

**The City of Westminster, CO**

**Affordable Multi-purpose Arts Facility  
Preliminary Feasibility Evaluation**



**Prepared For:  
The City of Westminster**

**By:  
Artspace Projects, Inc.  
July 2005**

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# Executive Summary

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## **Conclusion**

The City of Westminster is taking bold steps to ensure quality redevelopment of its historic assets and to bolster cultural development for its artists and citizens. By encouraging community dialogue, investigating various sites and taking into consideration future growth and development, the City is laying the foundation for a successful project. Continued study of the market and diligent planning will lead to a clear plan for the project's program, size and location. Artspace has concluded in this preliminary evaluation that the City of Westminster has every reason to continue with a predevelopment scope of work.

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**The five major areas of study and relevant findings leading to this conclusion are as follows:**

Project Concept: The City of Westminster envisions a major multi-purpose arts facility that will make use of the City's historic assets while providing a home for artists and arts organizations in need of affordable space. The City has maintained flexibility in its imagining of the project concept. It acknowledges that the concept will be defined by the limitations of the historic buildings, availability of land for new construction and the needs of the arts community. The findings of this preliminary evaluation point to a moderately sized project including 25 affordable artist live/work studios, and commercial space that is rented to local for-profit establishments and nonprofit arts groups for shared uses including: art retail sales, gallery, workshops, performance and/or rehearsal space. This is a strong concept assuming that rental rates are affordable to artists and arts organizations, and that both operating and capital funds come together to form a financially sustainable project.

Market Analysis: Feedback during an artist focus group and a public meeting revealed a strong need for space among performing and visual arts organizations. Space uses include: rehearsals, performances, workshops, exhibitions, and sales. However, many of the organizations expressing a need for space were either not interested in relocating to Westminster, or had no operating or capital funds to cover rental or tenant build-out costs. In order for a project to be affordable and sustainable, non-residential tenants must have their rent subsidized. Often subsidy takes the form of ongoing philanthropic support or an endowment. Artspace, however, never recommends this as a viable solution. Rather, Artspace encourages models that are self-sustaining such as a mixed-use project where market rate paying tenants subsidize nonprofit or artist studio-only tenants. Nonprofits and artists would still be required to pay a share of operating expenses, but the overall mission of the project would be to ensure long-term stability, not profit.

A moderate need for affordable artist live and working space was voiced. Representation at the meetings by emerging artists, and artists suffering displacement from live/work artist communities in Denver, was slight in comparison to mid-career artist homeowners. Based upon input by those present, however, it is reasonable to assume that there are a number of artists both within Westminster and regionally that would benefit from an affordable live/work project in Westminster. A broad and thorough artist market study is recommended to better understand the space needs of artists and arts organizations locally and regionally.

Site Analysis: The City of Westminster led site tours of two potential properties, both of historic significance. A privately owned site, currently slated in part for commercial and market rate housing development, did not lend itself well for the affordable artist facility being considered. A second site on and adjacent to 73<sup>rd</sup> Avenue is worthy of further investigation due to its location and current ownership structure. New construction of up to 25 units of artist housing could most likely be accommodated at this location.

Comprehensive Leadership: The City of Westminster has demonstrated its willingness and capability to spearhead this project locally. At a staff level, there is considerable knowledge and creative visioning that will lend itself well to this undertaking. The elected officials of Westminster are equally dedicated and open to creating an arts development to serve area artists, and provide for the cultural needs of its residents. In addition to the support and vision demonstrated, City leaders exhibit a sound practicality. City leadership is supportive of an affordable arts development, but also understands that not all needs can be served with one project. They also want to avoid duplicating efforts or competing with other communities that are providing space. The City is, however, willing to consider the public benefit of developing an arts facility when evaluating the financial aspect of a project.

Local leaders from the arts community, neighborhood, and business community are active and present. A strong dialogue will need to occur and remain intact with these leaders throughout planning and development stages of the project. In addition, state level leadership should be invited into the process.

Financial Analysis: A number of financing tools have been identified as potential sources for this project. Although more detail about the sources is needed and the project concept needs to be refined, the identification of potential funding is encouraging. Many of the sources preliminarily explored, have been used in projects nationally and some, such as the Colorado Housing and Finance Authority (CHFA) finance tools, have been used for similar projects regionally. The project's affordable artist housing and mixed-use concept is a solid one that has proven sustainable in models nationally. The most challenging financing aspect will be philanthropic fundraising. Another budget-balancing challenge will be setting the project's rents at a level that is affordable within an already relatively affordable market, and that can still cover the project's operating expenses.

# Introduction

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In April 2005, the City of Westminster engaged Artspace Projects, Inc. (Artspace) to conduct a preliminary feasibility evaluation of an artist live/work and mixed-use project in Westminster, CO, and to provide an action plan of next steps for its development based on the outcome of the study findings.

## **Artspace Background**

Artspace, a 501(c)(3) non-profit real estate developer for the arts, based in Minneapolis, has been pursuing its mission to “create, foster, and preserve affordable space for artists and arts organizations” for 25 years. In addition to completing 15 affordable artist live/work and mixed-use projects nationally, Artspace has conducted similar studies for over 50 community projects nationwide.

## **The Analysis**

In conducting such studies, Artspace identifies the project’s potential strengths and challenges in specific critical areas. For this proposed project, these areas are:

- Project concept
- Market demand and needs of the artist community
- Available sites and structures
- Local and state leadership
- Funding potential and project sustainability

These strengths and challenges are analyzed in terms of their potential hindrance to the development of a successful project. If Artspace can preliminarily determine that an obstacle will be insurmountable, it will recommend that the project not be undertaken at that time or as proposed. However, if it cannot identify, at this early stage, an obstacle that appears insurmountable, it will make recommendations for moving on to the next phase of the project’s development. It is not the intent of the preliminary feasibility evaluation to guarantee the success of a proposed project, but rather to determine whether enough positive factors are in alignment to warrant a comprehensive predevelopment scope of work and, based on this determination, to provide recommendations of what the scope of work should include.

The findings included in this report were derived from an analysis of information gathered from the following sources:

- Focus groups and community leadership and stakeholder meetings
- Public meeting
- Site visits
- Site, revitalization and arts community documents provided by the City

# Feasibility Findings

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## Concept Plan

*What is the vision?*

*What goals can be met?*

*Who will benefit from the project?*

*What positive outgrowth is possible?*

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The City of Westminster has entered this exploration of an arts development with an open mind about the project concept and needs of the arts community. With an eye toward economic redevelopment, historic preservation and support of the arts and cultural communities, the City broadly imagines a mixed-use development including such things as: studio space, live/work space, commercial space for coffee shops and pub/wine bar establishments, private galleries, space for nonprofits and programmable public space for art classes, workshops and gatherings.

This mixed-use model has been replicated successfully across the nation. It is financially self-sustaining and perpetually viable. The combination of live/work and commercial/nonprofit space creates a 24-hour hub of activity, reversing negative perceptions of safety in previously underutilized or abandoned areas.

The three components that comprise the mixed-use development include: revenue positive space (commercial), revenue neutral space (live/work) and revenue negative space (nonprofit or studio only). By combining these uses and their relative income-generating potential, one can find a "perfect" mix that keeps the project self-sustaining and affordable to artists and nonprofits, and provides a great platform for local proprietors to establish and grow their commercial businesses. It is also important to note that including live/work units as a primary component of the project will provide the most comfort to a local lender evaluating the project for potential investment or mortgage.

Rent structures will need to be considered as part of the concept plan. Housing rents set for targeted incomes in accordance with affordable housing resources will ensure affordability to artists whose incomes often fall at or below an area's median income. Pricing nonprofit space high enough to cover the operating cost of a facility, but not so high that organizations cannot pay, will allow organizations to make the facility their permanent home. The one concern in Westminster is whether arts organizations will be able to pay rents high enough to cover operating costs. By gradually stepping up pricing for small businesses, the project can help local business prosper, while subsidizing space for the non-profit organizations that cannot pay market rate rents regardless of how successful they may be in pursuing their missions.

Although multi-faceted, the proposed project will not be able to meet the needs of every artist, every organization, or every small business. It is important when planning

to consider what the most financially viable combination of space is, how the site impacts what can be built, and what the community's needs are. It is far better to develop a specific, small-scale project concept that serves some needs, rather than one that tries to accommodate all needs, and is not viable or sustainable. Once one project is successfully complete, a second project can be undertaken.

Flexibility in the design of individual spaces and shared spaces should be emphasized. This is particularly true for Westminster where focus group participants voiced various needs and represented multiple artistic disciplines, all vying for limited space. For instance, kiosks for art sales may be more achievable than a permanent structure leased for a single use. Programmable space that can be shared among the resident artists, the community and local arts organizations will be important. By providing lighting for exhibits and rehearsals, an open space may have multiple users. Investment in chairs and a piano will make a small performance or rehearsal space more usable by local groups. Re-using buildings not suitable for housing for commercial and nonprofit shared space may allow development resources to be stretched further, while maintaining historically significant buildings for public uses. Open loft designs will give artists and their families the ability to arrange their homes in the most suitable way for their artistic discipline and lifestyle.

An artist live/work and mixed-use project of the type described can be of great benefit to a city and the neighborhood in which the project is developed. By providing much-needed space, it helps a city retain its creative workforce, while attracting new artists and inviting those who have left to return. Cities nationwide have discovered arts development as a revitalization tool. In some cases, as with the Fort Ord redevelopment project in Monterey, CA, the concept plan incorporates artist housing and space for artist studios and arts organizations from the onset as a critical component of the overall commercial and market driven housing development. Government leaders and private developers recognize the arts as crucial to attracting businesses and residents to their community. In another example the Northern Warehouse in St. Paul, MN, an existing artist live/work project, acted as a catalyst for continued area growth and the expansion of both market housing and commercial enterprises. This pattern of growth has been repeated nationally, suggesting that a successful anchor project in Westminster may act to spur similar future development.

Activities such as arts walks, workshops, and studio tours spring from these developments and draw local residents as well as tourists. Community gardens, neighborhood watches and clean-ups and public art projects are just some artist-initiated efforts that have come out of similar projects nationally. Artists may offer after school workshops, teach school art programs or volunteer for at-risk youth organizations. This hands-on involvement addresses not only the negative impact of educational funding shortfalls, but teaches children pride in their neighborhood and gives them a positive focus for their energies. The lack of arts education in the public schools was raised as a concern more than once during our focus groups and public meetings.

Finally, community involvement should be a part of the concept planning and development. Local neighborhood residents, community leaders and artists play an essential role in the shaping of new arts developments. By creating advisory and task force committees and utilizing their input, the project will better reflect the needs and desires of residents and stakeholders in Westminster.

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## **Market Analysis**

*Is there a need for artist space?*

*What are the characteristics of the need?*

*Is there interest by the artist community?*

*Does the project concept address this need and interest?*

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## **Introduction**

Artspace considers market analysis the primary feasibility threshold item. Without a market, a project has no chance for success. Taken a step further, the market analysis should demonstrate a threefold redundancy in demand for artist space. That is, for every three household's or artist's documented need for space, Artspace will recommend only one space be built. This is a conservative approach essential to ensure that a project will experience rapid lease-up and stability and meet financial underwriting criteria.

In addition to the market analysis demonstrating how much, if any, need there is in the market for "art spaces," the analysis should tell us something about what type of physical space is needed (live/work, studio, performance, storage, office etc.); how much monthly rent the users can afford to pay (and, therefore, how much debt can the project sustain) based on user income; what type of funding sources may be appropriate for the development; what are marketable amenities as they pertain to reported artistic disciplines (e.g., natural light, high speed data lines, sprung dance floors, outdoor work areas, ventilation etc.); what number of bedrooms should be provided; are there artists with special needs and how can the project best accommodate them; what artistic and cultural communities require more outreach; and other factors. This analysis informs many decisions made during development, including design, program, funding, operating budget, ownership structures, and site suitability.

Artspace conducted a focus group of arts community representatives including both arts organizations and individual artists. Additionally during the public forum, a number of artists and arts organization representatives discussed their needs for space. Following is market information derived from these meetings:

## **Affordable Housing**

Opinions about the need for affordable, rental, live/work housing for artists was mixed. A number of artists in the community own homes and have no interest in relocating or being a part of an artist community. The relative affordability of houses allows many artists to incorporate their studios into their homes. These same focus group participants felt that many other artists, not present, also have families and would not be interested in loft style living. Other participants felt that the suburban

lifestyle and distance from performing arts venues would not entice performing artists (dancers, actors, musicians) to relocate from the Denver metro area. In part, this lackluster response was due to the absence of a bustling nightlife and art sales/appreciation activity in Westminster, the same activity that often flourishes on the heels of a successful multi-purpose arts facility development.

On the flip side of the discussion, there were artists and arts representatives that felt there is a strong need for affordable live/work space that is designed for artists. Examples of gentrified areas in Denver, where artists have lost their live/work communities, were cited. In these cases the artists who have lost their space would be content to move anywhere providing the space met their unique needs. Also cited were the number of emerging artists and recent graduates not represented in the focus groups, but who do need affordable live/work space.

The strength of the artist market for affordable live/work space is inconclusive at this stage. Clearly a segment of the artist community, including emerging artists and those who are suffering displacement due to gentrification, was underrepresented at the meetings. Based on feedback and the experience of Artspace in other similar communities, there is likely a moderate need for affordable live/work space in Westminster. A full-scope, regional artist market survey is recommended to determine the true depth of the market. This type of study will identify not only artists who are interested, but also their specific needs. For instance, if indeed many artists have families, but are still interested in space in an artist community, the space may be designed to be family friendly. This may be achieved by separating the bedrooms from the studio area with doors and floor to ceiling walls, and by providing child play areas both inside and outside. A project should include a minimum of 25 units. This number will best position the project for financial feasibility, while providing enough critical mass to make a difference in a neighborhood. For a 25-unit project, an artist market survey should reveal no less than 75 artists who both need affordable live/work space and would be interested in being part of a multi-purpose arts facility in Westminster.

#### Arts Facility, Studio-Only Space and Commercial Space

The focus group and public meeting input did highlight a strong demand for arts facility space including: performance and rehearsal space, workshop/programmable space, exhibit/gallery space, and studio-only space. Many felt that the artists are already in Westminster, and that they now need places to exhibit, meet, conduct workshops, perform and rehearse. There was also consensus that a small facility to start would be sufficient. With the success of a first project, subsequent projects might be undertaken. Although there is a strong need, there is a concern that many of the arts organizations are currently non-rent paying, and volunteer run. Their ability to pay rental rates high enough to cover the operating cost of the space is questionable. There is also concern that some funding received by arts organizations requires them to be located within specific county lines, making Westminster an unlikely new home. These types of individual needs and constraints should be studied as part of a comprehensive non-housing artist market survey.

*Performance/rehearsal space:* During the artist focus group a reference was made to a documented need for a 500-1000 seat performance venue. This size theatre would provide the permanent home needed by large performance groups. Another performance space need cited was a black box space that could accommodate between 50 and 200 seats. Space where theatre, dance and musical artists could rehearse was also stated as important.

*Workshop/programmable space:* A need for flexible space was a recurring theme. Space where local arts organizations could meet and conduct workshops, or use as a working studio was identified as important. A need to develop greater arts appreciation among citizens of Westminster and to supplement school arts program with an arts destination where adults and children could take art classes and see working studios was voiced. A recording studio space was also identified as a need.

*Exhibit/gallery space:* A need for private and cooperative exhibit space for the uncensored display and sale of locally produced artwork was cited. It was felt that this space should be dedicated, and not shared with other uses, in order to accommodate installation works, in addition to 2-dimensional art forms. Open studio space for working artists was offered as a potential complement to a dedicated public exhibit/sales space.

It was unclear, however, how much these arts organizations could afford to pay for tenant improvements or for monthly/daily/weekly rents. Some of the organizations currently rely heavily on subsidized space provided through partnership with the City. Although there was consensus that free space is not what they are looking for, current subsidy rate, or a sweat equity systems may not be enough to support the operating expenses of a new, dedicated, shared use space. Creative collaboration both in planning and execution will be required to ensure the long-term sustainability of non-housing space.

Other organizations desire space for their sole use or control. A study of the needs and capacity of these and other organizations is recommended. If space were to be built specifically for sole users, there would need to be a pre-lease agreement executed that outlines the terms of the rental. If space is to be made available as part of the mixed-use concept, then the threshold would be the same as with the housing, we would recommend identifying three arts organizations for every space built. An arts organization survey, in addition to ongoing discussions, will provide the information necessary about the type of space to be built, how it will be programmed, its size, amenities and lease terms.

*Studio-only Space:* Both shared open studio space and private space for artists who would like studios outside of their homes were highlighted as needs. As with other non-housing type space, the particulars of this market should be studied. Studio-only space is challenging to fund and to provide affordably to the artist market. Rents affordable to artists were estimated at about \$300 per month.

*Commercial Space:* This project may be suitable for market rate paying commercial enterprises. Complementary uses that should be explored as part of a redevelopment scope of work include: coffee shop/café, restaurant, pub/wine bar, arts supply store, antique shop, and boutique retail.

### Regional Markets

It will be important to explore not only the needs of artists currently living and working in Westminster but those regionally as well. In Artspace's experience, artists often relocate from not only neighboring towns, but from other states in order to be a part of the unique experience of an artist community. Projects of the type being considered are still rare, and therefore the news of them travels wide and generates much excitement in a community starved for suitable space. Given the exodus of artists from Denver's LoDo District due to gentrification, there is a potentially strong need for substitute space in a welcoming community such as Westminster.

### Conclusion

Representatives of the arts community voiced contrasting needs. There appears to be a moderate need for an affordable artist live/work project, and further study is warranted. There was a definitive need voiced for shared and private space including: gallery, workshop, exhibit, performance, rehearsal and studio-only space. The capacity of arts organizations to take on such space is uncertain. An in-depth study of the market and a detailed discussion with the organizations is an important next step. There are space needs being served and explored by neighboring communities that should be considered when planning a project in Westminster. Careful consideration of what type of project and program will work best in Westminster without duplicating other communities' efforts is important. Planning should be undertaken with the expectation that not all space needs can be served by a single project in Westminster. The arts community representatives generally seem to agree with this. They acknowledged in the meetings that a small project to start things rolling would be sufficient. Subsequent projects and development could follow on the heels of a successful first project. In this way, Westminster may provide needed space for its artists, attract new artists to the community and create the foundation for further cultural growth and private investment.

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## Site Analysis

*What makes a site suitable?*

*Are there sites that would be suitable?*

*Do the sites require new construction or rehab?*

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## Introduction

Identifying a site is secondary to determining market feasibility. If there is no market, there is no need for a site. And if there is a market, one must determine the needs of that market before determining if a site will be suitable. For instance, we can surmise from the artist meetings that a moderately scaled artist live/work project comprised of 25 units, each between 900-2,500 square feet, would be sufficient for the market. Additional space should be considered for the multiple nonprofit and complementary arts needs of the community. If the site will be a rehab of existing structures we know that the buildings must have abundant natural light and a minimum of 10-foot high ceilings for both visual and performing art disciplines. The structures should also accommodate the loading and transporting of large-scale art works and materials, both into and through the building. For black box theatre space, natural light is not necessary, but a free span structure with high ceilings, space for lobby/concessions, and backstage space for dressing rooms, storage, greenroom, loading and easy public access is important. For a larger theatre of up to 1000 seats, the above will be required in addition to such things as an orchestra pit, fly loft, and wide wings space that could accommodate dance performances. If existing buildings are not available, new construction can be designed to the necessary specifications. Land for new construction should be large enough for the housing, shared use space, non-residential uses and parking. Depending on how high local code will permit the housing to be built, the amount of acreage will vary.

There are also general considerations that are not market-driven which need to be considered when comparing sites. What is the anticipated cost and ease of acquisition? In order for a project to remain affordable the debt must be minimal. The cost of acquisition can have the greatest effect on this. Is the site in a floodplain or seismic zone? The answer to this will affect the development and rehab costs as well as the operating costs for insurance. What is the zoning and what is the process to change zoning if necessary? Can the project be well-integrated into the neighborhood? Is there space for an on-site or nearby parking lot? For projects eligible for federal and state housing funds, a site located near active railways, high power lines and freeways should be considered carefully. Although close proximity to public transportation may be an advantage when competitively scoring a funding application, additional design and construction costs may be necessary to reduce the sound, vibration and/or safety hazards posed by the same. It will be important to fully understand the requirements of all funding sources early in development.

In looking at potential sites, the above are all questions that must be considered and the answers must be weighed as part of the decision-making process. This also helps to keep the process objective. What may seem to be the perfect site may prove not to be and it is important to be able to move on to the next.

### Potential Sites

The City of Westminster has many qualities that invite a successful multi-purpose arts facility. As a first-ring suburb of Denver, artist residents will have access to the metropolitan area for additional arts sales, events, performances and collaborations, while enjoying residence in a smaller supportive community. The suburban community may prove an untapped resource for new arts patrons, audiences and workshop participants who do not want to make the trip into Denver or surrounding communities. Westminster also offers its historic districts and buildings that with redevelopment could be suitable for arts and/or cultural uses. Plans for a commuter rail line to be extended into the heart of the historic Westminster area offers great opportunities for the City and artists to capitalize on increased commuter and visitor traffic through the area.

Following are sites that we were asked to evaluate as part of this study. We feel strongly that a site does not make a project. There may be other sites that we are not aware of, or that become available in the future that could be worthy of consideration.

### *Shoenberg Farm*



This large, privately held site offers many possibilities for redevelopment. Current plans for adjacent market rate housing and commercial development underscore the site as a prime location from a market perspective. The historic nature of the buildings and the site add a layer of complexity and call for thoughtful re-use planning if the integrity of the site is to be maintained for generations to come.

The re-use of the on-site buildings for an affordable multi-purpose arts facility, although an intriguing strategy, does not meet our threshold test. As discussed above, one of the most important factors for success of this complicated type of development is site acquisition. The cost must be low and the negotiation timeline accelerated. Additionally the length of time a developer will need site control will be extensive, eighteen months generally. These unusual real estate requirements are tied to the funding sources for which we would recommend applying. There are caps on costs, limited funds for acquisition, early site control requirements and limited annual opportunities for funding, all of which affect site consideration. Our visit and discussion with the owner and developer of the Shoenberg Farm did little to instill confidence that an acquisition process would meet the above criteria. There was not a definitive sense of cooperation or buy-in into the project concept, leading us to believe that there is potential for the acquisition process to be difficult.

Evaluating purely on the merits of the site itself, the existing historic structures do not lend themselves well to the project concept as a whole. The buildings are in varying degrees of structural soundness. The existing pump house and adjacent garage would need to be torn down, materials salvaged and then rebuilt to replicate the original historic structure. A third building, the house, will require substantial structural upgrades to meet safety codes. There are two buildings that have weathered well, the Quonset hut and processing plant. Both of these buildings, although in relatively stable shape, would not lend themselves to most arts uses, because of the lack of light sources into the structures. These buildings would work for theatre or private recording type uses, given their size and layout, but the cost of retrofit may be prohibitive. An analysis of the cost to rehab the buildings compared to the ability of a local theatre or performance group or tenant to pay rent or purchase the property is recommended before proceeding.

There is opportunity for new construction on the site. It would be possible to create new live/work space, in combination with historic structures re-used for theatre and for-profit commercial development, including restaurants and pub/wine bar establishments. The for-profit, market-driven uses are not constrained by the need to maintain affordable rents or by funding restrictions and are therefore a better fit than nonprofit arts and cultural uses.

A third deterrent to pursuing an artist live/work and multi-use facility on this site is the amount of independent commercial development occurring in the area. The current development plans for the area at this time do not appear to be complementary to the type of arts and cultural destination that the City has envisioned. Coordinating efforts to the benefit of all developments on and adjacent to the site seems unlikely, or difficult at best.

## West 73<sup>rd</sup> Avenue



This site includes two historic buildings, the "Grange Hall" and the "Rodeo Market". Both of these structures are significant to Westminster's historic identity. There is additional adjacent land that could accommodate new construction. The City's long-term vision for this area includes public outdoors space and vibrant community re-use of existing structures. This site is currently underdeveloped, but inviting. City initiatives have helped to curb late night vagrancy and crime issues. Continued redevelopment will continue this positive trend.

*Grange Hall:* This historic building is currently under the ownership and programmatic control of the Westminster Grange Association. It has been well-kept and plans exist for its continued redevelopment as a community resource, including relocation and upgrade of the restrooms and kitchen. The Hall includes a stage for small performances, although the backstage area appears structurally unsound, and will need to be rebuilt for reasons of safety and expanded functionality. Viewing this building as a component of an overall arts and cultural development, it could provide excellent small-scale space for the shared use needs of the artist community. Creative planning would allow the display and sale of arts works, and use for both workshops and small performances, either on the stage or in-the-round on the floor of the building. Finding ways of making art retail sales and/or displays modular (such as kiosk style), would allow the space to be appropriate for multiple users. This type of shared use would require the continuation of a central entity to act as the manager/owner of the building. And it would require users to adjust to the concept of not being in sole control of the space. This arrangement would fill the need for the modest space referenced in the market section. Small and burgeoning arts groups will have a permanent home and be sharing the cost of the space allowing them to grow their audiences. As programs and capacity grow, new spaces could be brought online to accommodate expansion.

*Rodeo Market:* Sitting adjacent to the Grange Hall is the Rodeo Market. This vacant City-owned historically significant building could similarly serve arts users. The building is relatively dark without enough windows openings to provide the whole building with the abundant natural light required by painters and other visual artists.

However, the restoration of the large market store-front windows will provide natural light for limited arts uses as well as an opportunity to market the art center to passers-by. The space could lend itself well for gallery and retail sales, as well as studio or workshop space for jewelry, studio photography and other non-light essential arts. Space could also be configured to accommodate theatre and dance rehearsals. With further study of the artist market needs and resources, a workable model may be developed that serves multiple or single entity arts users in both these buildings. With the City as owner of this building, a friendly acquisition can be expected to the benefit of the project. Redeveloping both of these buildings for arts uses, and encouraging multiple users, will help create a vibrancy not currently existing in this area.

*New Construction:* There is currently a City-owned 1.5 - 2 acre park across the street from the Grange Hall and the Rodeo Market. With future development plans for a park to be built behind the Grange Hall and the Rodeo Market, the current park site could be redeveloped to provide space for new construction housing. Further investigation is necessary to determine if the site is large enough to accommodate a modest artist live/work project of 25 units. Certainly the location will serve the use well. With redevelopment of the Rodeo Market and Grange Hall for the arts, there would be the critical mass necessary to invigorate the neighborhood and redefine it as an arts destination. Potentially the Rodeo Market could be included as a part of the housing, serving as shared community space, programmed by the resident artists for workshops, gallery openings and events. This type of programmable space is essential to encourage neighborhood and visitor participation. By utilizing the Rodeo Market for this common space, less vacant land is needed for new construction.

### Conclusion

The Shoenberg Farm site is clearly ripe for redevelopment and it offers some interesting options for commercial development and potentially a performing arts facility. Single entity users that will complement the current development of this large site are recommended. A careful analysis of the cost to build vs. the potential rental income is necessary prior to committing to a performing arts venue.

In contrast the West 73<sup>rd</sup> Avenue site offers some interesting potential for arts development. The combination of existing buildings and vacant land could accommodate arts organization space needs as well as a new, modest to moderately sized artist live/work development. Further analysis of the site is necessary to determine how many units of housing could be accommodated. And further analysis of arts organizations needs and capacity will help in refining the project model. The existing buildings and site are not large enough to fulfill all needs voiced by the arts community, but thoughtful planning will help provide a permanent home for some.

The initial site threshold has been met.

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## **Leadership**

*Is there a local leader capable of spearheading the project?  
Are there supportive community leaders?*

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### Introduction

A strong local community leader is an early indicator of future success. Projects of this nature rely heavily on predevelopment funding, community input, uniform support, a well-articulated vision, visibility, and strong relationships with the arts, government, business and private community sectors. Those best positioned to start the project on the path in each of these areas are those with a vested interest locally, who know the community extremely well, are motivated, respected and who are willing to stay with the project from the birth of the vision until its completion. The leadership position may be filled by an individual, a public official, a private organization or public entity.

Projects nationally have been spearheaded by such entities as offices of cultural affairs, arts development organizations, economic development organizations, community-minded artists, redevelopment agencies, nonprofit housing community development corporations, and community-driven nonprofit organizations.

Local leadership does not stop with the primary torchbearer for the project. Leadership in the arts and business communities, and civic leadership are all essential to a successful project.

### Leadership in Westminster

#### *Civic Leadership*

The City of Westminster has shown exceedingly positive leadership, both by the staff and elected officials. Key leaders have shown an ability to think long-term, capitalizing on current development trends as well as planning for the future. There is a healthy balance between the City's fiscal responsibility to support for-profit development and the stewardship responsibility of ensuring cultural growth, and preservation of historic assets. Both of these elements are essential to creating a healthy and vibrant community.

The City has proven its dedication to the arts community through its public/private partnerships with local arts organizations. Simply the fact that the City has envisioned the possibility of a multi-purpose arts facility and taken steps to determine its feasibility is encouraging.

Elected official support was evidenced through meetings in which the concept was discussed and explored, and through their participation at the public meeting that followed. Attendance and participation in the public meeting is a strong show of open mindedness and support that should not be overlooked.

### *Community Leadership*

A show of community leadership by local businesses, neighborhood residents and artists is an important element in the success or failure of a major multi-purpose arts development. Artists and arts organizations need to feel confident that the project is serving some unmet need in their community. This requires a degree of understanding that although not all needs may be met, that some improvement is better than none. Artists and arts organizations need to feel a part of the development process and be encouraged to share their support through participation in public meetings, design workshops, and market surveys. Business leaders need to feel confident that the development of artist spaces will impact their businesses positively. The impact may be felt through: spurred economic development, increased patronage by the new residents, a new business location within the arts development, or a financial partnership with the project through loans or as an investor. The neighborhood in which the project will be located will be impacted. There will be opportunities for neighbors to voice their support or opposition for a project publicly. It will be important for neighborhood members to have had their voices heard through the development phase of the project. Identifying leaders of the neighborhood who are willing to vocalize their support and participate in the process will benefit the project.

Many of these local supporters and leaders will become more active as a project progresses, but it is possible to get a sense of the potential leadership qualities during preliminary meetings, such as the focus group and public meetings that were held. Artists and representatives from arts organizations were openly vocal about their needs, concerns, excitement and questions. Although competing needs were apparent, the broad participation by the arts community was strong. They showed up and they spoke and they were supportive. However, based upon the discord with regard to need and vision, it will be important to develop strong lines of communication to ensure that the arts community does not become divisive over the project's conceptual development.

There was also strong participation and support shown by the general members of the public and business representatives. The project concept was not alien to them, and the merits were quickly accepted. From members of this broad community we received input about how the project can be successful rather than the skepticism or neutrality that is a common first reaction.

### Conclusion

A strong local leader will contribute much to a project's success. The City of Westminster has demonstrated strong leadership qualities by its key staff and elected officials past accomplishments, vision for future development and participation in this feasibility process. There is every confidence that they have the capacity to continue forward as a torchbearer for the project, bringing the right people to the table to undertake the development and then seeing the project through the complexities of local, state and federal funding and approval processes.

Leadership in the arts, business and neighborhood communities was positive as well. They demonstrated a willingness to get involved and are genuinely supportive of a project at this stage. It will be extremely important to keep leaders from these communities at the table throughout the project's development. Continued outreach and education will be a key component of a successful project.

This preliminary threshold has been met.

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## **Financial Analysis**

*Are there potential funding sources for development and construction?*

*Is the project sustainable?*

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### Introduction

The financial evaluation at this stage is meant to determine if there is potential to fund (development budget) and sustain (operating budget) the project. The results of the evaluation provide a starting place for fundraising and inform preliminary decisions about the program, design, affordability and ownership structures. Definitive decisions are made during a development phase, at which time the financial proforma is refined, based upon such factors as: architectural input, acquisition costs, and artist market study findings.

In order to gain preliminary understanding of potential funding sources and project feasibility, we must make some assumptions. We will assume the project to be comprised of up to 20% non-housing uses including: artist studio-only space, arts nonprofit programmable space, and/or arts compatible commercial uses. Based on our experience of the minimum number of artist live/work units necessary for feasibility, we will assume 25 residential units. With this basic information we can begin to explore some potential funding sources appropriate for this model.

### Potential Funding Sources

#### *Affordable Housing*

Affordable housing funds have been used in similar project models nationally. Many artists qualify for affordable housing targeted to households at 60% or below area median income. An artist market survey and housing market study, if conducted as part of a development scope of work, will provide definitive data about interested artists' incomes and the general rental market in Westminster. Because Westminster rents were described in the focus group as "depressed", it will be important to compare HUD affordable rent levels to market rent levels in the area. It will be important to show that HUD-set affordable rental rates really are affordable for the area, and that the project income generated from these rents is enough to cover operating expenses. This is an important financial feasibility threshold item.

The Low Income Housing Tax Credit (LIHTC) is a federal funding source administered locally by the Colorado Housing and Finance Authority, and has the potential to fund 40% of the total housing project costs. CHFA was represented at the finance focus group meeting, where it was learned that they have funded a similar artist project in the Denver-metro area through the tax credit program. Because an artist live/work project is still unique to many and often requires us to educate the funding community, it is very positive that CHFA is already familiar with the model,

and in fact appreciates its merits. CHFA administers a number of other funding programs for housing and economic development that warrant further exploration. Should the project enter a development phase, it will be important to meet with the CHFA team to learn more about these programs and strategize creatively about how they may be appropriate sources for the project. The LIHTC funds will only apply to the housing units and the shared spaces, not to any commercial or non-profit occupied spaces. However, if housing units were located adjacent to the Grange and The Rodeo Market, and the Grange or Market were converted into non-income producing space used and programmed by the artist residents (for gallery, rehearsal, workshops etc), the funds could most likely be used toward the rehabilitation of those spaces as well.

If seeking the competitive 9% tax credit, it will be important to review and consider the scoring criteria, amount of funds available, level of competition in the Colorado process, and thresholds for consideration in order to position the project for a successful application. Every state administers the tax credit program differently, and the state's annual Qualified Allocation Plan will hold the key to understanding Colorado's funding priorities. There are annual opportunities to comment on and impact the QAP once it has been drafted.

Another potential housing source is the locally allocated federal HOME fund program. This funding source has been used successfully in several of Artspace's affordable housing projects nationally including the Riverside Artist Lofts (NV), the National Hotel Artist Lofts (TX) and the Sterling Market Lofts (CT). Westminster currently receives over \$200,000 annually from this HUD program. When pursuing any public funding sources for an affordable artist live/work project, it is important to begin conversations with the allocating agency early in the development phase and to address immediately any fair housing concerns. A project's Affirmative Fair Housing Marketing Plan and selection criteria should not impose a restriction for artist residents, but rather should encourage a broad marketing strategy that encourages application submissions equally, but that includes a preference for qualified artists who meet the project's artist selection criteria. Some projects may impose no preference and rely instead upon design and mission of the project to attract artist households in excess of households that may prefer a more private and traditionally designed and outfitted apartment.

A third funding source that should be considered is the Federal Home Loan Bank's affordable housing grant program (AHP). This is a regionally allocated, competitive funding source that requires a member bank to sponsor the application. Westminster is home to a number of banking institutions that could sponsor an application submitted to the regional home loan bank in Topeka. It will be worthwhile to also explore the potential of partnering with a bank that can submit to the San Francisco office. Because the process is so competitive, comparing regional opportunities is recommended. Typically funds are allocated twice a year and will require that the project meet a number of underwriting thresholds and score highly in a number of different categories as outlined in the application.

These are all funding tools that are available nationally or discussed during the finance focus group. There may be other local or regional affordable housing resources that warrant consideration for this project. A next step into a predevelopment scope of work should include investigating these and other resources further.

### Historic Rehabilitation

The federally allocated Historic Tax Credit (HTC) is a major funding tool used for the rehabilitation and restoration of historic buildings. This tax credit can cover 20% of the costs of an historic rehabilitation, but it is an intensive process with strict requirements. It is most successfully utilized for large-scale projects requiring significant rehabilitation. The three-part funding process will require the assistance of an historic consultant and/or architect with significant historic rehabilitation experience to ensure compliance with requirements of the Department of the Interior. This funding tool is worth consideration for this project, particularly if the Historic and Low Income Housing tax credits can be bundled and sold as a package to an investor.

The State of Colorado also provides an historic tax credit that can cover up to 20% or \$50,000 of rehabilitation costs. This is a great preservation incentive offered by the state, and can be coupled with the State's historic easement program. The tax credit sale benefits of this perpetual easement are capped at \$260,000. In order to obtain the full HTC value, the easement disposition would not occur until after year five when the historic tax credit is retired on the project. Not all states offer these tools. Once the project program is defined and costs estimated, these financing tools should be investigated further.

The State of Colorado has another resource, the State Historic Fund that should be considered as a potential funding source for this project. This fund is comprised of a percentage of proceeds produced by gaming establishments in former mining towns. The funds need to be used for historic rehabilitations that serve a public purpose. It is a unique regional fund that may work well for the project.

### Philanthropy

This project may also be attractive to private foundations and donors that support arts and cultural, housing, economic development and/or historic rehabilitation initiatives. Once the project's funding gap is identified, a fundraising consultant can be engaged to open the door for conversations between project leaders and foundations or individual donors. Most projects require some form of grant funding. This can work to the benefit of the project. With community dollars invested, there is an inherent sense of ownership on the part of the investor. This can aid the project in attracting other sources of financing, and developing overall support for the project.

Locally, as has happened nationally, corporations have cut back on their grant-making. The current state of the philanthropic community should be considered when embarking on a capital campaign to fill the project gap. There was a mixed response among focus group participants with regard to how much capital could be raised philanthropically, but it was generally agreed that up to one million, although

ambitious, might be possible. Lesser amounts were more readily accepted as feasible. Because the project model is still unique, it has the potential to become a regionally recognized arts facility and may be attractive to larger foundations located in the Denver metro area. This is an important fundraising strategy to consider.

### Private Lenders

This project should support some conventional debt, and local lenders are often very supportive of community ventures that are sound and feasible. Based upon feedback during the finance focus group, this will also be true in Westminster. Early discussions with potential lenders should be held to ascertain their level of interest in the project. Ongoing conversations will keep them up to date on the project's progress and streamline the construction and permanent financing application process. Local, private lenders may also play a role as a Federal Home Loan Bank member, as a tax credit investor, or tax-exempt bond underwriter. Public private partnerships such as those between CHFA and a private lender or partnerships between local lenders sharing the risk, are all strong financial models. It will be imperative for private lenders to be comfortable with the project's program. Housing is a relatively safe investment with commercial and nonprofit rental space riskier. A strong, comprehensive artist market and housing study will need to accompany a funding package request.

### Financial Sustainability

Housing projects are sustainable with a mix of affordable housing funds, private dollars, and other public funding tools. The commercial component of a project is more difficult to fund because there are no grants or subsidy programs to cover the cost of the construction. If market rate rents are low they may not support the operating costs and the cost of a conventional loan. Or if the market is strong, a tenant that can afford the rents may not be suitable to share space with an artist housing community.

It is imperative to match the right tenant and appropriate funding tools to keep commercial space feasible, and spin off enough cash to pay operating costs and subsidize the rents of nonprofit organizations and non-housing artist studios. A healthy mix of "revenue negative" space (artist studio only space and performance or rehearsal space), "revenue neutral" space (housing and space for non-profit arts organizations) and "revenue positive" space (coffee shops and commercial creative industry ventures) will result in a sustainable project over the long run. Depending on the funding sources available, a project may also succeed with a mix of housing and studio space, of housing and commercial space, or of housing alone. There is no perfect model. The process of predevelopment will slowly bring into focus the best mix and model for Westminster.

### Conclusion

It will be important to further explore the potential funding sources identified in this report. There may be other resources that we were not made aware of, but that will be uncovered as part of a predevelopment scope of work. The project has the potential to attract local, regional and national public and private funding. It will be intriguing to

fundere who support housing, arts and cultural, economic development and/or historic preservation projects. Private lenders and donors alike will find comfort in the sustainable housing program. With the right mix of commercial, housing and non-housing artist space, a self-sustaining project can be created. The fact that the project will only be requesting a one-time capital gift and not ongoing operating funds will prove attractive to foundation and donor communities.

If after all the identified funding is entered into a project proforma, there is still a sizable gap, it would be beneficial to engage a fundraising consultant who can gauge the potential for funder and private donor contributions. Since Westminster is a small community, raising philanthropic dollars may be challenging, although not impossible.

# Conclusions

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The project envisioned by the City of Westminster has met the preliminary threshold criteria analyzed in this study and we recommend that the City continue its work toward realizing the project.

The market need, based on artist community input, is strong in the areas of performance and rehearsal space, gallery, studio and programmable space. However the ability of interested organizations to pay for capital improvements or annual rent is questionable. There is evidence of a need for artist live/work space, but more study needs to be completed in this regard. We highly recommend a comprehensive artist market study to determine the depth of the need for affordable artist live/work space as well as non-housing space be completed as a first step of a predevelopment scope of work.

The historic Shoenberg Farm site, although appropriate for new construction and/or historic rehabilitation for commercial uses, performance, or sound studio space, it is not recommended for the multi-purpose arts facility.

The historic Grange and City-owned Rodeo Market and adjacent land will lend themselves better for the uses being considered. This is due to an anticipated friendly acquisition scenario and the site location. There is some question as to whether the parcel is large enough for a 25-unit artist live/work project. This should be explored further with an architect. As the project program becomes more refined, the best re-use scenarios for the Grange and Rodeo Market will become apparent. They may either work as individual shared-use facilities or may be incorporated into the live/work project for programmed use by the artist residents.

Leadership is a key component in the potential success of a project. An entity or individual that is willing and qualified to drive a project locally will go a long way toward garnering the support needed, bolstering the excitement among local artists and city residents, and generally acting as the local “face” and visionary for the project. The City has demonstrated this capacity. Additionally there appears to be broad community support at this early stage. Leaders from the business community, arts community and neighborhood seem ready to help move the project forward.

The model being contemplated has a proven record of success nationally for both funding and sustainability. Many funding sources warranting further exploration have been preliminarily identified for this project. It will be important to work creatively with public and private funding communities to form partnerships and acquire the layered funding necessary for this project. Colorado has a number of historic restoration incentives that should be applicable in some form to the project's funding.

This project also has the potential to put Westminster on the map with large Denver metro area funders.

Overall, the project meets all the threshold criteria set forth in this preliminary assessment. The City of Westminster is encouraged to move forward with the next phase of predevelopment. Identifying and engaging a local developer to move the project forward would be the next recommended step. It will be important that the City sets boundaries and expectations with the developer for the specific vision of this project. For instance, the project will need to be affordable to artists and the design will need to take into account the unique space needs of artists, such as high ceilings, concrete or wood flooring and abundant natural light. Next steps should also include a comprehensive market study, site investigation work and funding research.

# The Next Steps

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The following is a recommendation by Artspace, regardless of whom the City may engage to carry out the predevelopment and subsequent phases. Artspace divides all projects, from arts incubators to arts education facilities, from performing arts centers to entire communities of artists living and working together, into the following seven phases.

Project Phases:

	Phases	Description	Time
I.	The Vision	Individual or group develops vision for the project	Completed
II.	Enquiry	Seeking information & assistance with vision	Completed
III.	Preliminary Feasibility	Early, cursory study to determine if the essential ingredients are present	Completed
IV.	Feasibility & Predevelopment	Comprehensive analyses, due diligence & assembling of the financing	36 months
V.	Development & Construction	Construction & continuing involvement of community, tenants & neighborhood	12 months
VI.	Occupancy	Tenant move-in & construction warranty	6 months
VII.	Asset Management	Continuing stewardship of the buildings and community	Ongoing

As outlined above, the next steps involve what Artspace calls the feasibility and predevelopment phase. The work in this phase constitutes everything necessary to fund and build the project. The associated timeframes with each project phase are typical of Artspace's experience and outside factors may affect the development process and timeline.