks were converted into a pedestrian mall. A few years later, the mall having done more economic harm than good, it was torn out and vehicular access was restored. The City subsequently took steps to make the stretch more attractive and more walkable, but as the 2012 study lamented, "beautification has not sparked any revitalization initiatives." Seven years later, Main Street remains a work in need of progress.



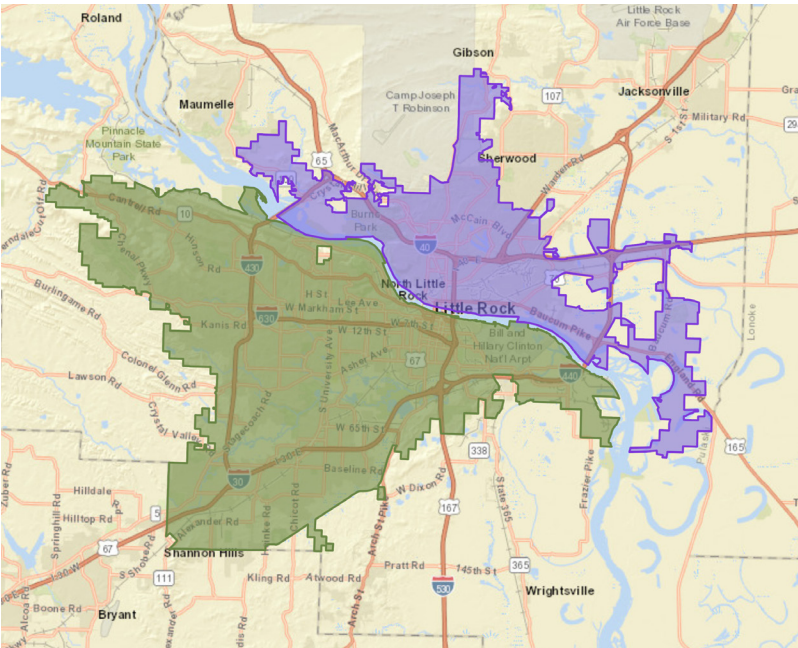
Clinton Presidential Library



Junction Bridge, Connecting Little Rock and North Little Rock

Windgate has long been aware of Artspace's work around the country and more recently its 2018 year-long study in Northwest Arkansas and hoped someday a project could be completed in Little Rock. Windgate has been a funding partner in Artspace's Oglala Lakota project on the Pine Ridge Reservation in South Dakota as well as other developments. Feeling like the timing was right and with Windgate's recent relocation to central Arkansas, Artspace was invited to Little Rock/North Little Rock to look at the potential and the demand for creating affordable, sustainable space for this metropolitan area's creative people.

The Artspace consulting team conducted a Preliminary Feasibility Visit on July 23-25. The visit included several meetings with the Core Group, whose members represent a diverse range of backgrounds, professions, and perspectives. We also met with focus groups consisting of artists, arts organizations and creative businesses, civic leaders, and funders and finance specialists. Finally, we visited five buildings — two churches, a warehouse, a downtown department store, and historic Union Station — to assess their potential for adaptive reuse as mixed-use arts facilities. Artspace was represented by Wendy Holmes, Senior Vice President, Consulting and Strategic Partnerships; Teri Deaver, Vice President, Consulting and Strategic Partnerships; and Roy Close, former Vice President, Special Projects.



Map of Little Rock (Green) & North Little Rock (Purple)

“THE ROCKS” AT A GLANCE		
	LITTLE ROCK	NORTH LITTLE ROCK
Founded:	1821	1901
Area (sq. miles):	122	47
Population (2019 est.):	203,637	65,162
Population, % change 2010-2019:	+5.2%	+4.4%
Est. Population Growth 2019-2024:	+2.5%	+1.7%
Housing Units (2017 est.):	94,995	31,334
Vacant Housing Units (2017 est.):	14,708 (15.5%)	5,221 (16.7%)
Median Age (2019 est.):	36.9	38.5
Median HH Income (2019 est.):	\$53,679	\$46,383
Median Gross rent, 2017:	\$842	\$808
Renter-occupied Households (2018 est.):	45%	47%
Race/ethnicity (2019 est.):		
White -	46.9%	50.9%
Black/African American -	43.1%	42.0%
Hispanic/Latino -	7.5%	6.1%
Asian -	3.2%	1.2%

Source: U.S. Census Bureau, Census 2010, Esri forecasts for 2019 and 2024.

PRELIMINARY FEASIBILITY STUDY

Successful projects are the result of good planning. For an Artspace project, planning begins with a Preliminary Feasibility Study, the first step in the process of determining how an affordable arts development project can move forward in the context of a community's unique needs, assets, and resources.

Central to the study is the Preliminary Feasibility Visit, in which an Artspace team travels to the community to gather information, connect with stakeholders, and share information about the development process. Over the course of two or three days, working closely with a Core Group of local leaders, the team tours existing arts facilities, looks at potential buildings and sites, holds a public town hall meeting, and conducts focus group sessions with civic leaders, creatives, and others.

THE ARTSPACE APPROACH

What information does Artspace look for? Over three decades and more than 50 projects, Artspace has identified six components that are essential to successful development of an arts project. While these are not the only factors Artspace considers before making a recommendation to move a project forward, they help frame the discussion, provide a sturdy framework for assessing the feasibility of a proposed project, and help community leaders plan for successful, affordable, mixed-use facilities. They are:

ALIGNMENT WITH BROADER COMMUNITY GOALS.

Good projects are more than the sum of their parts. A potential project can help achieve other civic goals, such as economic development, urban infill, or historic preservation. Artspace considers strategies and partnerships that can leverage impact. During our visit, we ask community members to identify their top priorities.

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 developer and community? Leaders can come from all sectors, from elected officials to business leaders to artists to ordinary citizens who are passionate about making their community a better place to live, work, and create.

POTENTIAL SITES. At this early stage, our goal is not to select a site but to identify candidates for further study. The factors we consider include location, size, ease of acquisition, and potential for sustained positive impact. As a project moves forward, candidate sites will be evaluated in the context of a refined project concept, Arts Market Study data, and a deeper understanding of local development priorities and funding sources.

PRELIMINARY FEASIBILITY VISIT

Over three days, the Artspace Consulting team:

- Facilitated three focus group meetings (about 50 total participants):
 - Artists and Creatives
 - Arts Organization Leaders
 - Finance and Funders
 - Civic Leaders
- Held a public meeting at the Mosaic Templars Cultural Center with more than 200 attendees
- Toured five potential sites and drove by several others
- Met multiple times with the Core Group



Junction Bridge, Connecting Little Rock and North Little Rock

FUNDING 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 to support predevelopment expenses and gap funding. The Preliminary Feasibility Study considers the community's interest and capacity to commit resources to an arts facility.

ARTS MARKET. Is there a sufficient market to support an arts facility? To find out, we collect qualitative data through focus group meetings. We ask artists if they need space to live, work, create, teach, share, and/or sell their art, how much rent they consider affordable, and what types of amenities are important to them. Later, if a decision is made to move forward, we collect quantitative data as well through a formal Arts Market Study.

PROJECT CONCEPT. How will the space be used? Although many communities have a concept in mind before inviting Artspace to the table, during a Preliminary Feasibility Visit we take nothing for granted and try to look at the situation objectively. One of the first things we ask stakeholders is: "What kinds of creative spaces does your community need and want?" The project concept generally emerges from the answers we receive.



Entertainment Prior to the Public Meeting by the Band Lagniappe



Preliminary Feasibility Visit Public Meeting



"Mother Earth" by Sculptor Kevin Kresse
Photo Source: City of North Little Rock



Art from the Private Collection of Core Group Member Brad Cushman

INVESTING IN CREATIVITY

This report is informed not only by Artspace's experience as a developer and operator of affordable facilities for artists and arts organizations but also by many independent studies of the social, economic, cultural, and other community benefits of Artspace projects. Mixed-use arts facilities with long-term affordability have been shown to:

- **Generate economic revitalization and development.** Every project provides job opportunities before, during, and after construction.
- **Preserve old buildings, stabilize neighborhoods, and revitalize vacant and underutilized properties.** They also help preserve cultural heritage by providing spaces where cultural art forms can be passed from one generation to the next.
- **Catalyze private and public investment,** such as façade improvements and general beautification, in the surrounding area.
- **Create community spaces** that give the public opportunities to interact with artists and provide opportunities for other local artists to showcase their work.
- **Support independent artists,** who generate economic activity by selling products or services, purchasing equipment and supplies, and paying taxes. Every independent artist is in effect the owner-operator of a small business.
- **Build community.** Artists and creatives are active neighbors and community members. Many collaborate with the educational, cultural, and business communities as teachers, community conveners, and volunteers.



Artist in Jackson Flats // Minneapolis, MN
Photo Credit: UrbanWorks

ECONOMIC IMPACT STUDY

The “Taking a Measure of Creative Placemaking” 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. 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: <https://www.artspace.org/taking-measure-creative-placemaking>

FINDINGS

ALIGNMENT WITH COMMUNITY GOALS

It's a statement that bears repeating: Good projects are more than the sum of their parts. They address community goals, such as historical preservation, affordable housing, and neighborhood revitalization, that are not necessarily arts-related. Artspace's most successful projects are multi-faceted. In New York City, for example, El Barrio's Artspace PS109 saved an iconic East Harlem public school threatened with demolition. It now provides 90 units of affordable housing for working artists, and has replaced a vacant building with a new cultural destination in the Hispanic neighborhood known as El Barrio.

To help us determine the goals that matter most in a community, Artspace uses the Preliminary Feasibility Visit to obtain input from a broad cross-section of stakeholders. Once we understand their priorities, we look for ways to bring them into alignment.

In Little Rock, the Core Group had much to say about Arkansas' natural beauty and rich history, and about the multiple charms of Little Rock and North Little Rock, where it's easy to get from A to B and where "two degrees of separation," rather than the proverbial six, is the norm. The Clinton Center drew praise for the "amazing opportunities" it has created for area residents.

But the group also noted that despite the community's efforts to make racial segregation a thing of the past, Little Rock "is still a divided place" where "the artist spaces are still predominantly for white artists." Since 2015 the Little Rock School District has been under the control of the state Department of Education, and if anything the schools are worse now than before. "Bridging geographic and cultural communities" was a community goal we heard from several Core Group members.

Input from the Core Group informed the simple survey we asked each focus group to complete at the end of its session. All focus group members received the same list of goals and chose up to three based on importance to the community. In the following table, goals are listed in order of most votes received by all focus groups. The top four goals are highlighted in orange. Within each focus group, the top three goals are highlighted in blue.

"Bridging geographic and cultural communities" resonated with the focus groups, too: it was the civic goal with the greatest number of votes — 31, including 15 from artists. "Supporting creative businesses and non-profits" ran a close second with 30 votes. Close behind were "Anchoring an arts district" and "Preserving affordability," each with 28. Only two other goals, "Downtown revitalization" with 20 and "Preserving cultural community" with 16, received more than 10 votes.



The Core Group Visiting Yella Dog Press // Pictured: Mary Kennedy, Teri Deaver, Ebony Blevins, Wendy Holmes, Kate Askew, & Perrion Hurd

FOCUS GROUPS SURVEY

GOAL	FINANCE	ARTIST	CIVIC LEADERS	ARTS GROUPS	TOTAL
Bridging geographic and cultural communities	7	15	7	2	31
Supporting creative businesses and nonprofits	6	9	6	9	30
Anchoring an arts district	7	5	7	9	28
Preserving affordability	5	14	2	7	28
Downtown revitalization	6	3	8	3	20
Preserving cultural community	7	3	1	5	16
Supporting rural artists	5	2	2	1	10
Promoting tourism	1	1	2	6	10
Historic preservation	6	1	0	1	8
Enhancing healthy lifestyles	3	3	2	0	8
Urban infill	1	1	2	1	5
Transit-oriented development	0	0	3	2	5
Residential density	2	0	0	1	3
Reflecting the history of the cities	1	0	1	0	2
Other	3	1	0	0	4

These numbers tell us that there are several ways in which an Artspace arts project in the “Rocks” metro area, might be designed to align with community goals. This is an area to be explored more deeply in subsequent discussions.

It is also interesting (and typical, in Artspace's experience) to note that artists and arts groups are much more interested in preserving affordability and supporting creative businesses than they are in downtown revitalization, an area much more aligned with civic and finance leaders' priorities. This is a small sampling of people but could represent areas of challenge and opportunity in terms of aligning more leaders in support of the arts in general and a potential future space project for artists, specifically. Anchoring an arts district seemed to be the area supported more evenly across the board. This tells Artspace that it could be helpful to provide a common definition of an “arts district” and an understanding of best practices of successful arts districts.

CORE GOALS

At the heart of every Artspace development and consulting project, are these goals:

- Meet the creative sector's space needs
- Ensure long-term affordability
- Reflect the unique culture and character of the community
- Exemplify sustainable and efficient design

What 3 complementary goals are a top priority for you?

- Residential Density
- Preserving Affordability
- Historic Preservation
- Urban Infill
- Downtown Revitalization
- Preserving Cultural Community
- Supporting Rural Artists
- Transit Oriented Development
- Supporting Creative Businesses and Nonprofits
- Anchoring an Arts District
- Enhancing Healthy Lifestyles
- Promoting Tourism
- Reflecting the History of the Cities and Important Dates and Moments
- Bridging Geographic and Cultural Communities

Other: _____

LOCAL LEADERSHIP

Strong local leadership is essential for any community-driven arts project, especially one involving a non-local nonprofit developer. Without someone on the ground to open doors, advocate effectively for the project, and keep communication flowing, there is little chance of success.

The local leaders with whom Artspace works often include elected officials and city administrators who manage departments responsible for initiatives involving economic development, affordable housing, and public access to art. Other leaders can range from artists and nonprofit leaders to bankers and foundation heads, from business owners and real estate agents to developers or architects. In short, the local leaders who help make creative projects possible come from many walks of life. What they have in common is a willingness to work hard to make things happen.

Artspace invests time and effort at the very beginning of a proposed project to identify local leaders well-equipped – by position, experience, and influence – to serve as members of the Core Group. We meet with the group frequently over the course of a Preliminary Feasibility Visit, and we encourage its members to attend as many other events, including focus group sessions and the public meeting, as their schedules permit.

Since our visit, the Core Group has added three new members: Christina Shutt, Executive Director of the Mosaic Templars Cultural Center; Melissa Thoma, principal with the marketing firm Thoma Thoma; and Kim Vu-Dinh, Director of the Business Innovation Clinic at the UA-Little Rock School of Law. We welcome them and look forward to working with them.



Core Group Members Join the Site Tour

CORE GROUP MEMBERS

- Ashley Coldiron // Chief Development Officer, Arkansas Community Foundation
- Jamie Collins // Director of Planning, City of Little Rock
- Brad Cushman* // Director, Art Gallery, University of Arkansas at Little Rock
- Kelly Fleming // Director of Development, Arkansas Arts Center
- Ben France // VP, Economic Development, Little Rock Regional Chamber of Commerce
- Nathan Hamilton // Communications Director, Mayor's office, North Little Rock
- Will Hogg // VP, Senior Relationship Manager, U.S. Bank
- Mary Kennedy // Director, Windgate Museum of Art, Hendrix College
- Heather Larkin // President and CEO, Arkansas Community Foundation
- Crystal C. Mercer* // Lead Merchant and Designer, Mercer Textile Mercantile
- Ashley-Pauline Moore // Grants Administrator, Windgate Foundation
- Greg Phillips // Director, Main Street Arkansas
- Patrick Ralston // Executive Director, Arkansas Arts Council
- Christina Shutt // Executive Director, Mosaic Templars Cultural Center
- Melissa Thoma // Partner, Thoma Thoma
- Kim Vu-Dinh // Director, Business Innovation Clinic, UA-Little Rock School of Law

*Self-identifies as an artist

POTENTIAL SITES

As noted in “The Artspace Approach,” our goal in a Preliminary Feasibility Study is not to select a site but to begin the process of identifying candidates for further study. The factors we consider include location, size, cost, ease of acquisition, and potential for sustained positive impact. As planning moves forward, we reevaluate candidate sites — and often add new ones — in the context of an increasingly refined project concept, Arts Market Study data, and our deeper understanding of local development priorities, potential funding sources, and other factors.

It is by no means uncommon for most or even all of the candidate sites we visit during this phase to be eliminated from consideration for one or more reasons. Now and then a previously eliminated site climbs back on the list; Sailboat Bend Artist Lofts, an Artspace project in Fort Lauderdale, is a case in point. Nor is it unusual for the site ultimately selected to be one that wasn't even on the radar in the early going. This is because just as Artspace learns more about the community, the community learns more about Artspace and what we look for in a site.

Site selection concludes during Predevelopment, the planning phase of a project, when Artspace makes its final evaluation of each site and chooses one (or more) based on all available information. We invite a group of local stakeholders to participate in this process.

In preparing for our visit, we gave the Core Group a set of guidelines and asked it to identify ten potential sites that might be suitable for a mixed-use arts project. We further asked the group to identify five of these as “priority sites” for Artspace to visit and discuss in this report. The priority sites selected by the Core Group include four in Little Rock and one in North Little Rock. Among them are two churches, a warehouse, a downtown department store, and Union Station, the community's Amtrak depot. All are privately owned and for sale.

We also asked that these sites be located in neighborhoods that are promising for any number of reasons, including: artists want to be there; a project will advance or enhance current cultural assets or development activity; a project will preserve affordability in a potentially gentrifying area; or the project can solidify an area as an arts corridor. We visited a number of neighborhoods during our site and community tour, including Argenta, SoMA, Downtown Little Rock, East Village, and Dunbar. Any one of these areas offer opportunities for a future project(s) whether or not we saw a promising site during this Preliminary Feasibility Visit. In fact, it is not uncommon for new neighborhoods along with new sites to be added to the exploration list once the market size and space need has been quantified through the Arts Market Study and the project has moved into a more formal Predevelopment phase of study.

More about the specific sites we visited follows.



Core Group Visiting Sites

SITE TOUR OBSERVATIONS

1. Argenta Church

200 West Sixth Street, North Little Rock

Located at the corner of Sixth and Maple Street in the Argenta Historic District, this former church offers 12,000 square feet of space on a three-quarter acre site consisting of three parcels, one of which is across Sixth Street. Currently used for storage, it is listed at \$550,000. An adjoining vacant lot might also be available for purchase at an undetermined price.

Once Ward 8 of Little Rock, Argenta is a charming urban enclave separated from Little Rock by the Arkansas River and from the rest of North Little Rock by railroads and Interstate 30. It is also an up-and-coming neighborhood. New development has occurred both along Main Street, a block to the east, where a \$5.2 million new civic plaza is one of several projects taking shape, and on Maple Street itself, where a new apartment building has risen directly across from the church. Cultural groups have begun to put down roots in the area. A tourist-oriented streetcar line runs along Maple Street, as does a bus line.

Churches are difficult to repurpose for live/work use, however. They tend to have large public spaces — their sanctuaries — that cannot easily be modified or subdivided due to the nature of church architecture, which puts a premium on such things as load-bearing columns, sloping floors, balconies and choir lofts, vaulted ceilings, and stained glass windows. The Argenta church has the additional disadvantage of being too small for a project of the scale that Little Rock's artist market is likely to need. To raze the building and go with new construction might be possible, but we note that the original building (the sanctuary) may be a contributing building to the Historic District and of significance to the community. If so, this site is probably not a viable candidate for an Artspace project. The Argenta neighborhood remains an area of strong interest.

2. Union Station

1400 West Markham Street, Little Rock

This grand old building was erected in 1921, when almost all long-distance travel in America was by rail. Located about a mile west of downtown Little Rock, it is close to the state Capitol and several government buildings, and a double row of townhouses built in 2008 has taken root less than a block away. Although it is still used as a depot — there's a daily train in each direction — most of the building has been converted into offices, event space, restaurants, and the like. Its total area, spread over four floors, is nearly 97,000 square feet. The site, including parking lots, totals 6.8 acres. The building, which appears to be almost completely occupied by commercial tenants, is listed for sale at \$7.35 million.

While Artspace is always happy to consider buildings of historic interest, this structure is not suitable for adaptive reuse as an Artspace project. Its price alone disqualifies it. Its location, though ideal for many uses, feels



Above & Below: Argenta Church



Union Station

isolated and may not serve the Little Rock arts community well, as there are few complementary uses in the area. Moreover, Artspace strongly prefers not to displace existing tenants, and this building is full of them. The arts market for affordable live/work housing would need to be very robust in order to create a self-sustaining, housing focused mixed-use project. It is a handsome edifice and we are happy to have seen it, but it is not a candidate for further consideration.

3. Goodwill Building

1110 West Seventh Street, Little Rock

Built in 1980, this boxy two-story structure occupies a 1.9-acre site in the neighborhood that extends from the west edge of downtown Little Rock to the Capitol complex and Union Station. It is close to Interstate 630 and has good freeway access. The immediate area has several arts and arts-friendly uses, and civic leaders would like to encourage more. The building is vacant and for sale at \$2,650,000.

The building contains about 15,000 square feet of office/classroom space and 35,000 square feet of warehouse space. The offices and classrooms are concentrated on the second floor of the building's south side and receive plentiful natural light from a continuous row of large windows. The rest of the building, however, is almost windowless, and bringing in more light would require difficult (and expensive) retrofitting. On much of the north side, an abutting building would make it impossible to add windows. Because natural light is such an important amenity for visual artists, this shortcoming – especially in view of the building's price – is probably sufficient to disqualify the Goodwill Building from further consideration.



Interior of Goodwill Building



Goodwill Building

Photo Credit: Cushman & Wakefield / Sage Partners

4. MM Cohn Building

510 Main Street, Little Rock

This five-story building in downtown Little Rock, built in 1941 as a department store, has much to recommend it: 62,000 square feet, 47 underground parking spaces, and proximity to the Arkansas Repertory Theatre, Ballet Arkansas, and Little Rock Technology Park. Moreover, it is in the Creative Corridor and is eligible for federal and state historic tax credits as well as energy retrofit rebates. The parking spaces are in use and about half of the ground floor is currently occupied by an advertising agency; otherwise the building is vacant.

Of the buildings visited by the Artspace team, the Cohn Building comes closest to resembling existing Artspace live/work projects in several other cities. Its development would benefit the City of Little Rock by plugging a hole in the Creative Corridor and encouraging redevelopment in the immediate vicinity. It would undoubtedly benefit the arts organizations nearby and small artist live/work community adjacent. These have the potential to be substantial benefits.

But the asking price – \$2.8 million – is high, its capacity for live/work units (30 to 35) is on the low side, and like the Goodwill Building it lacks good access to natural light, especially on the second and third floors. Thus, though the Cohn Building has the most potential of the five buildings we visited on the site tour, it is less than an ideal candidate.



MM Cohn Building Interior



MM Cohn Building (Center)

5. Quapaw Quarter United Methodist Church

1601 South Main Street, Little Rock

This handsome structure, built in 1926, offers about 22,000 square feet of usable space on a site of roughly one-half acre. It is in the heart of the South Main Street (SoMa) arts district and the historic Quapaw Quarter. Still used as a church, it also provides social services and space for the arts, including several rooms used as studios by artists (four of whose large paintings hang in a basement community room). The parish is in transition and the building is for sale for \$1.75 million.

Although it is larger and more interesting architecturally than the Argenta church, and though its adaptive reuse as an arts project would undoubtedly strengthen the SoMa arts district, this building would present major obstacles to a developer of live/work space. As previously noted, churches are difficult to repurpose for residential use. Among other attributes, this church has a sloping floor, a large horseshoe-shaped balcony, and a most impressive circular stained-glass window; all contribute to making its sanctuary very good for its intended function — and almost impossible to convert into residential use.

Moreover, there is little room on the site to add new construction. Even if there were sufficient room for an addition, the church is listed on the National Register of Historic Places, which makes adaptive reuse all the more difficult. On the whole, we think the church would be a better candidate for a community center or similar public use.



Quapaw Quarter United Methodist Church

COMPARING THE TOP SITES

There are five primary criteria that Artspace uses to preliminarily evaluate and prioritize candidate sites. When considering **Location**, proximity to cultural assets and resident serving amenities such as public transportation is important, as is alignment with other community goals for the area. A building or a site for new construction must be able to accommodate the number of housing units, parking spaces and other creative spaces envisioned for the project. **Size** is driven in great part by the arts market space need findings from an Arts Market Study. **Ease of acquisition** refers to having a friendly seller that is willing to extend site control for the period of time it takes to complete feasibility and assemble all the funding. Acquisition is the last step prior to construction so a patient seller is critical. Cost of acquisition is also a factor to consider. There are per unit and total project cost limits imposed by public funding sources for affordable housing, leading Artspace to favor buildings that are low cost or that can be leased long-term (50 years or more) for a \$1.00 a year or equivalent. Sometimes buildings/sites are gifted or sold below market by charitable owners in order to minimize the cost of acquisition and thus any private market loans. Sites that are publicly held, naturally low cost, or can be acquired with philanthropic sources are the often the path forward. **Development potential** is a catch-all that at this early stage refers to the evident adaptability of existing structures to housing uses as well as the likelihood that costs associated with environmental or structural concerns, public infrastructure, zoning and (for example), are minimal. **Potential for positive impact** reflects the intangibles for how a particular site will help advance community and civic goals and enhance not only the neighborhood, but the lives of those who will live, work at or visit the facility.

Of the five sites we visited, the three with the greatest potential for adaptive reuse as an Artspace mixed-use project are the Argenta Church, the MM Cohn Building, and the Goodwill Building. Here is how they stack up against one another:

NAME	ARGENTA CHURCH 200 West Sixth Street North Little Rock	MM COHN BUILDING 510 Main Street Little Rock	GOODWILL BUILDING 1110 West Seventh Street Little Rock
DESCRIPTION	Small church with two adjacent parking lots	Five-story former department store	Two-story warehouse with offices on one side
LOCATION	VERY GOOD: Argenta is an up-and-coming area, handy to both downtowns	EXCELLENT: Downtown LR in the Creative Corridor, close to other arts institutions	FAIR: Industrial area between downtown and Capitol, a few arts uses nearby
SIZE	FAIR: Small building but site includes three parcels	GOOD: 62,000 square feet on five floors but no room to expand	GOOD: Building probably too small but room to expand
EASE OF ACQUISITION	GOOD: Affordable	POOR: Price is too high	POOR: Price is too high
DEVELOPMENT POTENTIAL	GOOD: Assuming demolition is permissible and OK with area residents	FAIR: Size and natural light limitations are concerns	POOR: Difficult and expensive to repurpose for live/work or mixed use
POTENTIAL FOR POSITIVE IMPACT	FAIR: Argenta is already on the move economically; other areas need help more	EXCELLENT: Could spur additional development in the long-languishing Creative Corridor	FAIR: City seeks development in the area, but potential of this building is limited
SUMMARY	GOOD: Might be an ideal second Little Rock area project	GOOD: Location a big plus but tight site and very high cost of doing business	FAIR: Other sites in the area offer more promise

OTHER SITES

As previously noted, the goal of a Preliminary Feasibility Visit is not to select a site but to identify candidates for further study. In Little Rock, where the site tour did not enable us to identify a clear favorite, we have been pleased to receive many suggestions from Core Group members and others for sites to consider. Some were specific, others pointed us more generally to neighborhoods, arts or historic districts, or categories of buildings, such as schools. Among them were the following:

6. River Cities Travel Center

310 East Capitol Avenue, Little Rock

This full-block site in downtown Little Rock is owned by Rock Region Metro (RRM), a public agency, which uses it as the area's main bus transfer point. It also houses RRM's primary sales and information office. RRM recently commissioned a study of the site's potential to accommodate a mixed-use development that would add a grocery store, government service agencies, and housing to the existing bus station. RRM leaders are very interested in considering live/work artist workforce housing for the residential component. The site is as centrally located as one could wish, and its development could address several important civic goals. It will certainly be on the table as we move forward.

7. Greater 3-4 Missionary Baptist Church (Former Rightsell Incentive Elementary School)

911 West 19th Street, Little Rock

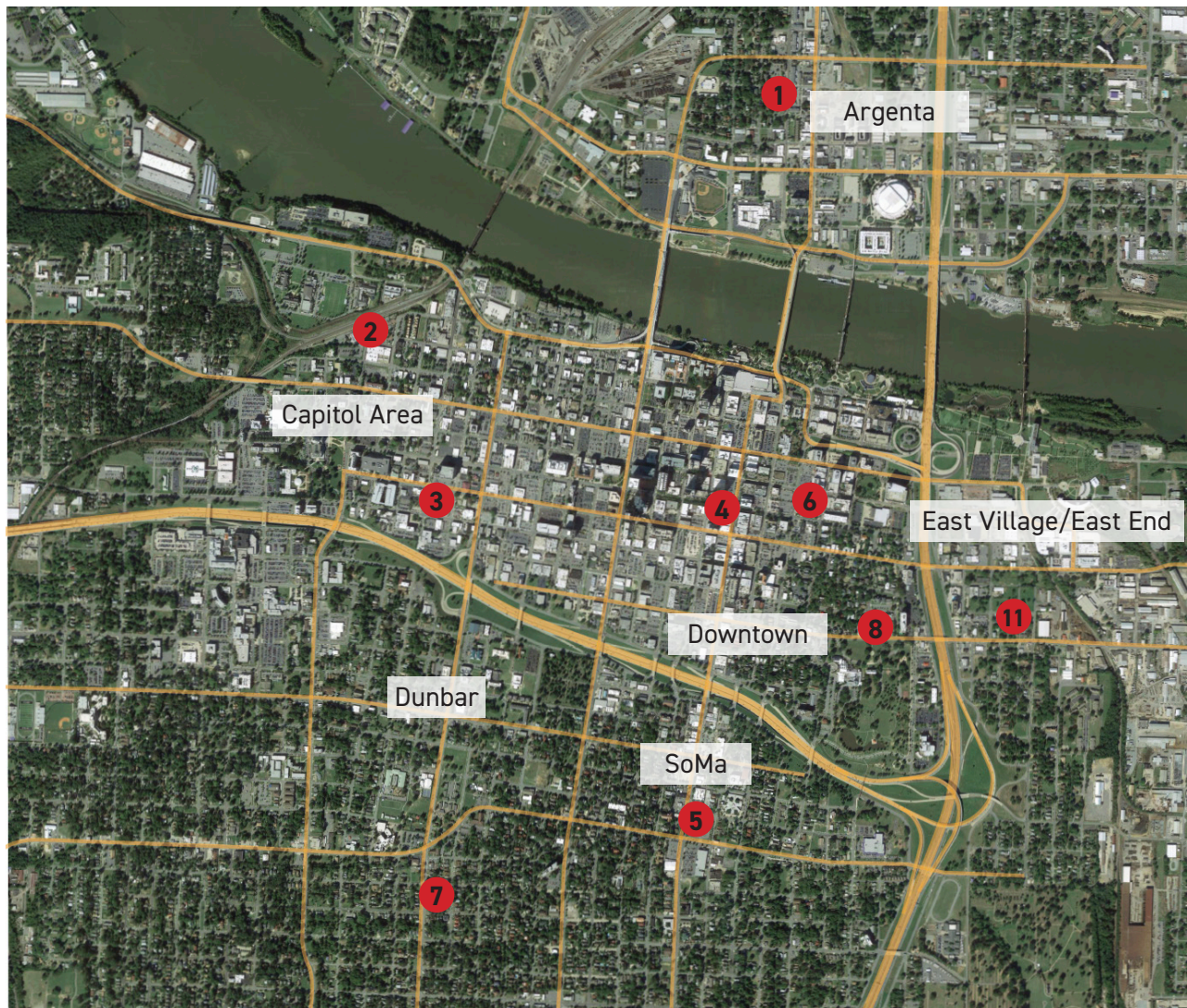
This historic school, and a large parking lot fill a two-acre site in Dunbar, long an important African American neighborhood on Little Rock's south side. The property is for sale at \$250,000 and is currently used on Sunday and Wednesdays by the Greater 3-4 Missionary Baptist Church. The immediately surrounding area is entirely residential; the nearest arts use is Hearne Fine Arts and Books, about two blocks away. There appears to be sufficient room on the site, a full city block, to add new construction without razing the school building. This would presumably allow for new housing while work, community and commercial space uses could take place in existing structures. More information would need to be gathered about the buildings and site.

8. St. Edward Catholic School

815 Sherman Street, Little Rock

This building, which housed the longest-running elementary school in Little Rock (founded in 1885), closed at the end of the 2018-19 school year and is now for sale. It is well-located near the Arkansas Arts Center and is convenient to downtown, the River Market, and the SoMa arts district. The site is small, however, and the building is sandwiched between the church building on one side and the church office on the other. If the office and a smaller outbuilding could be acquired with the school, this property would be much more attractive.





Map of Sites Toured in Little Rock & North Little Rock
Photo Credit: AMR Architects Inc.

9. Capitol Area

Little Rock

The neighborhood east of the State Capitol and Union Station, called “Capitol Area” by the Quapaw Quarter Association, contains a motley collection of state agencies, law offices, lobbying concerns, light industries, warehouses, small businesses, and a few residences. Several Core Group and focus groups members suggested that we look in this area, where vacant parcels and older buildings are in abundant supply.

10. East Village/East End

Little Rock

To long-time Little Rock residents, everything east of Interstate 30 is “the East End.” But with the advent of the Clinton Presidential Center and the growth of the River Market, much of that area has been branded as “East Village,” and it is growing faster, perhaps, than any other Little Rock neighborhood. We visited the offices of Cromwell Architects Engineers, a handsomely repurposed industrial building at 1300 E. Sixth St. We received a number of suggestions about possible sites in the area, including the William Woodruff house (see next item).

11. William E. Woodruff House

1017 East Eighth Street, Little Rock

This stately manor was built in 1853 by William Woodruff, founder of the Arkansas Gazette, the first newspaper west of the Mississippi River. As one of Little Rock's few surviving antebellum houses, it has been on the National Register of Historic Places since 1989. It is now owned by the Quapaw Quarter Association, which purchased it in 2014, stabilized it, and now seeks a suitable buyer to renovate it. Although the house alone is probably not a candidate for an Artspace project, there are several blocks of vacant land just across Eighth Street, so some combination of historic preservation of the Woodruff building plus new construction across the street might be a possibility.



William E. Woodruff House

Photo Source: Abandoned Arkansas // Abandonedar.com

12. Downtown City-owned properties

Little Rock

Thanks to architect Jonathan Opitz, Little Rock Planning Director (and Core Group member) Jamie Collins, and others, Artspace has had several city-owned properties in downtown Little Rock brought to its attention since the Preliminary Feasibility Visit. To date no site has emerged as a strong candidate, but we hope this process will continue, as surplus city property is often easier to acquire and well-suited for development. Some of those sites could be surface parking lots, an abundance of which are located downtown.

13. UA Little Rock District

Little Rock

This area of Southwest Little Rock came up several times in conversations. It is described as a more affordable neighborhood than some others we visited. Potential synergies between the project and this culturally diverse neighborhood include the university itself and the planned Franklin Elementary School reuse by Community Health Centers of Arkansas (CHCA). The neighborhood was not prioritized however, due in large part to its distance from the downtown metro area.

A NOTE ABOUT PRICES

As a national developer, Artspace recognizes that it takes time to learn the nuances of the local real estate market in a community new to us. That said, we were surprised by the price tags of some of the real estate we encountered in Little Rock. The MM Cohn Building, one of the stops on our site tour, is a case in point; a member of our group characterized its asking price of \$2.8 million as “aspirational.” Nor is this strictly a local phenomenon; the 14-story Donaghey Building, Little Rock's oldest skyscraper, acquired by an out-of-state developer in late 2018 for \$5.7 million, is back on the market for \$8 million. We were advised that downtown property is generally overpriced by about 10%. We think that estimate is low.

Real estate speculation is as old as the hills themselves, of course. Our point is simply that Artspace, as a nonprofit, cannot afford to pay a premium to acquire a project site. Neither can many for-profit developers, for that matter. Perhaps this is one of the reasons why most of downtown Little Rock has yet to experience the kind of development boom that has occurred in many other midsize American cities in recent years: high real estate costs may be rendering projects financially unfeasible.

FUNDING AND FINANCING

An Artspace live/work project represents a significant investment of civic resources. While a number of federal programs, most notably Low-Income Housing Tax Credits (LIHTC), can be used to generate funds for construction, LIHTCs typically cover only 40% to 60% of construction costs. The rest must come from elsewhere.

Other national affordable housing programs, such as Community Development Block Grants (CDBG) and HOME, can help close the gap. We ask every community where we work to commit a portion of its CDBG or HOME funds (or the equivalent) to the project. We also look to the community for predevelopment expenses – the “soft” costs, such as surveys and architects’ fees, that must be met before construction can begin.

During a Preliminary Feasibility Visit, we ask the Funders and Finance Focus Group to help us begin to identify potential public and private sources. Some of these, like New Markets Tax Credits, are long-established programs we know well; others, like Opportunity Zones, are less familiar to us. Still others are state, regional, or local programs such as transit-oriented development initiatives or façade-improvement funds, and these of course vary from one city to another. The Funders and Finance Focus Group invariably includes bankers and others who can fill us in. The group also includes representatives from the philanthropic community, for it is to this sector that we turn for the final dollars needed to complete the project. Philanthropy comes in the form of gifts from foundations, corporations, and individuals.

RETURN ON INVESTMENT

When it comes to evaluating the financial feasibility of a project, we are frequently asked about return on investment. One measure is a project’s ability to attract public funding. A mixed-use arts project can tap into several federal and state funding programs. Chief among these are Low Income Housing Tax Credits (LIHTCs), a federal program established in 1986 to encourage the development of affordable housing. LIHTCs can account for 40% - 60% of an Artspace project’s construction budget.

Another key measure of an Artspace project’s performance is how well it delivers benefits to the community. A successful project provides multiple returns, including not only affordable housing but also some combination of blight remediation, adaptive reuse of historic buildings, urban infill, transit-oriented development, infrastructure improvement in the cultural economy, and others.



Sculptures Outside and Inside the Clinton Library

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)

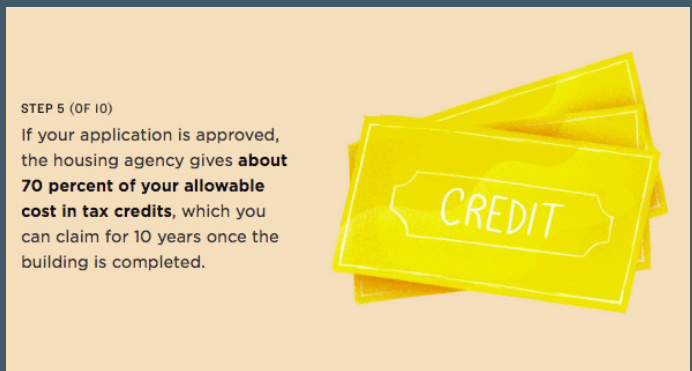
First, you go to your **housing finance agency** to request money to build. You promise to:

- 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.



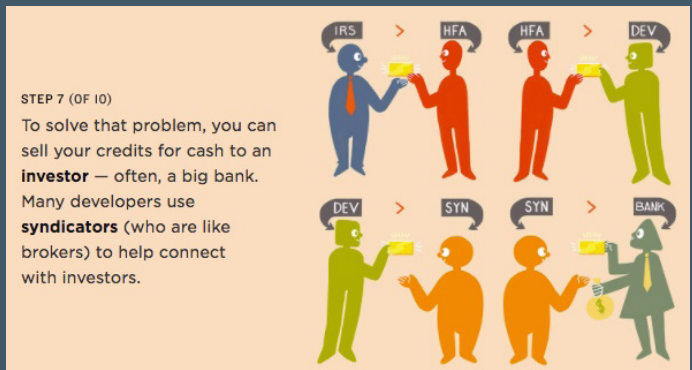
STEP 6 (OF 10)

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.



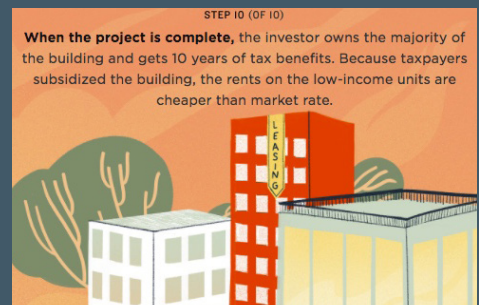
STEP 9 (OF 10)

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

LOW-INCOME HOUSING TAX CREDITS

One of the most important funding tools in Artspace's toolbox — we have used it in 45 of our 52 projects — is the federal Low-Income Housing Tax Credit (LIHTC) program. LIHTCs typically provide between 40% and 60% of the equity needed to develop an Artspace mixed-use project of 40 or more units. In Arkansas, LIHTCs are administered by the Arkansas Development Finance Authority (ADFA), an agency we know through our work in Bentonville, where a 50-unit Artspace live/work project is in predevelopment.

LIHTCs come in two versions: 9% and 4%. The former are highly competitive, the latter are easier to obtain but generate less than half as much revenue. The 9% credit places limits on how much a developer can claim for site acquisition costs, and costs above that limit must be met through increased funding from other sources — another reason why downtown Little Rock's high real estate prices are a deterrent to an Artspace project. There are no acquisition limits in 4% deals, however ADFA does review Maximum Project Costs.

To be eligible to reside in typical LIHTC-funded projects, an applicant must have an annual income of no greater than 60% of the Area Median Income (AMI). In Pulaski County, the 2019 AMI for a family of four is \$69,600, which translates to an income limit of \$41,760 and a maximum monthly rent of \$940 for a two-bedroom unit. Income and rent limits increase or decrease depending on household size and number of bedrooms. Note that some LIHTC projects observe income limits as low as 30% of AMI in some or all units. In Pulaski County, that would mean an income limit of \$20,880 for a family of four and a maximum monthly rent of \$470 for a two-bedroom unit.

The LIHTC program requires developers to guarantee only 15 years of affordability, after which a project can be “flipped” into a market-rate facility (Little Rock's Kramer School is a well-known local example of this phenomenon). Artspace, however, is a nonprofit developer committed to the long-term affordability of its projects. This fact, coupled with our national track record, usually makes our LIHTC applications competitive.

It does not guarantee an award of tax credits, however, especially on a first application. A case in point is Bentonville, where our first LIHTC application was turned down because the budgeted cost per unit exceeded ADFA's limit of \$185,000. We have revised the project design and are in the process of reapplying. ADFA, in turn, is considering whether to raise its per-unit cap. While \$185,000 per unit may seem high, it is low compared to per-unit costs in other states where Artspace is currently working, including Colorado, Maryland, Hawaii, Minnesota, New York, Arizona, and Louisiana. That said, if Artspace were to apply in 2020 for an allocation of LIHTCs for a project in Little Rock or North Little Rock, we would try to keep the per-unit cost below \$185,000.

Our experience in Bentonville, where the revised design calls for a two-story building without an elevator, suggests that a project involving historic preservation might have a better chance in Little Rock/North Little Rock. With a historic building, Artspace could use state and federal Historic Preservation Tax Credits as well as LIHTCs and other affordable and workforce housing tools.

PULASKI COUNTY AREA MEDIAN INCOME AND RENT

(Only for Live/Work Space)

HOUSEHOLD SIZE	INCOME MAX. (30% - 60% AMI)	# OF BEDROOMS	MAX. RENT (30%-60% AMI)
1	\$14,640 - \$29,280	Efficiency	\$366 - \$732
2	\$16,710 - \$33,420	1	\$391 - \$783
3	\$18,810 - \$37,620	2	\$470 - \$940
4	\$20,880 - \$41,760	3	\$543 - \$1,086

2019 Figures for Little Rock/North Little Rock/Conway, AR HUD Metro FMR Area

4-person AMI: \$69,600

Source: Novoco.com

ARTIST PREFERENCE IN AFFORDABLE HOUSING

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 that includes diverse artists who are not applying to live in that project. The committee interviews income-qualified applicants to determine their commitment to their chosen art form or creative pursuit. It does not pass judgment on the quality of an applicant's work, nor is it permitted to define what is or is not art. Artists do not need to earn any of their income from their art form.

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.” This clause was threatened again in December 2017, but thanks to broad-reaching advocacy efforts, the final version of the Tax Cuts and Jobs Act retained the artist preference language.

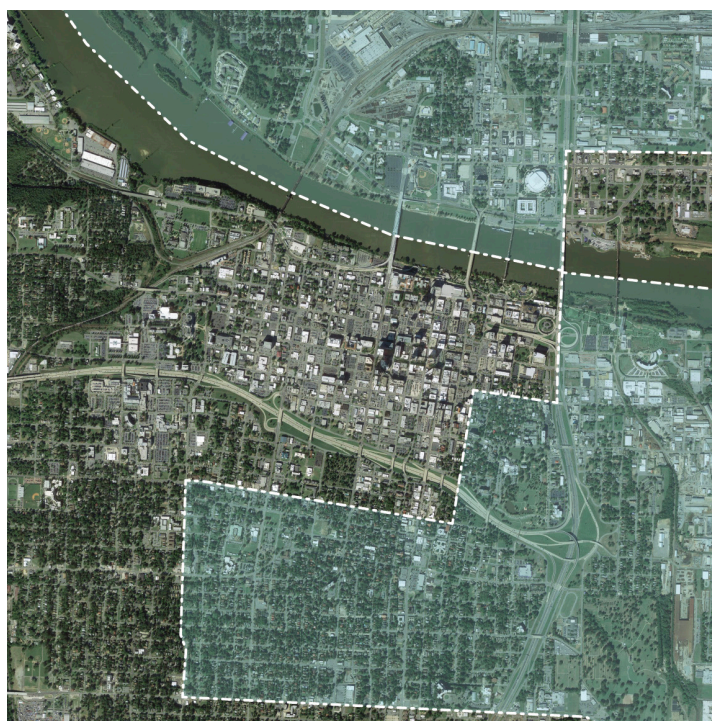
POTENTIAL FUNDING SOURCES

During our Preliminary Feasibility Visit, we discussed the following potential funding sources with the Core Group and the Finance and Funders Group:

- **Low Income Housing Tax Credits (LIHTCs).** See pages 22-23
- **Historic Preservation Tax Credits (HPTC).** A federal program administered by the National Park Service that provides funding for rehabilitation of historic structures. To be eligible, a property must be listed on the National Register of Historic Places either individually or as a contributing member of a designated historic district. In Arkansas, a similar state program called Rehabilitation Tax Credits provides additional funding for many projects that qualify for federal credits. The Arkansas Historic Preservation Program (AHPP) administers the Rehabilitation Tax Credit program.
- **Opportunity Zones (OZ).** A ten-year national initiative created by the Tax Cut and Jobs Act of 2017; this program is designed to drive private equity into “economic catalyst” projects in low-income areas identified as Qualified Census Tracts (QCT). Each governor is authorized to designate 25% of the QCTs in his or her state as Opportunity Zones. Little Rock and North Little Rock have a total of seven (see map).

The OZ program utilizes investment funds that resemble mutual funds. A fund can involve a specific project or multiple projects pooled together. For each fund, a prospectus includes a list of projects, a projected rate of return, and a fund objective.

While the OZ program is meant to help create housing in addition to other types of economic development projects, investors may have expectations for high returns that are not possible in an affordable housing development. Because it is



Map of Opportunity Zones (in Teal) in Little Rock & North Little Rock
Photo Credit: AMR Architects Inc.

a new program, with a sunset date now less than a decade away, there has been a national scramble to make use of it — with limited success so far. It remains an interesting tool to consider if the timing aligns. We learned from the Arkansas Capital Corporation that investors are more likely to show interest if we can bundle their investments with other tax credit programs.

- **Federal Home Loan Bank (FHLB).** Any of 11 government-sponsored banks (the nearest one to Little Rock is in Dallas) that provide equity to support housing financing and community investments. Little Rock is home to no fewer than eight member banks that might sponsor a project in the area. A member of our Funders and Finance Focus Group noted that some projects have successfully approached two different FHLB offices for the same project, effectively doubling the funding. In our experience, FHLB loans are generally between \$250,000 and \$500,000.
- **Arkansas Capital Corporation (ACC).** A Community Development Financial Institution (CDFI) based in Little Rock, ACC operates programs that nurture entrepreneurial development, provide low-interest loans to small businesses, supply working capital, and attract outside investment. ACC also controls an allocation of New Markets Tax Credits. We met with ACC president Sam Walls and executive vice president Leslie Lane on a subsequent visit. Our conversation included the next two items in this list.
- **New Markets Tax Credits (NMTC).** A federal program that helps cities with economically distressed neighborhoods — again, Qualified Census Tracts — attract private business capital by providing investors with credits they can use to lower their federal taxes for seven years. Artspace mixed-use projects rarely have commercial components large enough to make an NMTC application competitive, but if that were the case and the timing of funding availability worked out, we would revisit it.
- **Property Assessed Clean Energy (PACE).** A federal program, operated by the Office of Energy Efficiency and Renewable Energy, that lends funds for energy or water efficiency-related improvements; the loans are amortized over 20 years. The program thus reduces the need for up-front capital but increases the need for cash flow once the project is in operation, and this can present a problem for a project with a limited cash flow — as most affordable housing projects are.
- **Private philanthropy.** Most Artspace projects rely in part on gifts from foundations and individual donors to close the gap between project costs and revenue from all other funding sources. Although a full-fledged capital campaign may not be necessary, it is important for local leaders to know that private philanthropy is likely to be required and to help us identify and cultivate prospective donors. One selling point is that Artspace projects are financially self-sustaining and do not need annual gifts for operations.

PHILANTHROPY IN THE ROCKS

Little Rock and North Little Rock are fortunate to have a strong philanthropic sector, as evidenced — among other initiatives — by the \$128 million renovation and expansion of the Arkansas Arts Center now getting underway in Little Rock's MacArthur Park and the new Windgate Museum of Art at Hendrix College in suburban Conway, scheduled to open in the fall of 2020.

In addition to a \$31 million commitment from the City of Little Rock (generated by a new hotel tax), the Art Center's capital campaign has benefited from a lead gift of \$35 million from the Windgate Foundation, a \$5 million gift from the Winthrop Rockefeller Charitable Trust, and more than 20 gifts of \$1 million or more from other foundations and individuals. The project is scheduled for complete in 2022. The Windgate Foundation is also the driving force behind the new art museum at Hendrix College, scheduled for completion next fall.

There are other arts and education-focused foundations in the Little Rock/North Little Rock area that Artspace would like to continue to explore. Both the Stella Boyle Smith Charitable Trust, a major performing arts funder and the Frueauff Foundation sent representatives to the funding and financing focus group and should be a part of future conversations.

ARTS MARKET

The term “arts market” refers to the demand for the kinds of space that creatives regularly need and use. We ask members of the Artists focus group, who have first-hand experience, what they consider “affordable” in terms of rent, what kinds of spaces are high priorities for them, and what amenities matter most. This information not only helps us assess a project's feasibility but also lays the groundwork for an Arts Market Study, the next step on the path of an Artspace project.

Artspace intentionally keeps its definition of artist and creative broad; our goal is to be as inclusive as possible. Residents of Artspace buildings around the country include veterans, retirees, service workers, teachers, parents, the formerly homeless, and many others. They are very likely to earn part of their income from something other than their art. In fact, a review of Arts Market surveys completed by Artspace in the last 20 years shows that only about 10% of artist respondents make 100% of their income through their art. In other words, many creative people also hold other jobs, some of which are not related to their creative pursuits.

In Little Rock, artists and creatives representing a wide range of ages, disciplines, and career stages participated in the two arts-related focus groups — Artists and Arts Organizations — we met with. Among the many art forms represented by the artists were painting, photography, printmaking, typography, textile art, music, performance art, pottery, woodworking, and writing, both poetry and prose. A number of artists said they are active in more than one art form, a few in many; as Zina Al-shukri put it, “You name it, I've done it.” The Arts Organizations group included representatives from the Arkansas Repertory Theatre, Ballet Arkansas, Opera in the Rock, Mosaic Templars Cultural Center, Arkansas Cinema Society, Argenta Community Theater, Arkansas Society of Printmakers, and Arkansas Symphony Orchestra, among others.

They used a variety of adjectives to describe the Little Rock art scene: small, deep, unharnessed, social, talented, cliquish, underfunded, diverse, siloed, hungry, and undervalued (which drew an “amen” from another member of the group), to name a few. But when it came time to describe the barriers the area's artists face, there was considerably more agreement: affordable space is the overriding need of individual artists and arts organizations alike.

Over the course of three visits to the area, including during the Preliminary Feasibility Study visit, Artspace also had the opportunity to meet with several other arts and cultural organizations and creative businesses in their spaces. These included Yella Dog Press, Hearne Fine Art & Pyramid Art, Books and Custom Framing, Arkansas Art Center (before their move), Mosaic Templars Cultural Center where we held the public meeting and the Thea Foundation who is putting quality creative materials into the hands of students throughout the metro.



Arkansas Arts Center in a Former Walmart // Photo Credit: Arkansas Arts Center

Artist Focus Group members were asked to identify their top three spaces after Artspace's presentation. The group voted overwhelmingly for private studio work space (17 votes), live/work housing space (13), and space for public engagement and gathering (13). No other category received more than eight votes. Not surprisingly, the Arts Organization representatives were more focused on institutional needs, especially spaces for visiting artists and artist residencies (12 votes); short-term studio rentals (8) and live/work space (7) led the rest of the field. No one would claim, of course, that such a small sample could provide a definitive portrait of the Little Rock / North Little Rock arts market. For that, Artspace relies on a formal Arts Market Study.

The Arts Market Study (AMS) is a tool developed by Artspace to quantify the need for affordable live/work, studio, and other kinds of space in a given community. Its major component is an online survey containing questions about the kinds of space artists want, how much they can afford to pay, and related matters. The data we collect helps us

determine the project's ideal size, refine the project concept, influence site selection, and guide future creative space development.

The AMS study asks specific questions about:

- How much artists can pay for studio/work space
- How much artists can pay for housing
- The kinds of shared or community spaces that are most important to them
- The kinds of private workspaces that are most important to them
- Their location preferences
- The kinds of amenities that are most important to them

The information provided by an Arts Market Study can also be used by other developers and organizations that might wish to carve out space for artists in their buildings and planned projects. This is important, because not every type of needed space can be accommodated in a single Artspace project. By making AMS information available to other interested parties, Artspace supports new creative space opportunities.

WHO IS AN ARTIST?

Artspace defines an “artist” or “creative” simply as an individual with a demonstrable commitment to the arts or a creative pursuit. The term is intentionally broad and varies from community to community. In general it includes:

- 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 fixtures, edible products, furniture, straw bale homes, 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.

STEP 2: ARTS MARKET STUDY

The Arts Market Study will enable Artspace to test the priority project concept, a mixed-use affordable arts facility. The data collected helps refine the project concept, influence site selection, and guide future creative space development. The AMS Study gathers information about:

- Amount artists could pay for studio/work space
- Amount artists could pay for housing
- Types of shared or community spaces that are most important
- Types of private studio workspaces that are most important
- Location preference
- Types of amenities that are important

In addition to providing key information about the need for space within the possible context of a future Artspace project, this survey also provides valuable information for other developers and organizations who might consider carving out space for artists in their buildings and planned projects. Not every type of needed space can be accommodated in a single project. Having arts market information available to multiple interested parties is important to supporting new creative space opportunities.

PROJECT CONCEPT

The hopes, concerns, and ideas expressed during a Preliminary Feasibility Visit are the raw materials that go into the making of a project concept. The needs of the community — such as affordable housing, downtown revitalization, historic preservation, and others — go into it, too. So do the observations we make during our site tour and visits to existing artist studios and other arts facilities. In a sense, the project concept is the outcome of everything we learn during the course of a Preliminary Feasibility Visit. When we combine that with the data from an Arts Market Study — the next step in the process, already underway in Little Rock — we obtain a strong indication of interest and need.

In Little Rock, we heard repeatedly that affordable space is difficult for artists to find and that the arts are underappreciated and financially undernourished. We heard a lot, too, about the need to build stronger bridges — between arts organizations, between artists and the greater community, and above all between black and white.

In our view, the project concept that makes the most sense for the community would be a mixed-use development — that is, a multi-story building which combines affordable live/work housing on the upper floors with commercial space on the ground floor. By “commercial” we simply mean non-residential and can include private studio space. Artspace mixed-use projects around the country have stores, art galleries, art studios, offices, coffee shops, restaurants, meeting rooms, rehearsal studios, performance venues, and many other uses on the ground floor. Note, however, that because of the AFDA’s construction cost limit on LIHTC projects (see page 23), this concept may not be financially feasible without modification. Although limiting a mixed-use project to two stories, as we are now doing in Bentonville, is one approach, it is not the scenario we would prefer in an urban environment like Little Rock.

While we are not yet close to having a preferred site, we think that a project in or near downtown Little Rock would have greater community impact than one further out. Much will depend on our success in identifying a site that can be acquired at reasonable cost. In an ideal world and with additional resources, two projects could be considered, one in each of the “Rocks.” If there were two projects, one could focus more on residential space and corollary funding strategies while the other focuses more on the non-residential spaces needed by individual artists and arts organizations and creative businesses.

The importance of creating a place “where folks from different cultures feel comfortable” cannot be overstated; that particular quote came from a member of the Core Group, but the subject came up again and again. The huge turnout for the public meeting at the Mosaic Templars Cultural Center, an African American gathering place, was a powerful demonstration of what the arts can achieve in that respect. “It made me so proud to live here,” another Core Group member said. “I really had no idea what I was getting into,” he added, when he agreed to serve on the committee. “It’s been wonderful.”

The other essential piece of the project concept, we believe, is that an Artspace project in the “Rocks” needs to make a significant contribution to the economic revitalization of its neighborhood without displacing existing organizations or families. Whether that neighborhood is in Little Rock or North Little Rock, downtown or in one of the 15 or 16 neighborhoods that make up the Quapaw Quarter, in the East Village/ East End, or elsewhere, we will look for a site where an Artspace project can function as an agent of positive, healthy change.

If a mixed-use project cannot be built because of cost or site considerations, a second scenario would be a live/work project without commercial space. Although all-residential projects do not often generate the traffic of mixed-used projects, they are strong contributors to their communities. That said, Artspace would strongly prefer to find a site large enough with adequate funding sources to pursue a project that has a strong mixture of uses for artists of all ages, family sizes and space-type needs.

If funding allows, a commercial only project could also be a viable possibility. Some members of the Core Group mentioned their preference for two projects — one in each city. One scenario was a mixed-use live/work project in Little Rock and a smaller working studio-only building in North Little Rock. Several such projects are in the Artspace portfolio, including the Chicago Avenue Fire Arts Center (CAFAC) in our home town of Minneapolis. This \$1 million “boutique” project transformed a former silent movie theater into a home for sculptural welding, blacksmithing, glass slumping, jewelry making, bronze casting and other art forms that involve flame or high heat. At the same time, it has infused new energy into its Inner-City neighborhood, inspiring galleries and restaurants to open nearby.

RECOMMENDATIONS AND NEXT STEPS

Little Rock is a study in contrasts. In some respects, it resembles a much larger city; yet it has many small-town charms, including easy accessibility: nothing is very far from anything else, and “two degrees of separation” is the norm. It is home to a major educational institution, UA Little Rock, yet its public schools are in state receivership. Its thriving River Market and languishing Creative Corridor are only a few blocks apart. It has mainstream cultural institutions representing all the major traditional European art forms — ballet, classical music, opera, theater, visual arts — yet many of its residents feel excluded and look to Memphis, two hours away via Interstate 40, for art “that speaks to people who look like me,” as banker Martie North, an African American member of the Funders and Finance focus group, put it.

While an Artspace project is not the answer to every urban problem, it can help a community address some issues effectively. A mixed-use project of the kind we think makes most sense for Little Rock can provide needed affordable housing, affordable studio space for artists and space for arts activities, including performances and education. It can also provide non-residential space for artists, arts organizations, and/or creative businesses such as galleries, coffee houses, and restaurants. It will encourage arts activity and be mindful and intentional about hearing from diverse voices wherever it is built. Depending on its location, it may also provide urban infill (a major concern for downtown Little Rock), bring new life to a historic building, help revive a struggling neighborhood — the list of possibilities is long. As State Sen. Joyce Elliott remarked during the Civic Leaders focus group session, “One of the greatest generators of oxygen in our state is the arts.”

We strongly recommend moving forward on a project in Little Rock/North Little Rock. We believe there will be an excellent market for a mixed-use artist housing project and be a huge boon in providing hope and a sense of progress that benefits residents from all walks of life. An Arts Market Study will help quantify the market and answer many related questions about the space needs and preferences of the artists of central Arkansas.



Bridge Between Little Rock & North Little Rock



Preliminary Feasibility Visit Public Meeting

NEXT STEPS

Now that the Preliminary Feasibility Study has been completed, and assuming that Little and North Little Rock's civic leaders want to pursue an Artspace project, the principal next steps are these:

- **Prepare for an Arts Market Study.** Coordinate with Artspace to confirm the scope of work and discuss timeline. Gather a diverse group of leaders — often this is a version of the Core Group — to serve as an advisory committee to the survey process. This committee is critical to the Arts Market Study and can be reengaged for future activities related to the project such as advocacy and marketing. At the time of this writing, a newly expanded Core Group is hard at work preparing for a September 24, 2019 Arts Market Survey launch. The survey will be available to interested artists and creatives for six weeks and a report back to the community will occur in early 2020. Those results will offer local leaders and Artspace data helpful in shaping the project concept and moving a vision forward.
- **Continue to explore private and public sector funding opportunities** and how they might be pursued. A creative approach will be needed, one that does not divert support from existing organizations. It should instead seek to identify new resources to support future creative space and ongoing program initiatives.
- **Engage the city governments more deeply.** With a few important exceptions, elected and administrative officials of LR/NLR took a “wait and see” position with respect to our Preliminary Feasibility Study. Mayor Joe Smith of North Little Rock sent a staff person to the Civic Leaders focus group and Special Projects Administrator, Scott Carter from Mayor Scott's office attended as well. Artspace representatives met with Mayor Scott directly in late September, after the Preliminary Feasibility Study visit. Little Rock Director of Planning Jamie Collins and Nathan Hamilton, the Mayor's Director of Communications in North Little Rock, served on the Core Group. We thank them all for their involvement but note that more will be required for an Artspace project to move forward in LR/NLR. Obtaining the active support of both city governments will be a vital early step in the process, and we will need the help of allies on the ground.
- **Expand the site search.** As stated in elsewhere in this report, our visit to the “Rocks” did not produce a clear favorite site for an Artspace project. Indeed, each of the five properties we visited presents significant problems, financial or otherwise. Fortunately, we continue to receive information about other possible sites — including several publicly owned properties. With the help of local leaders, we will continue to identify strong site candidates.
- **Engage the public.** Artspace views its projects as community assets, and as such we want to know what the public is thinking, not merely when the project is in the conceptual stages but throughout the process. We look to the Core Group to keep the public informed and engaged — and to let us know how we're doing.

After completing the Arts Market Study, the next step toward an Artspace project involves entering into a predevelopment agreement. See Appendix II, “The Path of an Artspace Project,” which provides an overview of the steps involved in advancing a successful project.



Focus Group Meeting

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 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), 653 Artist Lofts (formerly 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 Denver, New York, Seattle, 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 50 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 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



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 preliminary feasibility studies, an arts market survey, 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 VISIT	
OVERVIEW	<ul style="list-style-type: none"> • Information Gathering and Outreach
PRIMARY ACTIVITIES	<ul style="list-style-type: none"> • Meet with artists, local funders, businesses, civic leaders, and other stakeholders • Conduct a public meeting to introduce Artspace and solicit community feedback • Tour candidate buildings and/or sites • Extend 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"> • Completed July 2019

STEP 2: ARTS MARKET STUDY

OVERVIEW	<ul style="list-style-type: none"> • Assessing the Market
PRIMARY ACTIVITIES	<ul style="list-style-type: none"> • Three phases to the study: survey preparation, data collection, and analysis/reporting • Quantify the overall demand for arts and creative spaces • Identify the types of spaces, amenities and features that artists want/need • Inform site selection, design, and programmatic decisions • Maintain community involvement throughout the project • Help build support and secure funding
DELIVERABLES	<ul style="list-style-type: none"> • Written recommendations and technical report of survey findings
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"> • Starting September 2019

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

STEP 4: PREDEVELOPMENT II

OVERVIEW	<ul style="list-style-type: none"> • Project Design and Financial Modeling
PRIMARY ACTIVITIES	<ul style="list-style-type: none"> • 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"> • 12 months+

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

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 property 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