

# Structure for Stability

RECOMMENDATIONS FOR  
DEVELOPING AFFORDABLE  
COMMUNITY-BASED  
CULTURAL SPACE

April 2019



Seattle



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*At left*  
*Susan Lieu,*  
*NW New Works Festival,*  
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# INTRODUCTION

*Beth Fleenor, Crystal Beth  
& the Boom Boom Band  
at the LoFi  
Joe Iano, photographer*

# Introduction

**Cultural spaces have always been at the heart of our most successful neighborhoods.**

**Statistically, a person moves to Seattle every nine minutes.**

In Seattle, commercially-zoned blocks with a cultural space on them are twice as likely to have an outdoor café seating permit as commercial blocks without a cultural space. They are three times as likely to have photos uploaded to social media. Business hours around cultural spaces extend further into the evening; cell phone usage on weekends is higher. Blocks with cultural spaces have on average a nine-point higher Walkscore than blocks without. The presence of cultural spaces unquestionably correlates with, and in our opinion actively drives, community vitality, social cohesion, and economic development.

Seattle's real estate market is hot. This comes as no surprise. In 2013 the Office of Arts & Culture began tracking the number of "tower cranes" operating in Seattle, and the Seattle Times quickly picked up on that number as an indicator of the robustness of the market. In 2017 Seattle topped the country, yet again, with 65 active tower cranes – more than San Francisco, more than New York City. More, actually, than San Francisco and New York City combined.

This unprecedented growth has generated displacement pressures and has placed Seattle in what is generally referred to as an affordability crisis. We know too that these pressures push disproportionately; this crisis has affected certain vulnerable communities more than others. This project centers its spacemaking efforts on the artists, organizations, and communities of color most impacted by our shared history of institutionalized racism.

Leases for cultural spaces are typically a fraction of the term length of commercial leases, and the cost of renewing these short tenures is often prohibitive. Cultural spaces overwhelmingly inhabit older buildings and unreinforced masonry buildings (URM's), both of which are primary targets for demolition and redevelopment. Cultural users are historically undercapitalized and their spaces are typically located in high-displacement neighborhoods. The gulf between the world of cultural community development and commercial property development has never been wider.



## **Preserving affordable cultural space in this context requires a market to act against its own short-term interests and to instead invest in long-term strategies.**

One of the defining characteristics of a “hot” market is that investors tend to get into buildings and out of them more and more quickly. The hotter the market, the quicker the returns, the harder it is to invest in strategies (such as subsidizing below-market occupancies for community-based uses, or investing in broad-based community ownership models) that will bring greater rewards further in the future.

The solution to preserving community-based uses must exist outside of this market; asking margin-driven investors to honor mission-driven occupancies will almost always fail. At the same time, the solution clearly must also be a part of this market; developing and controlling real estate is a rarefied field and specific expertise is required to do it well.

## **This report explores the creation of an intermediary that can exist simultaneously inside and outside of the market.**

The City has launched numerous efforts and multiple mechanisms to address these issues. The Office of Housing has been protecting affordable and equitably accessed living space for over 30 years. The City's Equitable Development Initiative has brought the issues of disproportionately shared growth to the forefront. The Department of Transportation's investments in transit have connected the City to itself. Both the Department of Neighborhoods and the Arts Office have made significant investments in cultural spaces. The Department of Finance and Administrative Services has explored the use of surplus properties to address this issue.

There is an opportunity to leverage these existing investments into alignment with one another, in support of emerging strategies. This report was commissioned in order to explore one such strategy, the creation of an intermediary in this cultural space equation, one that can exist simultaneously both inside and outside of the market.

**We have heard it repeatedly, from both real estate developers and from cultural organizations:**

**a mission-driven organization that can successfully navigate the margin-obsessed world of commercial real estate investment could be a game-changer.**

It could provide enormous benefit to both sides of the cultural space equation. Over 100 voices have come together in the past year to develop the ideas represented in this report. A community-driven Racial Equity Toolkit process was performed on this report's draft recommendations and deepened the project's already significant engagement with cultural communities of color. Expertise from across City departments, and from organizations across the country, fed the process of development. We look forward to continuing that process with you.



Matthew Richter  
Cultural Space Liaison  
Seattle Office of Arts & Culture  
April 2019

# Executive Summary

## Background

**Cultural spaces are at the heart of our most successful neighborhoods.**

Rising displacement and a lack of affordable space have created a crisis for cultural spaces. The Seattle Office of Arts & Culture has proposed, and Mayor Durkan and Council have approved, the exploration of a new idea; the creation of a new **intermediary organization**, one that can literally **make space for cultural uses, partner on ownership** with community cultural organizations, and hold and preserve **affordable cultural space** in one of the hottest real estate markets in the country.

## Scan

A national scan revealed several interesting models for this work, including the Community Arts Stabilization Trust (CAST) in San Francisco and Spaceworks NYC in New York. Also explored were numerous corporate forms, including Public Development Authorities, 501c3 Nonprofit Corporations, B-Corporations, Limited Liability Corporations (and Low-Income Limited Liability Corporations), and others.

Numerous interviews with existing organizations, deep engagement with senior staff at four City departments, group panel conversations with developers and cultural users, a widely distributed survey, a Racial Equity Toolkit run through the City of Seattle's Build Art Space Equitably cohort, as well as two large half-day meetings have informed the development of this idea.

# Recommendations

## Create the "Cultural Space Agency"

### CORPORATE STRUCTURE

This report proposes the creation of several new entities, collectively referred to as the "Cultural Space Agency":

- A **public development authority (PDA)** is a quasi-governmental independent organization. It excels at maintaining **strong governmental relationships** while serving a **community purpose**. PDAs have bonding authority and can enter into complicated real estate transactions.
- A **501c3 nonprofit corporation** is an independent charitable corporate structure. It excels at **mission-driven programming** and building **relationships with community**. Nonprofits provide **charitable deductibility** for contributed income and are driven by public membership.
- A series of **Limited Liability Corporations (LLC's)** would be created as subsidiaries to the PDA for the purpose of owning individual properties. These LLC's also serve as the instruments for **investment by community stakeholders, cultural nonprofits, and social impact investors**.

## Structure the Cultural Space Agency to be centered on community

### COMMUNITY RESPONSIVENESS

- A certain portion of the seats on the PDA's board of directors are reserved for appointments from City Council and the Mayor. This report recommends that those seats be the **minority of the total board**, and that they be **filled by staff from departments directly implicated in the PDA's work**.
- A "membership" model for the 501c3 nonprofit would ensure that **community members could directly control** the make-up of the nonprofit's board of directors.
- A certain number of seats on each board should be reserved for **representatives from impacted communities**.
- The necessity for the provision of **Public Benefit** from any individual or organization receiving support through the PDA is central to the PDA's authorization. This public benefit must be **quantified and responsive to community need**.

## Plan for a breadth of property control options that can target a range of needs

### PROPERTY CONTROL OPTIONS

- **Manage and curate sites** for owners who maintain site control themselves. This option is the least intensive and provides quick-access and pop-up space for artists, projects, and organizations but does not build long-term stability.
- **Master-lease and sublease property.** This may be as small as a single storefront or as large as the floorplate of a building. Spaces might be subleased as-is, or divided between multiple tenants. Longevity, stability, and predictability are established for both the cultural partners and the spaces, owners.
- **Purchase whole properties.** Owning entire buildings, or condominiumized portions of buildings, and sharing that equity with community partners creates destinations, anchors, and powerful assets in community.
- **Develop new properties.** In partnership with affordable housing developers, create new buildings centered in cultural communities, creating one-stop- shopping affordable opportunities for residential, commercial, and cultural spaces.

## Plan for a variety of types of cultural spaces and activities

### PROGRAMMING AND CURATORIAL OPTIONS

- **Individual artist studio spaces.** This is the highest-demand type of cultural space in Seattle.
- **Arts and cultural projects.** These are short-term shows, screenings, exhibitions, and other types of arts projects and displays.
- **Arts and cultural organizations.** This is long-term space for organizations to either lease or to partner on ownership models.
- **Community-serving small businesses.** Space for small businesses working with and for community stakeholders.







# DEFINING NEEDS & OPPORTUNITIES

*Degenerate Art Ensemble  
with Rob Kunz in the  
Georgetown Steam Plant  
Joe Iano, photographer*

# Methodology

A variety of methods and mechanisms were used to develop the recommendations in this report.

## SpaceLab NW

Since 2013, the City of Seattle has been obsessively cataloging cultural spaces in Seattle and has developed a series of useful insights into cultural space needs. It has surveyed over 850 cultural spaces in the city and has assembled a robust set of data that reflects the community's strengths and weaknesses.

The need for affordable, secure cultural space is well known in the arts community. Artists are being priced out of working and teaching space, performance space, exhibit space, rehearsal space and living space. People who work in this sector are regularly searching for appropriate and affordable spaces, and owners/managers of cultural spaces have long waiting lists of people in need of space.

### NEEDS FOR CULTURAL SPACE

- art & cultural space of all kinds face displacement pressure, and communities of color are often hardest hit
- occupancy costs of commercial space have never been higher
- less costly older buildings are disappearing from the landscape
- the average lease term for a cultural space in Seattle is only three years
- artists and their audiences are having increasing difficulty affording to live in the city
- small organizations without a significant balance sheet are unable to get large institutional landlords to rent to them
- over 75% of Seattle's cultural spaces are in buildings that are 50 years or older
- many small cultural organizations and new small businesses are rejected for leases they feel they could sustain

# Cultural Space Survey

In order to inform the scope of this report, a needs assessment survey was created and sent out to cultural space users. The responses confirm a need for cultural space of all kinds. The survey captured input from many of the smaller organizations and individual artists that are often not heard.

A summary of the survey is in the Appendix. Key points from the responses include:

## CURRENT USE OF SPACE

- A full range of activities were represented, including visual and performing arts, film and maker spaces
- Teaching goes on in a significant number of spaces (39%)
- Informal community gatherings go on in a significant number of spaces (40%)
- Food and beverages were available in a significant number of spaces (33%)

## SPACE NEEDED

- A full range of spaces are needed—storefront, performance space, film showing, office and living space; additional responses include storage space, event/gathering space, outdoor venues and work area, spaces that allow fire, shop space, radio space
- Many respondents were looking for small spaces for teaching and performance
- Most popular attributes of needed space were daylight (78%) and street level visibility (53%)
- Other desired attributes include space that is soundproof, column-free, has raked seating, good public

transportation, parking availability, event space, the freedom to be noisy at night, 240 volt power, sinks, ADA accessibility, truck access, ability to include fire art, temperature control, good ventilation, access to an outdoor area, ability to place radio antenna on roof

## COST OF SPACE

- Annual square foot costs generally range from under \$12/sf to \$36/sf, with an average of \$19.68
- The majority of renters (81%) have seen a rent increase in the last five years. While almost half of the increases are below 10%, many renters have experienced increases of over 40%

## VULNERABILITY

- 92% of respondents were somewhat (38%) or very (54%) concerned about the real estate market's effect on their work
- Over 85% of respondents were either somewhat (22%) or very (64%) concerned about the real estate market's effect on their constituencies
- 63% of respondents anticipate the need to move in the next five years
- For those who feel that moving will be necessary, over half believe that the need to move will be caused by rent increase
- Another reason for future relocation is that the building is likely to be redeveloped (about a quarter)
- Other causes include audience displacement, ADA accessibility, and the need for more space.

# Racial Equity Toolkit

In 2018 the Office of Arts & Culture undertook a Racial Equity Toolkit to analyze the draft findings related to this report. A Racial Equity Toolkit (RET) is a process, designed by the Seattle Office for Civil Rights and mandated by the City's Race and Social Justice Initiative, that centers communities of color in project development, and surfaces and addresses any unintended negative consequences for communities of color created by large City projects. The Racial Equity Toolkit took the draft of this Structure for Stability report as its starting point, and through a second round of interviews, discussions, and large meetings sought to analyze the draft findings specifically through a racial equity lens. This process informed the crafting of this final document.

The majority of the stakeholders for the Toolkit process are members of the City's Built Art Space Equitably (B.A.S.E) Certification Program, a year-long cohort of people of color from both the commercial property development sector and the cultural sector. Members of the Seattle Arts Commission's Facilities and Equitable Development Committee were involved in developing the recommendations of this report, as were various members of the community.



# Focus Groups

Two focus groups were convened as part of the needs assessment. The first included representatives from visual arts, performing arts, film, and ethnically based cultural groups. The consistent message was that there was a need for all types of art space as well as other support for arts and culture in Seattle's overheated real estate market.

The second focus group included property developers from public, private and non-profit sectors. This group recognized both challenges and opportunities for developers in working with a potential cultural space organization. Their understanding of the realities of financing and pro formas is very useful in finding ways to make cultural space attractive to developers of all kinds.

**"There is often a mismatch between the developer and the arts organization, but a public space agency could serve as a bridge"**

—Focus Group

**"There is an opportunity to raise visibility, and advocate for arts organizations"**

—Focus Group

## Interdepartmental Explorations

Conversations at both the staff level and the Director level between various City departments engaged in the fight for affordability and against displacement have led to several of the ideas that are contained in this report. The expertise that is often siloed inside departments has been connected interdepartmentally over the shared issues of dislocation, neighborhood retention, racial equity, and equitable economic development.

## National Scan and Outreach

A scan of organizations nationally and internationally was conducted to identify models for space preservation and creation. This scan identified several organizations who were engaged in preserving space for various priorities, ranging from historic preservation to cultural space preservation to forest and rural space preservation. Many of these organizations' directors are represented throughout this report, following interviews and additional research. Four of these organizations are highlighted on the page opposite, and others in the Case Studies section at the end of this report.

**"We don't think we're the silver bullet. What we can present is an illustration of what could work in a major city, and it will take its own form and set of nuances in each particular city."**

—Moy Eng, CAST

# Models

## Dudley Street Neighborhood Initiative

Dudley Street Neighborhood Initiative (DSNI) is a nonprofit community-based planning and organizing entity founded in the Dudley Street area of Boston's Roxbury neighborhood. Founded in 1984, DSNI reflects the desire of residents to reclaim and control their neighborhood. "Development without Displacement" is part of their mission, and DSNI works to expand its community land trust portfolio. Their model is based on resident empowerment, creating training and support systems for residents to plan and lead organizing efforts. [www.dsni.org](http://www.dsni.org)

## CultureWorks

Many examples of shared creative space are popping up. CultureWorks in Philadelphia is a compelling model that offers not only workspace and conference space, but shared management services and acts as an intentional community for artists and cultural practitioners. Members can share bookkeeping services, insurances, and take advantage of fiscal sponsorship. CultureWorks has over 200 members, over 90 fiscally-sponsored projects and almost \$4 million in program operations across their membership. [www.cultureworkspbila.org](http://www.cultureworkspbila.org)

## SpaceworksNYC

SpaceworksNYC started as an initiative of New York City's Department of Cultural Affairs to address the affordability crisis for artists. It is now an independent 501c3 working to create space for artists, cultural workers and neighborhood residents in all five boroughs.

Spaceworks NYC also uses partnerships to increase access to space, with organizations such as the Brooklyn Public Library and the Brooklyn Conservatory of Music. Spaceworks NYC has served over 10,000 artists and leveraged some \$21 million of capital since 2011. [spaceworksnyc.org](http://spaceworksnyc.org)

## CAST

Community Arts Stabilization Trust (CAST), located in the San Francisco Bay area, purchases and leases space for the exclusive use of nonprofit arts organizations. Focusing on ownership as the most sustainable relationship to space, CAST creates innovative financial vehicles to secure permanent space in urban city centers for community arts and culture organizations.

CAST inspires cities world-wide, with the City of London launching Creative Land Trust in 2019, a social investment fund for artists to acquire workspace, modeled on CAST. [cast-sf.org](http://cast-sf.org)

# Defining the Need

From our conversations, surveys, interviews, and outreach, we have identified the following needs, arising from the cultural community and from the development community.

## **AFFORDABLE RENT**

Artists, organizations, and culturally relevant spaces typically cannot operate at margins that sustain market-rate occupancy costs. In order to be viable, these spaces need a smaller portion of their rent to be in cash and the remainder to be considered as Public Benefit.

## **LONGER-TERM OCCUPANCIES**

The longer an organization has site control, the easier it is to raise funds for tenant improvements, for long-range programming, and for organizational development.

## **PREDICTABILITY**

For both cultural tenants and for property owners, predictability is key to planning. We heard repeatedly that a shorter but predictable occupancy is often favored over potentially longer-term but unpredictable paths.

## **PARTNERSHIP**

Both cultural organizations and landlords say they are looking for more than a simple transactional relationship. True partnerships and the alignment of priorities between occupants and owners is rare.

## **ACCESS TO LEASING**

We heard often of organizations who had identified a potential space, and had the business plan to make an occupancy successful, but were denied leasing based on organizational scale, lack of operating history, or simple distrust of cultural uses.

## **TECHNICAL ASSISTANCE**

Both commercial property owners and cultural organizations complained about a lack of understanding of the operations, priorities, and timelines of the other. No mechanism currently exists to bridge that knowledge gap.

## **MATCHMAKING**

Very little connective tissue exists between the worlds of commercial property development and cultural activity and the fine arts. Property owners and cultural organizations who are seeking one another have few avenues to explore.

**“True story: Girl spends 20 years performing 1000s of shows in Seattle. Girl gets forced outside of city limits due to rent hike. Girl no longer qualifies for City-based funding for event produced in city.”**

—Beth Fleenor, musician

# Identifying the Opportunity

The process of developing this report led us to identify a series of opportunities that could be capitalized on by creating an intermediary organization for cultural space.

## **AFFORDABLE HOUSING PARTNERSHIPS**

Affordable housing funding mechanisms (restricted to funding residential space) often leave projects in search of a means to fund and occupy the commercial ground floor. Cultural organizations could bring resources, funding, and expertise to that issue.

## **SOCIAL INVESTMENT AND PHILANTHROPY**

Currently donors and investors seeking to have an impact on the displacement crisis can fund artists and organizations one-by-one, but a central mechanism could coordinate and aggregate efforts and funds.

## **BRANDING AND MARKETING**

Increasingly commercial ground floors are looked to as a mechanism for branding a mixed-use building, and the actual income from these spaces is secondary to their impact on the marketable “tone” of the building.

## **SURPLUS CITY SPACE**

Potentially hundreds of thousands of square feet of City-owned space could be leveraged for cultural uses. City-owned real property can be transferred to Public Development Authorities without financial compensation.

## **THE CONNECTED CITY**

Transit improvements have made it possible to think of areas of the city formerly considered inaccessible as viable opportunities for cultural investments.

## **SUCCESSFUL MODELS**

The success of cultural space property-holding entities in high-displacement cities such as New York City and San Francisco has provided successful models with opportunities for lessons learned.

## **EXISTING CITY INVESTMENTS**

The City of Seattle has invested significant focus and funds into the larger body of work around affordability and displacement. The redirection of some of that energy into new programs with high potential for success is expected.

**"How can we keep a remnant of the soul of Seattle?"**

—Focus Group





# ORGANIZATIONAL OPTIONS

*Silhouette,  
at Annex Theater  
Joe Iano, photographer*

# What organizational options exist?

There are currently a number of PDAs in the region that have been created by the City of Seattle, King County or the State of Washington. Several of them own and manage properties; some deal with issues related to arts and culture, and are well-suited to serving as models. None, however, have space for arts and culture as the central focus of their mission.

Similarly, non-profits also serve as models, regionally and nationally. We have spoken with Spaceworks NYC in New York and CAST in San Francisco about supporting art space through non-profits. Regionally, there are property holding non-profits, and arts-related non-profits to use as examples.

Several possibilities exist for an organizational structure to create and maintain affordable space for arts and culture. Each has strengths and weaknesses.

This report explores the characteristics of Public Development Authorities, non-profits, and interdepartmental City teams as three possible options. An aggregate entity of two or all three is also considered.

While not technically an organizational option, the use of LLCs has come up in many discussions. An LLC, limited liability company, is a structure that protects against liability and financial loss, and is typically the entity of choice for using tax credits. It is expected that an arts and cultural space entity would include LLCs within its umbrella of mechanisms.

## **PDA: PUBLIC DEVELOPMENT AUTHORITY**

A quasi-municipal corporation established by City, a PDA is accountable to the public and overseen by a board of directors, like Historic Seattle, Pike Place Market, and Capitol Hill Housing.

## **CITY AGENCY/INTERDEPARTMENTAL TEAM**

City agencies, overseen by the executive branch, may work together where missions overlap, like the Equitable Development Initiative.

## **NON-PROFIT**

A tax-exempt organization can be created to further a socially beneficial mission, run by a board of directors like Forterra, Artist Trust, or SEED.

## **PAIRED STRUCTURES**

An organization may include multiple mechanisms, such as the Office of the Waterfront, Friends of the Waterfront and potential LID. A PDA with an affiliated non-profit is common.

In the public sector, the City of Seattle does have examples of interdepartmental teams that support cultural space, such as the Economic Development Initiative and Langston Hughes Center, owned by Parks and curated by the Office of Arts & Culture.

The point of this exploration is to have organizations do what they do best, and to tailor a structure that takes advantage of the strengths of each organizational model.

These commendable efforts could benefit from one coordinated organization that focuses on space for arts and culture, along with the support systems that will push back against the rampant displacement, leverage resources, and create visibility for the artistic soul of Seattle.

# organizational characteristics

	Governance	Mission focus	Streamlined decision-making	State audit requirement	Open public meetings required	Ability to work regionally	Taxing authority	Bonding authority	Ability to receive government property	Eminent domain	Ability to attract investors	Public understanding of tax exempt donations	Flexibility on leasing	Alignment of priorities
<b>PDA</b>	hybrid boards	<b>Y</b>	Y	<b>Y</b>	<b>Y</b>	Y	N	<b>Y</b>	<b>Y</b>	N	<b>Y</b>	Y	<b>Y</b>	<b>Y</b>
<b>Non-profit (501c3)</b>	community boards	<b>Y</b>	Y	N	N	<b>Y</b>	N	N	<b>Y</b>	N	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>
<b>City Interdepartmental</b>	elected officials	N	<b>N</b>	<b>Y</b>	<b>Y</b>	N	<b>Y</b>	<b>Y</b>	Y	<b>Y</b>	N	<b>N</b>	N	<b>N</b>

**Y** strong YES    **Y** weak YES    **N** strong NO    **N** weak NO

# Public Development Authorities

## What is a PDA?

Under Washington State law, public corporations as quasi-municipal corporations for public purposes may be established by cities, towns and counties. The broad state definition under RCW 35.21.730 allows for flexibility in designing an organization for purposes unique to a particular local need. PDAs are able to provide public services in a way that the public sector is unable to do, while being capable of administering federal and state funds. However, PDAs are accountable to the public and thus are held to high standards. The PDA mechanism is used for supporting historic preservation, neighborhood culture, economic development and downtown revitalization and they can be used to operate properties of cultural significance. PDAs often oversee physical property that is of local and regional significance, such as Fort Worden, Pike Place Market, and 12th Avenue Arts.

PDAs can receive public funds as well as tax deductible donations. Public funds may include revenues from City levies, reinvestment of B&O taxes, and/or grants. Internally, a PDA may receive funds from its ongoing business ventures, such as revenue from leased property. In addition, funds can be borrowed and tax-exempt bonds can be issued. PDAs do not have the authority of eminent domain, or the ability to levy taxes themselves.

PDAs are subject to open meeting requirements due to their quasi-public status and are typically governed by volunteer councils that oversee staffing and activities. In Seattle, the Mayor appoints a certain percentage of board positions for those PDAs created under the City of Seattle. Private sector participants can be involved in meaningful project decision making.

One issue to note is that PDAs are subject to State laws (RCW 35.21.703, Article VIII, Section 7) that prevent directly giving or loaning money to a private business for economic development. The State of Washington's law is one of the most restrictive in the nation in terms of cities' ability to participate in private economic development.

A PDA in the City of Seattle is created under the rules of the State of Washington and the Seattle Municipal Code, SMC 3.110. An application is prepared that includes the purpose, proposed rules and persons nominated as the initial corporate officials; a description of the funds and assets, and the proposed near-term activities.

The application is reviewed by a designee of the Mayor, and the final charter for the PDA requires approval by the Mayor.



*SMC 3.110.040: Except as otherwise limited by the State Constitution, the City Charter, this chapter, or by the charter of the public corporation, a public corporation shall, have the power to:*

- A. Own and sell real and personal property;*
- B. Contract and enter into partnership with individuals, associations and corporations, and the state and the United States;*
- C. Sue and be sued;*
- D. Lend and borrow funds;*
- E. Do anything a natural person may do;*
- F. Perform all manner and type of community services and activities utilizing federal or private funds;*
- G. Administer and execute federal grants and programs;*
- H. Receive and administer federal funds;*
- I. Provide and implement such municipal services and functions as the City Council and Mayor may by ordinance direct;*
- J. Transfer, with or without consideration, any funds, real or personal property, property interests, or services received from the federal government, private sources or, if otherwise legal, from a city or county; and*
- K. Receive and administer private funds, goods or services for any lawful public purpose.*

## PDA Advantages

- more nimble than City; can be bolder and less risk-averse than government
- institutional stability over time
- mission-focused
- able receive gift of public funds and real property
- able to be directly supported by government
- able to access bond financing for projects
- able to receive tax deductible contributions

## PDA Disadvantages

- time-consuming paperwork to meet transparency requirements

# PDA Management

PDA's are managed according to the charter that is approved by the enabling body, in this case, the City of Seattle. The founding charter lays out the mission and authority of the PDA, the size of the governing council and the method of selection. At this point, there is a sizable body of experience with PDA management and lessons learned on strengths and weaknesses of various approaches.

The PDA, as a quasi-governmental corporation, is subject to the same laws that regulate local governments and public officials. Council (Board) meetings must be publicized and open to the public, with documents and meeting minutes accessible to the public. This practice is in alignment with the desire for the new cultural space organization to be based in and responsive to community.

A PDA is subject to a public audit, with the requirement to keep detailed records appropriate for audit. Projects must be done through a competitive bid process, be in compliance with public works, and pay prevailing wage.

The quality of the Board is critical to a successful PDA. The majority of PDA's have members selected through a mix of sources, such as Mayoral appointments, selection from sitting Board members, and community-based selection through

a Constituency or other group. Boards include a range of expertise appropriate to the mission, and this needs to be considered in how members are selected. Boards are usually in the range of 11 to 17 members. Sometimes government officials are also included as ex-officio members.

## Developing A Financial Plan

In order for the creation of a cultural space PDA to be approved by the City, proponents will need to have a plan showing sufficient funding for the first year's operations, and projected future revenue sources. Funding and resources can be explored to create the initial plan, along with a set of actions calibrated to the funding and resources available.

**“Say no to nine of every ten possible deals”**

—Stakeholder input

# Non-Profits

## Structure of a 501(c)(3)

Non-profit organizations are formed to create a public benefit. They are exempt from Federal taxes under Internal Revenue Section 501(c)(3) if approved. Designation as a 501(c)(3) makes an organization eligible for tax deductible charitable gifts and often is a requirement for grants.

In Washington State, non-profits are regulated under RCW 24.03.045. Artistic and cultural organizations may qualify for exemptions from State property taxes and Business and Occupation taxes.

Non-profits are controlled by a Board of Directors and a set of by-laws that include rules and procedures regarding meetings, election of officers and directors, etc.

There are variations of non-profit entities. For example, a Community Land Trust or a CDC (Community Development Corporation) is a community-based non-profit that self-identifies as a CDC. Southeast Effective Development (SEED) is a relevant local example, that manages and develops property, and supports arts & culture. CDCs typically focus on a specific neighborhood or geographic area, often with a third or more of their Board made up of community residents for direct participation in decision-making.

## Non-profit advantages

- mission-based
- can tailor board to community outreach and fund raising
- most flexible of the mechanisms
- not subject to public accounting requirements
- understandable to donors as a tax-exempt organization

## Non-profit disadvantages

- not able to access bond financing for projects
- difficult to receive gift of public funds and real property

# Interdepartmental City team

## Agencies working together

The City of Seattle has several examples where departments singularly or together own and manage cultural space.

A successful example of City departments working together is the Equitable Development Initiative (EDI). Run from the Office of Planning & Community Development (OPCD), the EDI program includes the Office of Economic Development, the Office of Housing, the Department of Neighborhoods, OPI, and Office of Civil Rights, in consultation with the City Budget Office. The purpose of the Equitable Development Initiative is to mitigate displacement and increase access to opportunities for Seattle's marginalized communities. The program has funded community-based organizations with \$5.5 million in awards for economic development, capacity building, and construction.

An example of City departments working together at an arts venue is the Langston Hughes Performing Arts Institute. The Parks Department owns the facility; the Office of Arts & Culture operates the buildings, and launched Langston, a non-profit organization which leads the programming.

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## City advantages

- able to bond
- fiscal stability attractive to financiers
- useful gravitas/imprimatur
- long-term planning horizon
- broad perspective and expertise

## City disadvantages

- cumbersome
- less mission-focused

# Hybrids

## All of the above

Many of the entities studied take advantage of more than one mechanism to accomplish their goals. For example, it is very common for a PDA to have an affiliated non-profit. The non-profits were usually founded later than the original PDA, and lead community engagement, fundraising and education rather than the real estate activities. Historic Seattle makes little public distinction between its PDA and its charitable foundation. Pike Place Market and Capitol Hill Housing both have a PDA and associated non-profit. Seattle Center and Langston Hughes, both City owned, have foundations that raise funds.

A shared oversight committee could be created to coordinate the missions, programs, communications, and fund development between the various entities

## Hybrid advantages

- letting each entity do what it does best; "the best of all worlds" scenario
- potential for shared staffing models where individuals are shared between organizational structures
- satisfy the PDA's "public benefit" requirements through the "in-house" 501(c)(3)

## Hybrid disadvantages

- more complex structure
- requires clarity of roles





# RECOMMENDATIONS

*Sadiqua Imam in Tail Feather  
Langston Hughes Performing Arts  
Institute  
Joe Iano, photographer*



# Values

The following have emerged as the values that community members and stakeholders have articulated as primary in the exploration and creation of a new cultural space entity. They have proven central to the process of developing these organizational recommendations.

## **KEEP RACE IN THE ROOM**

The conversation about race and the centering of the needs of communities of color is not restricted to the Racial Equity Toolkit process. Our shared history of institutional racism requires that as we create new institutions, those structures must operate differently. Any organizations created as a result of this work must continue to center voices of color.

## **RECOGNIZE THAT ASSETS ARE NOT ALWAYS FINANCIAL**

Community capital can show up as intergenerational knowledge, as cultural richness, as volunteer capacity, as ecological richness, and in many other intangible and often non-quantified ways. Use an asset-based approach to working with community, as opposed to a deficit-based approach. At the same time, do continue to recognize the importance of financial capital and continue to “chase the money” on behalf of community priorities.

## **ALWAYS BE LEARNING**

Understand change and anticipate it. Assume nothing. Remain open to new ideas and nontraditional (non-dominant-culture) points of view. Be fluid, find the contours of the landscape. Always question. Explore paradoxes. Embrace un-knowingness.

## **BUILD COMMUNITY OWNERSHIP**

Create structures that encourage literal property ownership by community. Use this strategy to narrow financial inequality. Build capacity for financial and property-based growth in community. Educate, lift up, and train. Make reparative investments to build community health and address historic inequities.

## **WHO DECIDES WHO DECIDES?**

Create clear pathways for community to inform and impact institutional decision-making, acknowledging our shared history of inequity in decision-making. Create a structure where power flows from the bottom up. Encourage organizational transparency for the public to see these structures and pathways.

# Community-Driven

The emphasis on community-driven decision making needs to be "baked in" to the structure of the Cultural Space Agency.

## **WHO DECIDES? AND WHO DECIDES WHO DECIDES?**

The deeper the community's engagement with this project, the better-supported the project will be. The more direct the community's reflection appears in it, the stronger the reactions to it will be. The more the project is able to foster leadership from the communities it serves, the more it centers authentic voices from the community, the more powerfully it will be able to lead.

It is this report's recommendation that structures be identified to ensure not just responsiveness to articulated community needs, but to put decision-making power into the hands of the people this project is designed to serve.

## **THE STEWARDING OF PUBLIC RESOURCES**

This model is directly analogous to the city's long and celebrated history of grantmaking in arts and culture. Seattle's longstanding use of community-based peer review panels, empowered to direct City resources

towards artists, organizations, and projects, has earned accolades nationally. In the last 50 years, more than \$50 million of public resources have been stewarded by the Office of Arts & Culture through this well-vetted established process.

## **GOOD GOVERNANCE**

These strategies of partnership and of community empowerment increase the City's reach into places historically under-served, under-invested, and under-engaged. Nurturing these partnerships will help build affordable community-owned cultural space in the near-term, and will build significant relationships for the City's activities in an unlimited number of areas in the long-term.

**"We want everyday Portlanders to be able to invest in their neighborhood and to enjoy returns that are likely better than they are accustomed to."**

—Kevin Cavanaugh,  
Guerilla Development

# City-Powered

## **AN ONGOING BALANCING ACT**

The City of Seattle will provide the authorization to create the Public Development Authority, and the bonding authority to initially capitalize its real estate investments. As mandated by code, the City also nominates a certain number of members to the board of directors of the Public Development Authority.

The City of Seattle also seeks ways to authentically partner with community, and to empower those elements of the cultural community that have historically borne the brunt of institutional racism; those parts of the community that have not been allowed to share in the cultural infrastructure-building that the City has undertaken to date.

Balancing those priorities—to responsibly steward public resources, while also ceding power to the people—is one of the primary challenges in creating this new structure.

## **BONDING**

The City of Seattle is exploring opportunities to bond against dedicated revenue connected to cultural facilities and equitable development. The sale of these bonds would create a pool of capital with which to support the initial investments the Public Development Authority would make in support of cultural affordability and against cultural displacement.

## **BOARD MEMBERSHIP**

The City will maintain a certain number of seats on the Public Development Authority's board of directors. It is this report's dual recommendation that seats appointed by the City make up the minority of board positions, and that these seats be held by City staff working on issues related to the PDA's operations and goals—for example, representative staff from the Office of Arts & Culture, or the Equitable Development Initiative, or the Office of Economic Development.

## **CITY CONTRACTING**

Opportunities exist for the PDA to take over work currently being handled through stand-alone consultant contracts or at the departmental staff level. Departments connected to this work should explore additional opportunities to engage the PDA and its unique position to support ongoing work. One example might be the management of the Office of Arts & Culture's Build Art Space Equitably (BASE) Certification cohort.

# Building Community Wealth

## EQUITABLE EQUITY

In property development conversations, the word “equity” is used to describe an ownership stake. In conversations about social justice, “equity” is used to describe a reparative approach to current injustice, a reversal of disproportionate outcomes based in race. We seek mechanisms to create equitable equity – shared ownership that builds strength in communities that have been weakened.

We do not want to stop growth. We do not want to restrict access to popular neighborhoods. We do not want to freeze Seattle’s cultural communities in amber.

We want to see equitable growth. We want a neighborhood’s popularity and increasing value to benefit all of its residents. We want Seattle’s unique cultural communities to share their generative creative culture with the world.

It has been said, in connection to the Office of Arts & Culture’s antidisplacement work, that property ownership is the best protection against displacement. To build truly resilient communities, and to ensure that growth does not push disproportionately against the most vulnerable segments of our community, new models must be developed.

The paradigm of property ownership that advantages wealthy individuals with access to enormous stacks of capital must be inverted. Ownership mechanisms must be developed to share ownership, both the responsibilities and the benefits of ownership, deep into the community.

The structures recommended by this report have the opportunity to address this challenge. They have the potential to build wealth and stability into vulnerable communities. They have the mechanisms built into them that have the power to create access to equity that is shared equitably.

This is the measure by which this project will be judged – not by the growth of its balance sheet, but by the speed with which it moves assets from its balance sheet out into community.

**“You get liquidity and equity—leverage, so we’re long-term affordable when SoDo becomes the next SLU.”**

—Sam Farrazaino, Equinox

# Shared Ownership Models

## **Black & Tan Hall, Seattle**

Black & Tan Hall is a for-profit, cooperatively owned performing arts venue and restaurant in Seattle's Hillman City neighborhood. Partners invest money, time, and heart into the Hall to create a new model that empowers community to share in ownership in locally owned business, and keep valued cultural activities that are in danger of displacement in the neighborhood. Taking its cue from historic Black & Tan clubs that offered a haven for people of all races, the Hall embraces an inclusive ethos and celebrates Seattle's rich music and arts history. [blackandtanhall.com](http://blackandtanhall.com)

## **Equinox Development, Seattle**

Equinox Development is dedicated to creating space for artists and artisans. Founder Sam Farrazaino has developed more than 185,000 sf of artist space in Seattle and across the country.

A unique model for building arts communities and equity, each dollar of rent is an equivalent of 1 share of stock in Equinox. Eventually tenants, as investors in the community, receive an increment of return on the profit generated by the development.

[equinoxstudios.org](http://equinoxstudios.org)

## **Guerilla Development, Portland**

True to their belief in democratized development, Guerilla Development has successfully crowdsourced real estate projects in Portland, Oregon.

In the Fair-Haired Dumbell project, investors put in a minimum of \$3,000, and receive an annual, un compounded 5% return for 10 years. At the end of the 10 years, investors get the principal back, along with a percentage split of refinancing proceeds.

While the projects could be financed without the crowdsourcing component, Guerilla believes in community empowerment form locavesting, giving people an active role in the development of their neighborhoods. [guerrilladev.com](http://guerrilladev.com)

## **Small Change Community Development Fund, Pittsburgh**

Small Change was founded to allow everyday people to invest in real estate projects that benefit neighborhoods. Their Change Index considers community value, pedestrian-friendly mobility, sustainability and economic vitality.

Small Change offers people wanting to develop the chance to raise money, if the project meets the criteria, and allows people to invest money into projects that match their values.

Based in Pittsburgh, Small Change has properties available for investment around the United States.

[www.smallchange.com](http://www.smallchange.com)

# Organizational Recommendations

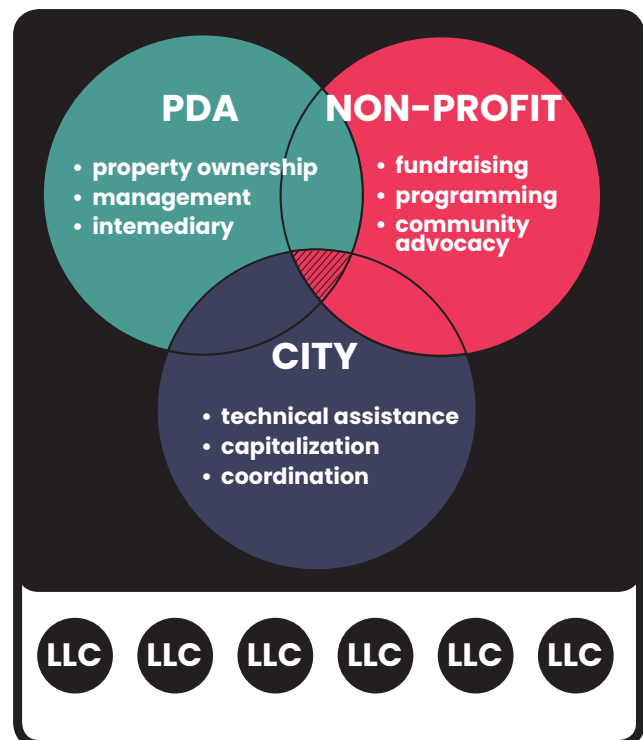
## Cultural Space Agency

The charge of this report is to make a recommendation for an entity to own and manage space on behalf of the cultural community. We have surveyed various forms and structures and have analyzed each option's strengths and weaknesses.

Our recommendation is to create a combination of organizations that maximizes the advantages of a Public Development Authority, a non-profit organization, the City itself, and a series of Limited Liability Companies. This aggregated entity, this "Cultural Space Agency," would include:

- a PDA to lead the real estate operations;
- an affiliated non-profit that would lead programming, fundraising and engagement with community;
- an interdepartmental team that would permanently represent the City's interests;
- and a series of LLC's that would (due to conditions related to tax credits) own individual pieces of property.

It is essential that this Cultural Space Agency center issues of racial equity and social justice in its mission, in its programming, and in its investments and operations. Centering the needs of communities of color, and investing directly into, and investing in partnership with, communities that have historically borne the weight of institutionalized racism, is core to the success of any venture into culturally responsive real estate.



## THE PUBLIC DEVELOPMENT AUTHORITY

The Public Development Authority form is best suited to leading the real estate operations of this Cultural Space Agency, including leasing or purchasing of property, maintenance and operations, and the management of the property portfolio. Chartered by the City of Seattle, the PDA should be authorized to operate regionally and to take advantage of opportunities wherever they may occur. An initial board of directors should be broadly reflective of Seattle's diverse cultural community, and have specific talents and connections that will facilitate the launch of a new property acquisition, development, and management entity.

We propose a board composed of 15 people. Five of those positions, as described above, would reflect the City's input. Five of the seats would be reserved for the Executive Committee of the non-profit organization described below, ensuring tight connections between the two entities. The final five seats would be nominated by the Board itself, and are intended as the "professional board" seats, reflecting expertise in fund development, legal expertise, real estate development, and any other fields deemed important to the success of the organization.

Public Development Authorities are unique to the state of Washington. There are only nine of them in existence, and their governance is different enough from other entities that it is essential that board members have expertise and experience with managing complicated corporate and public structures.

## NON-PROFIT

In our research we have found that Public Development Authorities tend to launch "twinned" nonprofits as better-understood fundraising portals for the PDA's operations. We envision a more central role for a nonprofit in the Cultural Space Agency, one that encompasses community development, cultural programming and curation, fundraising, and a strong public presence.

The nonprofit entity is perhaps the best understood and most ubiquitous of the various organizational entities within the Space Agency's "constellation" of structures. It is the most recognizable fundraising mechanism, and is the structure most commonly thought of for arts development and presentation. Nonprofits also have a strong history in community development and engagement.

But it is a non-profit's direct connection to mission, and its explicit dedication to responsiveness and its organizational selflessness, that interests us. The potential to have a community-driven mechanism for aligning around a shared mission is key to the success of the Cultural Space Agency.



## THE CITY

The City is the parent organization of the PDA, with authority given by the State of Washington. The City has the right and responsibility for oversight of PDA, with a requirement for annual financial reports and an independent auditor's report.

The mission of the Cultural Space Agency will be aligned with the goals of the City, and it is expected that multiple City departments will interface with the PDA. Our recommendation is that the City maintains the right to appoint five members of the PDA's Board of Directors. These five seats should be reserved for representatives from the five departments who most closely align with the work:

- The Mayor's Office of Policy and Innovation
- The Office of Arts & Culture
- The Office of Economic Development
- The Office of Housing
- The Office of Community Planning and Development

## COMMUNITY INVESTMENT ENTITIES

A series of for-profit corporations will be required to own each property the PDA invests in. These entities provide the opportunity for shared ownership models, either with nonprofit arts partners, with affordable housing providers, with social impact investors, or directly with community members.

These corporations would exist as subsidiaries to the Public Development Authority, and shares in them would be held by both the PDA and by partners invested in the work. The allocation of these shares is also the point at which non-financial capital can be recognized and translated into literal ownership. The PDA can cede its own shares in the properties to new partners based on financial investments, or based on "sweat-equity," or based on reparative and restorative models of community-building.

This is also where social impact investors can support community ownership. By investing in a property with strong growth, but capping returns, the balance of the growth can accrue to the philanthropic and community partners. Building on a model analogous to the deals structured by the Community Arts Stabilization Trust in San Francisco, this is also where nonprofit arts partners can build their equity, with the long-term goal of "buying out" the PDA completely and taking properties fully independent, owned by the arts organization with community partners.

# Staffing

## **PDA AND NON-PROFIT STAFF**

While management of the affairs of the PDA and the non-profit are the responsibility of their Boards, the organizations will need to have committed and knowledgeable staff to carry out day-to-day operations. Staff will need to have an understanding of the legal construct of both the PDA, the non-profit, and the LLCs, and be able to fulfill requirements regarding accounting, reporting, public transparency, etc.

We envision an initially shared staffing model between the PDA and the nonprofit. Core competencies to be addressed include:

- Commercial real estate development
- Fund development
- Community development
- Programming and curation
- Operations management
- Financial management
- Property management

# Public Benefit

The State of Washington's constitution prohibits any municipality, and by extension any Public Development Authority, from the gifting of public funds to any individual or organization.

If a benefit does accrue to an individual or organization (in the form of below-market rental rates, for example) then the recipient of the benefit must demonstrate that they have passed this benefit along to the general public. This is the theory behind "public benefit" requirements in City grantmaking.

As the PDA would be subject to the same restrictions as the City, it must require those receiving support from it to provide public benefit. The presence of the associated nonprofit 501(c)(3) is essential, then, in creating and distributing this public benefit, and creates another opportunity to ensure that the Cultural Space Agency in the aggregate stays connected to the public that it serves.

# Funding & Financing

## INITIAL CAPITALIZATION

A well-constructed cultural space-holding entity is useless unless fully capitalized. The City's ability to bond against a dedicated income stream is one way of creating a start-up fund that puts the Cultural Space Agency in a position to fulfill its mission. The Office of Arts & Culture has identified a dedicated funding stream, already committed to cultural space and antidisplacement efforts, that could be used to as a source of backing for a capital bond.

The Cultural Facilities Fund currently provides funds for improvements to, and construction of, cultural spaces. This Fund, which grew in 2018 to \$1,000,000 per year, could still be a significant source of capital funding for organizations if a portion of it were redirected to service bond debt to launch the Cultural Space Agency.

The dedication of \$500,000 per year (for 20 years) to debt service would provide a significant pool of launch capital for the Space Agency. The impact that initial capital could make on the City's efforts around cultural antidisplacement could far outweigh its temporary inflexibility servicing debt.

At that level of debt service, an issue of such a security, based on equivalent quality outstanding issues, would support a capital base in the range of \$12 to \$15 million.

## EARNED INCOME

The Cultural Space Agency would be entering what has been one of the most lucrative commercial markets in the United States. Property investment and management in the Seattle area is a source of enormous potential wealth, as a virtual army of property developers has demonstrated again and again over the past two decades. While past performance is no guarantee of future growth, the market is broadly expected to remain robust.

The Cultural Space Agency would remain mission-driven and mechanisms would exist to disallow the extraction of profit from its relationships with cultural and community-serving partners. That being said, there would also clearly be earned income in the form of rent received for space provided, even if that income was below market rate.

The potential also exists to curate a mix of tenant spaces, where mission-driven community and cultural uses could coexist beside market-rate tenancies. The first floors of 12th Avenue Arts, which host both mission-driven nonprofits at subsidized rates and locally-owned commercial restaurants at market rates side-by-side, provides an excellent example of this type of arrangement.

## CONTRACTED INCOME

The Cultural Space Agency can offer services for fees. These services may be of interest to a variety of clients, including the City (and other municipalities), private developers, foundations, and others. An independent entity could likely accomplish the same scope of work for less money than municipal entities.

# Property Control

There are multiple models for property acquisition and management that the Cultural Space Agency could explore.

## **MANAGEMENT FOR A FEE**

In this model, the actual site control could stay with the property owner, with the Space Agency running a sort of cultural brokerage and managing transitions in the space.

## **MASTER LEASE AND SUBLEASE**

The Cultural Space Agency could master-lease property and sub-lease it to artists and cultural organizations. In service of individual artists, this may look like an aggregated studio space, or rehearsal room, model. In mixed-use developments, the Agency could lease a single storefront and guarantee a cultural presence there long-term, or it could lease an entire floorplate and curate a healthy mix of uses side-by-side.

The Agency could negotiate longer-term leases than individual organizations might be able to achieve. It could negotiate lower lease rates by guaranteeing cultural occupancy. It could obtain leases where a lack of assets and credit might keep smaller organizations out of a space.

## **COMMERCIAL CONDO**

The ultimate anchor against displacement is ownership. The Cultural Space Agency should, whenever possible, seek equity stakes in properties in its portfolio. The commercial condo model allows the organization to be a part of large mixed-use developments without the risk and responsibility for an entire development. By purchasing only the space (typically the ground floor, or a portion of one) that the Agency intends to activate, it creates a condo association of two entities, the Space Agency and the building owner, encouraging a symbiotic relationship between the two.

This model has been explored successfully in Seattle by the Hugo House literary arts center, which moved into its commercial condo-ized fully owned space on Capitol Hill in 2018.

## **PROPERTY ACQUISITION**

Again, it is ownership that is the ultimate protection against displacement in a “hot” real estate market. The Cultural Space Agency could acquire properties through a variety of mechanisms, and in turn could either lease that property to cultural users, or partner with particularly stable cultural organizations on co-ownership models. Such models have been spearheaded by the Community Arts Stabilization Trust (CAST) in San Francisco, and are of particular interest in Seattle, where even stable, institutional cultural organizations in the rental market are subject to market-driven displacement.

Public Development Authorities are in the unique position of being able to receive real property from municipalities in the State of Washington without compensation. The City of Seattle maintains a list of, at any given point, nearly 100 properties that are considered “surplus to the City’s needs,” or otherwise “excess” property. It is possible that some of these properties would be appropriate for cultural activation. This model has been successfully piloted at the City-owned “K-Site” in Uptown, where the Office of Housing and the Office of Arts & Culture together issued an RFP to pair a housing provider with a cultural organization to activate the site collaboratively. That project, a partnership between Plymouth Housing and Path With Art, breaks ground in 2020.

The City also currently manages a number of “mutually offsetting benefit” leases with cultural organizations. In recent years the City, at the request of City Council, has actively (and unsuccessfully) sought to sell these properties to the leaseholders. The Public Development Authority could acquire these properties and continue to partner with cultural tenants to steward the public’s interest in the properties.

## **PROPERTY DEVELOPMENT PARTNERSHIPS**

Developing property from the “ground up,” especially in Seattle’s overheated real estate environment, is both incredibly difficult, requiring a varied set of skills and resources, and incredibly lucrative. The opportunity to partner on new development, and in particular to partner on the creation of mixed-use affordable housing and commercial projects, should be of great interest to a potential Cultural Space Agency. Partnership with the Cultural Space Agency, and the cultural tenancy that partnership guarantees, could also create a pathway for commercial property developers to access any development incentives the City provides for the creation of cultural space..

# Programming and Curation

Clearly the programming that inhabits these cultural spaces must be broadly reflective of Seattle's diverse cultural communities. It must intentionally and proactively seek racial equity. It must honor, and center, the voices and the passions of those who have historically been left out of Seattle's (and America's) mainstream cultural life. It must fight the institutionalized racism that has created our current situation, where roughly 6% of Seattle's cultural spaces represent communities of color, who are fully 30% of the general population).

## **INDIVIDUAL ARTISTS**

Cultural life often begins with an individual making some sort of cultural content, whether that is a woven basket, a welded sculpture, a song, or a meal. The Agency can support these individuals in a variety of ways, from hosting studio spaces to creating community centers to partnering on affordable housing options.

## **PROJECTS**

Often a project will arise out of individual efforts, or collaborative efforts between individuals. Often these projects are "ad-hoc" and do not result in, or require, an organization. The Agency can support these efforts on a temporary basis, supporting them through creative residencies, or the hosting of developmental space, or the exhibition or presentation of a finished product or project.

## **POP-UP EXPERIMENTS**

Often a new organization requires a testing period, a safety net, a set of training wheels. An appropriate temporary space is often difficult to find, and more difficult to renovate temporarily, and even more difficult to permit and occupy in a code-compliant manner. Modeled on such successful experiments as Storefronts Seattle, the Agency could support and curate a series of temporary pop-up activations that allow artists, organizations, and new small businesses the opportunity to experiment with occupancy.

## **ARTS AND CULTURAL ORGANIZATIONS**

This is what most people think of when they think of cultural space. These are the theaters, the cinemas, the galleries, the museums, the music halls, and the libraries that reflect a city's arts and cultural life back to itself. From the small and emerging to the institutional, the Agency can partner with arts and cultural organizations of all scales, of all types, of all disciplines, to help them thrive in place.

## **COMMUNITY-SERVING SMALL BUSINESSES**

Many of the cultural spaces and cultural organizations that the Agency should seek to support do not conform to traditional nonprofit or fine arts expectations. There are small businesses throughout Seattle that are reflective of cultural communities and are as vulnerable to displacement pressures as the nonprofit arts organizations described above. The Agency should seek to support a wide variety of both arts, cultural, and community-serving organizations and businesses.

# Outreach and Education

## **INCREASE CAPACITY AND AGENCY FOR CULTURAL SPACE USERS**

The Cultural Space Agency is well positioned to be the organizational home of the Build Art Space Equitably (B.A.S.E.) Cultural Space Certification program, and educational programs that offer skills to make artists and cultural space users better able to find and keep affordable places in their communities. The Cultural Space Agency can keep cultural space information up to date, and help people network for mutual advantage. By working closely with their constituents, the Cultural Space Agency can help fill expressed needs for advocacy and visibility for arts and cultural events in the City.

# Partnerships

## **IDENTIFY POTENTIAL PARTNERS**

A number of agencies and organizations are natural partners for the Cultural Space Agency. Creating alliances early can help leverage initial resources. For example, the City's Office of Housing would make a good partner in terms of creating cultural space at ground floor. The Office of Economic Development has a related interest in supporting small businesses, and most cultural uses are small businesses. Other City agencies, such as the Parks Department, own property that is occupied by cultural uses and may wish to consider having the PDA manage or program the space.

Non-profits, other PDAs and private sector property owners may be interested having the Cultural Space Agency manage or program portions of their properties.





# CASE STUDIES

*Ben Hunter and Joe Seamons  
Black & Tan Club  
Joe Iano, photographer*

# PDA comparisons

	Date Created	Authorizing Entity	#Board Members	Selection Method	Manage properties	Fund Raise	Affiliated Non-Profit	Constituency	Notes
<b>Pike Place Market</b>	1971	City of Seattle	12	4 by Mayor 4 by Board (Council) 4 by Constituency All confirmed by City Council	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	
<b>Seattle Indian Services Commission</b>	1972	City of Seattle	5	2 selected by United Indians of All Tribes 2 by American Indians Women's Service League (or successor) 1 by Mayor, which will serve as chairperson	<b>Y</b>	<b>Y</b>	<b>Y</b> 509(a)(1)		In 2012, the Mayor removed 4 of board members and installed the city's director of finance as board chair
<b>Historic Seattle</b>	1973	City of Seattle	11	4 by Mayor 4 by Board (Council) All confirmed by City Council	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>N</b>	Originally had constituency
<b>Seattle Chinatown/ International District Preservation &amp; Development Authority</b>	1974	City of Seattle	13	4 by Mayor Remainder by Board All confirmed by City Council	<b>Y</b>	<b>Y</b>	<b>N</b>	<b>N</b>	Originally had constituency; disbanded
<b>Capitol Hill Housing</b>	1976	City of Seattle	15	3 by Mayor rest by Board All confirmed by City Council	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>N</b>	7 Residents/ Property owners must live on Capitol Hill; must include at least 1 resident of CHH

	Date Created	Authorizing Entity	#Board Members	Selection Method	Manage properties	Fund Raise	Affiliated Non-Profit	Constituency	Notes
<b>Pacific Hospital Preservation and Development Authority</b>	1981	City of Seattle	9	4 by the Mayor of Seattle, 1 by the King County Exec, 4 by the Pacific Hospital PDA's Governing Council. The Seattle City Council confirms all appointments.	<b>Y</b>	<b>N</b>	<b>N</b>	<b>N</b>	
<b>Burke-Gilman Place Public Development Authority</b>	1983	City of Seattle	9	All mayoral appointments 4 from user facilities 5 at large The Seattle City Council confirms all appointments.	<b>Y</b>	<b>N</b>	<b>N</b>	<b>N</b>	
<b>Museum Development Authority of Seattle</b>	1985	City of Seattle	9	3 selected by Mayor 3 by Seattle Art Museum 3 by Board	<b>Y</b>	<b>N</b>	<b>N</b>	<b>N</b>	Fundraising is done by Museum
<b>4Culture</b>	2003	King County	15	Recent change to have King County Council members each select 1 Board member from their KCC District; 6 from County Executive	<b>N</b>	<b>N</b>	<b>N</b>	<b>N</b>	
<b>Historic South Downtown Community Preservation and Development Authority</b>	2007	State of Washington	13	Elected by community Board positions allocated to neighborhoods; residents, non-profits, businesses and arts	<b>N</b>	<b>N</b>	<b>N</b>	<b>N</b>	Only Community Preservation and Development Authority authorized by the State; created to soften impacts of development on neighborhoods

# Case studies

## 4 Culture

### ABOUT

4Culture evolved from the Office of Cultural Resources, a department of King County government, which housed King County's arts, heritage, preservation and public art office. In 2001, in reaction to the post-9/11 economic recession and subsequent elimination of its Current Expense (CX) funding, the Office of Cultural Resources staff proposed to the King County Executive and Council that they transition the office to a Public Development Authority (PDA).

This structure allowed dedicated public funds to be stretched further through business innovations and allowed access to other revenues, including grants and earned income through consulting services, that are traditionally beyond the reach of a government agency. The County Council approved the establishment of the Cultural Development Authority of King County in September 2002, effective January 1, 2003.

### MISSION

4Culture is the cultural funding agency for King County, putting public dollars to work to foster a vibrant region in the County through four program areas: arts, heritage, historic preservation and public art.

### RELEVANCE

While 4Culture does not own property, it supports both people working in arts and culture, and the creation, preservation and activation of cultural space. It has processes for selecting artists and programming that may be relevant to the cultural space agency's programmatic function.

### STRUCTURE

The 4Culture Board of Directors has 15 members, nominated by the King County Executive and confirmed by the King County Council. It is a governing board that oversees operations and has fiduciary responsibility. For this reason, it is important that the Board have a full range of expertise for operations and decision-making. Board members also need to represent the geographic diversity of the County as well as age, ethnicity, and knowledge of aspects of the mission.

4Culture has four advisory committees; one for each of their program areas—Arts, Heritage, Historic Preservation and Public Art.

### FINANCES

#### Revenue

Lodging taxes and 1% for Art are the primary funding sources. 4Culture does very little fund raising because it does not want to compete with the organizations that they support.

#### 2016 Revenues

Lodging Tax	\$3,285,499
King County Appropriations	\$986,159
Public Art Consulting	\$215,258
Investment Earnings	\$307,598
Other	\$428,511

#### Expenditures

Primary expenditures include grants to support arts, heritage and preservation, and funding of public art projects.



## ITEMS OF NOTE/LESSONS LEARNED

- 4Culture has programs that help fund the creation, activation and preservation of space for arts and culture, which could support some of the work of a new Cultural PDA. For example, Cultural Facilities Grants help organizations “acquire, build, or renovate the buildings that make cultural experiences possible”. For historic properties, the Preservation Action Fund, may also be a source of funding.
- Dedicated funding sources offer stability; however, with two primary funding sources there is some vulnerability should either or both be threatened.
- While outside the heart of government structure, PDAs are still subject to political forces. In 2018, the King County Council passed an ordinance that allowed more direct management of 4Culture from the Council, despite protests from the arts community.
- While 4Culture has become a major grantmaking force in the region, they have yet to explore the other opportunities their PDA structure allows.

**“The structure of a PDA eliminates the distraction of being part of a government agency. It allows you to focus on the mission”**

—Jim Kelly, Former Executive Director, 4Culture

# Capitol Hill Housing

## ABOUT

Capitol Hill Housing (CHH) is a PDA with an affiliated nonprofit, and a number of project-related LLCs. Historically based in the Capitol Hill neighborhood, their property is now also located in the Central District, Belltown, West Seattle and other Seattle neighborhoods. They will consider development joint ventures with land owners (non-profits and others) who have a desire to redevelop sites to include an affordable housing component. CHH also seeks to purchase existing multifamily buildings, including properties in need of renovation. They describe themselves as follows:

*"CHH builds vibrant and engaged communities through affordable housing and community development. CHH owns and manages 48 affordable properties throughout the Seattle area. Since 1976, we have served low- and moderate-income residents and have worked to improve neighborhoods for all.*

*CHH is actively seeking to expand its portfolio to help address the current affordability crisis in Seattle. We aim to accomplish this through two primary strategies—development of new affordable properties and acquisition of existing buildings that are either currently operated in an affordable manner or suitable for conversion to long term affordable housing. We are flexible on deal terms and willing to consider a variety of transaction structures." – Capitol Hill Housing Real Estate Acquisition Criteria*

## MISSION

*"The purpose of the Program shall be to assist homeowners, property owners, residential tenants and residents of the Capitol Hill community in preserving, improving and restoring the quality of their homes, property and neighborhood, and to provide additional housing, cultural, social and economic opportunities and facilities. The Program shall function primarily within the Capitol Hill community... However, the Program may provide these services, activities and facilities outside of these boundaries with approval of the PDA Board of Directors..." – Charter of the Capitol Hill Housing Improvement Program, 2011 update*

## RELEVANCE

CHH focuses primarily on the affordability crisis for places to live. The cultural space entity's mission is parallel, focusing on the affordability of cultural space. CHH's experience in acquiring, owning, renting and maintaining property is directly relevant to the cultural space agency. CHH also partners with others with projects such as the development surrounding the Capitol Hill Light Rail Station.

## STRUCTURE

15-member board includes community members and institutional representatives; legal, real estate development, financing and marketing expertise. Board members are confirmed by the Seattle City Council. CHH also includes 21 related entities—3 nonprofits and 18 limited liability companies. Although legally separate, the financial statements of these related entities are included in the CHH audit reports because they are considered instrumentalities of CHH.

## FINANCES

### Assets and Liabilities

CHH's primary assets, consistent with its mission, include its land, buildings and building improvements. Other assets include cash reserves for repairs and replacements and debt service as required by lenders. Liabilities consist primarily of long-term debt that has been used to purchase, develop and rehabilitate owned buildings. Many of these loans have been provided at below-market rates from governmental entities, and do not require annual debt service.

### Revenue

The majority of CHH's revenue comes from rental income and property management fees. They are limited in their ability to increase tenant revenues, because rents are regulated. They work to turn over units as quickly as possible to avoid vacancy loss, and typically have extremely low vacancy rates, averaging 3.0% in 2016.

CHH also earns development fees for its management role in the development of new properties, and this revenue varies from year to year depending on the current projects. In 2015, CHH earned approximately \$400,000 for the commercial components of the 12th Avenue Arts project. The 2014 developer fees were much higher, at nearly \$2.3 million, and 2016 was down to \$12,552.

Contributions and grants are part of the revenue mix, accounting for 12% of total revenue in 2016. Some of this came from the Capitol Hill Housing Foundation, the affiliated 501(c)3 non-profit supporting Capitol Hill Housing.

### Expenses

Salaries (including benefits and payroll taxes) are the organization's largest operating expense, followed by interest expenses, particularly from the long-term financing of properties.

## ITEMS OF NOTE/LESSONS LEARNED

- Relies on tax policies such as the Low Income Housing Tax Credit program, but must fundraise for commercial space on street level
- Availability of credit and tax credit equity partners affects the ability to do new projects and recapitalize existing projects.
- Competition for scarce resources – State and local funds, corporate and foundation donations

**“Don't underestimate the amount of effort needed to comply with the bureaucratic requirements of a PDA.”**

—Michael Siewerath

# Pike Place Market

## ABOUT

The Pike Place Market PDA was chartered in 1973 by the City of Seattle to develop, own, and operate most of the properties in the nine-acre Pike Place Market historic district. The PDA is landlord to 200+ year-round commercial businesses, 170 crafts people, 110 farmers, and 275 apartment dwellers, many of whom are elderly.

## PURPOSE

The PDA’s mission and charter purposes are:

- Preserving the traditional character and uses of the Public Market;
- Renewing, rehabilitating, preserving, restoring and developing structures and open spaces in and around the Market Historical District;
- Continuing the opportunity for Public Market farmers, merchants, residents, shoppers and visitors to carry on traditional market activities;
- Initiating programs to expand food retailing in the District, especially the sale of local farm produce;
- Providing goods, services and housing to low and moderate income people;
- Promoting small-owner operated businesses that have the opportunity to thrive in a unique community where producers meet and interact with consumers;
- Considering the views of the public and the Market community in establishing policies, programs and budgets to further the preservation objectives of the Market.

## RELEVANCE

Like the proposed cultural space entity, Pike Place Market owns and manages property, provides affordable space to small businesses (farmers, artisans, merchants etc), and supports and preserves a key piece of Seattle’s soul. Its mission serves the community of the Pike Place Market, Seattle overall, but is also a major attraction for visitors and an economic engine.

## STRUCTURE

**PDA**  
The majority of the Market is owned and managed by the Pike Place Market Preservation & Development Authority. The Charter calls for the PDA to preserve, rehabilitate and protect the Market’s buildings; increase opportunities for farm and food retailing in the Market; incubate and support small and marginal businesses; and provide services for low-income people. The PDA has a twelve-member council. Four members are appointed by the mayor, four by the Council itself, and four are elected by the Market Constituency.

**Constituency**  
The Pike Place PDA Constituency is a mechanism for on-going public participation in the Market. Any Washington State resident aged 16 and up can be a member of the Pike Place constituency for an annual membership fee of \$1.

**Foundation**  
Founded in 1982, the Pike Place Market Foundation is in many ways the public face of the Market, supporting the people that form the Pike Place Market community. Since its inception, the Market Foundation has granted more than \$27 million to provide housing, healthcare, healthy food, childcare and a community of support to our most vulnerable neighbors. They support the Pike Market Senior Center, Food Bank, Childcare & Preschool, Neighborhood Health Center, Urban Garden, Heritage House, the Market Commons, Community Safety Net, and manage MarketFront, which opened in 2017.

## HISTORICAL COMMISSION

In 1971, Seattle citizens voted to create a Pike Place Market Historic District and the Pike Place Market Historical Commission to preserve its physical and social character as “the soul of Seattle.” The Pike Place Market Historical Commission continues to provide guidelines and regulatory oversight of the buildings and all activities within the district.

## FINANCES

Commercial tenant revenue represents nearly 60% of total revenue and is most affected by economic conditions. The Market also receives revenue from residential rents; daystalls and parking. Some rents are market-rate and others are regulated because of HUD subsidies. Parking is a major revenue source. Event space rental is a smaller source of revenue; with rentals for special events and classes in the Atrium Kitchen. PPM markets rentals for private events, weddings, and corporate meetings. Miscellaneous revenue is also received from security contracts, management fees, investment earnings, filming contracts, and interest earnings on PDA reserves.

### Expenses

Operational expenses include security, maintenance, facilities, utilities, insurance, and property management services. The Pike Place Market has 113 full time employees: Property Management (commercial, residential, day stalls & farms, parking), Operations (facilities, security, maintenance, capital projects), Administration (management, office administration & human resources, information systems), Programs (programs & events, marketing & communications).

Budgets allow for capital spending, with fixed obligations including debt service and reserves while maintaining an operating reserve. In 2013, a Capital Needs Assessment Study was done, with necessary repairs were identified, and a Capital Repair and Replacement Fund put in place for ongoing projects.

## ITEMS OF NOTE/LESSONS LEARNED

- Pike Place Market owns, manages and programs property that is in essence cultural. They have deep experience in maintaining facilities, building new facilities, and keeping rents affordable.
- Their structure includes the PDA, the Foundation, and the Constituency.
- The proposed cultural space entity may want to include an equivalent of the Constituency for a variety of reasons and purposes.
- The Charter and by-laws should be clear on the specific roles of a PDA vs an associated 501(c)3, and the relationship between the two. The Foundation of PPM is more of the public face and community connection for the Market, and funds/manages some of the programmatic activities.

**“Look for properties that are revenue positive, and keep your debt service as low as possible.”**

—John Turnbull, Pike Place Market PDA

# Historic Seattle

## ABOUT

*"Since 1974, Historic Seattle has been dedicated to preserving Seattle and King County's architectural legacy. Historic Seattle believes that historic places provide an essential link to the past, reminding us of who we are and where we came from." – Historic Seattle website*

Historic Seattle is comprised of a PDA chartered by the City of Seattle in 1974 and a 501c3 charitable organization founded in 1996. Membership organization They accomplish their mission by 1)presenting educational programs to members and the public, 2) advocating for preservation, and 3) ownership and stewardship of historic properties. These properties include the Victorian Row Apartments, Egan House, Good Shepherd Center, Dearborn House, Cadillac Hotel, Belmont-Boylston Houses, and Washington Hall.

## MISSION

The mission, stated on the Historic Seattle website:

*"For the mutual pride and benefit of all citizens and to foster a more livable environment, Historic Seattle protects Seattle's architectural heritage through educational programs, advocacy, and the preservation of buildings and cultural landscapes."*

## RELEVANCE

Historic Seattle owns, renovates, manages and rents properties, some with cultural space users for tenants. They have partnered with 4Culture and non-profits on programming for Washington Hall.

Historic Seattle uses protective easements that address their mission-based concern of historic integrity; there may be a corollary for the Cultural Space Agency in some kind of easement for retaining space

for cultural use. Their advocacy role may be applicable to the Space Agency if desired.

## STRUCTURE

Historic Seattle Preservation and Development Authority has affiliated organizations including the Foundation (Historic Seattle Preservation Foundation), and building-specific entities (Cadillac Rehabilitation LLC, Washington Hall).

## FINANCES

The majority of Historic Seattle's revenue comes from commercial and residential tenants. Major operating expenses are salaries and property management expenses including operations, maintenance and utilities. Audits for Historic Seattle are available on line through the Washington State Auditor's office.

**ITEMS OF NOTE/LESSONS LEARNED**

- Historic Seattle holds protective easements for facades to ensure that the exteriors of historic properties remain intact and original.
- Historic Seattle has capital campaigns specific to particular projects. Washington Hall is an example, where \$9.8 million was spent to purchase and rehabilitate the building. The team effort to fundraise included Historic Seattle, 4Culture, King County's Historic Preservation Program, and the Washington Trust for Historic Preservation. \$2 million came from King County's Building for Culture Program. \$2.5 million in New Market Tax Credit equity was used.



# Non-profit comparisons

	Date Created	Purpose	#Board Members	Notes
<b>Southeast Effective Development (SEED)</b>	1975	Improve the quality of life in Southeast Seattle by creating partnerships and inspiring investments in housing, arts and economic development – with a special focus on residents with fewer opportunities and resources	10	In addition to affordable housing and economic development, SEED (through SEEDArts) provides opportunities for professional artists, exposure to the arts, enhancement of public space through the arts, and support for community-based arts through facilities to work, perform, exhibit and teach
<b>Capitol Hill Housing</b>	1976	Lead CHH communications and outreach efforts in the community	14	Executive Director of the Foundation is also a VP of the PDA
<b>Plymouth Housing</b>	1980	Provide very low income housing	23	Also has a 13-member Advisory Board
<b>Pike Place Market Foundation</b>	1982	Nurture a thriving Market community; provides housing, healthcare, childcare & healthy food	39	
<b>CIDpda</b>	1994	Fundraising	14	Fundraising arm affiliated with SCIDPDA
<b>Historic Seattle Foundation</b>	1996	Protect Seattle’s architectural heritage through educational programs, advocacy, and the preservation of buildings and cultural landscapes	6	No distinction between PDA and Foundation staff
<b>Forterra</b>	1996	Protect, enhance and steward our region’s communities and landscapes	27	Previously Cascade Land Conservancy. Also have Regional Leadership Councils and a for-profit subsidiary that pursues conservation and community development projects as an entrepreneurial investor

# Non-profit case studies

## Pike Place Market Foundation

### ABOUT

The Pike Place Market Foundation was established in 1982 to lead the community-based aspects of the Pike Place Market, including housing, healthcare, healthy food, childcare and support for vulnerable neighbors. The Foundation led the funding and expansion of the Market with the new "MarketFront".

### MISSION

*"Pike Place Market Foundation supports the heart of the Market—its people."*

—Pike Place Market Foundation website

### RELEVANCE

The Foundation is the programming, fundraising and community-related arm of the Market, similar to the way that a non-profit could be the people and community side of a cultural space entity, with a PDA focusing on the real estate side.

### STRUCTURE

According to their website, The Pike Place Market Foundation has 39 members of the board, which gives the Foundation wide connection to communities and access to potential funders. The Board has a 7-member set of officers, which is a more manageable size for decision making.

The Market Foundation has 9 employees, including an Executive Director, Fund Development Manager, Fiscal Administrator, and Community Relations Manger.

### FINANCES

The Foundation's 2017 financials show that the organization brought in over \$2 million in revenue for the year. Over half of that revenue came from contributions and bequests, and a significant amount came from special event revenue.

### ITEMS OF NOTE/LESSONS LEARNED

- Connection to community is key to the mission and to funding for program elements, and the strong face of the Foundation can be a successful approach to that end.
- A 39-person board has advantages, but needs to be nimble enough to make decisions.

# Historic Seattle Preservation Foundation

## ABOUT

Historic Seattle has programs in education, advocacy and preservation. Their education program produces a wide range of events for the public and an annual awards program. They advocate for preservation by working with individuals, community groups and policy makers. Historic Seattle offers technical assistance and teaching tools for advocacy. The Foundation raises funds to assist in preservation projects.

## MISSION

The PDA and the non-profit share the same mission of fostering a more livable environment by protecting Seattle's architectural heritage.

## RELEVANCE

Historic Seattle works with both real estate and advocacy for a defined mission, similar to the proposed cultural space organization.

## STRUCTURE

The Foundation Board has six members, including the Executive Director of Historic Seattle. There is no distinction made between staff of the PDA and the Foundation; titles include a Director of Philanthropy, Philanthropy & Communications Coordinator, Philanthropy & Program Assistant, and an Education Program Manager.

## FINANCES

While most of the organization's funding comes from rents, a significant amount of money is raised through event fees, membership dues, grants, donations and consulting fees. People are encouraged to support Historic Seattle's non-profit work by becoming members of the Supporter's Circle at one of the levels of membership. The membership includes a number of benefits.

## ITEMS OF NOTE/LESSONS LEARNED

- The PDA and Foundation can choose to have a combined public face
- *Preservation News* is their newsletter which connects the community to news and programs

# Capitol Hill Housing Foundation

## ABOUT

The Capitol Hill Housing Foundation is a 501(c)(3) non-profit associated with Capitol Hill Housing's PDA.

## MISSION

The mission of the Capitol Hill Housing Foundation is to raise funds to sustain general operations at Capitol Hill Housing, to expand programs including resident services, and help launch new initiatives.

Capitol Hill Housing launched the Foundation in 2011, and a news release stated the purpose of the Foundation:

*"Helping families, keeping rents affordable, and supporting new building development, the foundation keeps neighborhoods and CHH strong. The foundation connects CHH's mission and work to the broader community through communications and outreach activities."*

## RELEVANCE

The Foundation is the fundraising arm of a PDA, similar to the way that a non-profit could be the fundraising side of a cultural space entity, with a PDA focusing on the real estate side.

The news release quoted above also noted the reason the PDA wanted to have an associated non-profit:

*"Because Capitol Hill Housing is a Public Development Authority (PDA) it is bound by the rules and regulations of a municipal corporation. Therefore it is advantageous to have a separate 501c3 foundation leading the fundraising activities, free of the limits placed on a PDA."*

## STRUCTURE

The Capitol Hill Housing Foundation has 14 board members, including the CEO of Capitol Hill Housing.

## FINANCES

The Foundation's most recently available financials show over \$2 million in revenue, primarily from contributions and government grants.

## ITEMS OF NOTE/LESSONS LEARNED

- The Capitol Hill Housing Foundation is built on the successful models of the Pike Place Market Foundation and the Seattle Public Library Foundation.
- The intent in creating the foundation was to diversify support by expanding individual and grant donations.
- The Foundation hosts a successful annual fundraising event that, in addition to raising money, supports the mission by connecting supporters and raising the profile of the organization.

# Community Arts Stabilization Trust

## ABOUT

Community Arts Stabilization Trust (CAST) works to keep artists in California's Bay Area from being displaced by purchasing and leasing space for the exclusive use of nonprofit arts organizations. CAST raises funds and creates innovative financial vehicles to take properties off of the real estate market and offer secure permanent space for community arts and culture organizations, allowing artists to sustain their own creativity. CAST's model supports healthy neighborhoods by keeping arts at the center of economic and community development. The organizations that they support include a diverse mix of cultural organizations and artists.

Resources to support art space include New Market Tax Credits and philanthropic grants. These funds are leveraged through public-private partnerships. Funds are used to subsidize rent prices for arts institutions, to acquire real estate properties, to structure multi-tenant leases with CAST as the master lease holder, and to develop capacity and financial stability for arts organizations to buy out their leases from CAST over time.

## MISSION

CAST was founded on the belief that the arts drive strong, vibrant, diverse communities. CAST secures space and works with community arts organizations to help develop and strengthen their financial

and organizational capacity to purchase permanent facilities and navigate complex real estate issues. By collaborating

with local government agencies, businesses, civic leaders, funders and artists, CAST celebrates, promotes, and preserves artistic and cultural traditions and innovations. Through CAST, San Francisco will remain a vibrant and thriving home for arts organizations that will foster creativity, community participation, economic development and neighborhood well-being.

## RELEVANCE

CAST shares the Seattle's goals for supporting space for arts and culture, and models creative financing techniques and the ability to leverage funds. CAST is one of the most relevant organizations nationally in terms of the roles a non-profit can play in creating and preserving stability for arts organizations.

## STRUCTURE

CAST is a 501c3 organization, with a seven member board and six staff.

## ITEMS OF NOTE/LESSONS LEARNED

- Non-profits can accomplish many of the functions anticipated for the cultural space organization.
- The partnerships with Northern California Community Loan Fund and the Rainin Foundation are extremely helpful to CAST.
- The mission of permanency is laudable; however, the proposed cultural space organization will need to balance permanence with meeting immediate needs and the ability to leverage funds.





*Vanessa Villalobos  
Balorico  
Photo: Joe Iano*



# **APPENDIX / RESOURCES**

# How is Cultural Space defined?

Cultural Space includes all spaces whose primary purpose is to present or support artists and culture-makers, and their art and culture:

- All **arts presentation** spaces. These include but are not limited to museums and galleries, live theaters and cinemas, bookstores and record stores, live music venues, and multidisciplinary arts spaces. These spaces are typically open to the public.
- All spaces dedicated to **artists' creative process** and the **creation of artistic product**. These include but are not limited to artists' studios, music and theater rehearsal rooms, film and video studios, music recording facilities, writers' centers, and industrial spaces dedicated to the creation of artistic product. These spaces may be shared between artists or individually dedicated.
- All publicly accessible spaces that **supply the means of creative production**. These include but are not limited to art supply stores, musical instrument stores, and film and video equipment supply stores.
- All **arts training** and **arts education** spaces. These include but are not limited to art schools, theater training facilities, literary arts centers, arts departments at large educational institutions, and any other classroom or other space dedicated to teaching the arts.
- **Artists' live/ work space**—spaces that serve a dual function to both

house the artist and their family, and to provide creative space in which to conduct their artistic practice. These include but are not limited to residential units with dedicated contiguous work space, and commercial or industrial work spaces with dedicated contiguous residential space.

- Work space for **arts support organizations**. These include but are not limited to spaces occupied primarily by arts funding organizations, arts sector support organizations, and arts advocacy organizations.
- Space primarily occupied or utilized by **cultural heritage organizations**. These include but are not limited to ethnic community meeting spaces, gathering spaces for immigrant communities, traditionally monocultural spaces dedicated to celebrating a unique heritage, and other spaces, either shared or dedicated, that support diverse communities.

Cultural Space is, to borrow terms from the United States Supreme Court, something that “is difficult to describe, but you know it when you see it.” There will always be an element of subjectivity in the defining of cultural space, and the decision over whether a certain space qualifies or not. We embrace this subjectivity and the need for ongoing evaluation of definitions.

In short, Cultural Space is simply the space that surrounds art. How do you create cultural space? Create art, support art, show art. The space above, below, in front of and behind that art becomes cultural space.

—CITY OF SEATTLE,  
OFFICE OF ARTS & CULTURE

# Cultural Space Needs Survey Summary

## Q1 What goes on in your space?

- Full range of activities represented—visual arts, performing arts, film, maker spaces
- Teaching goes on in a significant number of spaces (39%)
- Informal community gatherings go on in a significant number of spaces (40%)
- Eating & drinking significant number of spaces (33%)
- Other activities include galleries/art installations, presentations, lectures/talks, art park, offices for arts organizations, meeting space

## Q2 What types of space do you need?

- This sample of respondents has a high need for studio space, gallery space and maker space
- Full range of spaces needed—storefront, performance space, film showing, office and living space
- Additional responses include storage space, event/gathering space, outdoor venues and work area, spaces that allow fire, shop space, radio space

## Q3 If the space is used for performance or teaching, what is the capacity you need?

- Almost half are looking for “intimate spaces” that hold 20 or less
- Another 18% are looking for small spaces accommodating fewer than 60
- Medium (60-120) and Medium Large (120-300) desired by 13% each

- Spaces over 300 only needed by 8%

## Q4 What is the size of your organization?

- The majority of respondents are small (85%), with a budget of under \$250,000/yr
- Medium size organizations (\$250,000 - \$1M) comprise 9%, 6% are over \$1M

## Q5 Cost to rent?

- Square foot costs vary from less than \$1/sf to \$3/sf (1 outlier), with an average of \$1.64
- Monthly rent varies a great deal depending on size and quality of space, from below \$1000 to over \$10,000

## Q6 If you are a renter, has your rent increased in the past five years?

- Rent has not risen for 22% of respondents who rent
- The majority of renters have seen a rent increase, but below 10% (57% of respondents)
- 22% have seen their rent rise more than 24%; another 20% have seen increases over 40%

## Q7 If you own, what financial pressures do you experience?

- Increases in maintenance costs, taxes and insurance were noted by at least a third of owners
- It was pointed out that non-owners are also subject to these same cost increases, either directly or passed through from owners

**Q8 Are you concerned about the real estate market's effect on your organization's stability?**

- 90% of respondents were either somewhat (38%) or very (54%) concerned about the real estate market's effect on their work

**Q9 Are you concerned about how the real estate market will affect your constituencies?**

- Over 85% of respondents were either somewhat (22%) or very (64%) concerned about the real estate market's effect on their constituencies

**Q10 Do you anticipate that you will need to relocate in the next five years?**

- 63% of respondents anticipate the need to move in the next five years

**Q11 If you are likely to move why would it be necessary?**

- Cost increases are the most likely anticipated cause for moving for over half of respondents
- Another cause is that the building is likely to be redeveloped (about a quarter)
- Other causes include audience displacement, ADA accessibility, the need for more space

**Q12 If you are likely to move how do you think it will affect you?**

- Over 40% of respondents believe moving will reduce quality and quantity of space
- 16% anticipate better or larger spaces
- Similar numbers reflect a negative impact on mission (39%) or positive impact on mission (16%)
- Several respondents are saddened by the likelihood of needing to leave Seattle and its impact on the city. There are concerns about inconvenient public transportation or lack of parking, the quality of a less vibrant neighborhood.

**Q13 Have you relocated in the last five years?**

- About a third of respondents have moved in the last 5 years
- An additional 9% has moved more than once in the last 5 years

**Q14 If you moved, was cost a factor in the decision to relocate?**

- Yes, 55%, No, 45%

**Q15 If you moved, what were the impacts on your organization?**

- Two-thirds of respondents that moved reported an improvement in the quality of new space
- 22% reported a reduction in quality of the space, 10% reported the change was neutral

**Q16 If you moved, was there an impact on the size of space?**

- Over half of the responders who moved reported an increase in the size of their space
- A third reported a reduction in space, and for 13%, there was no change in size

**Q17 If you moved, what was the effect on revenue?**

- Answers were split, with an equal number reporting increases as decreases in earned revenue

**Q18 If you moved, what was the effect on your mission?**

- Of those that moved, over half reported a positive effect on mission
- The remainder was split between a negative impact and no impact

**Q19 What size space do you need?**

- The largest demand (38%) was for the smallest spaces (under 1,000 sf)
- Next largest demand (34%) was for spaces less than 2,500 sf
- Mid-size spaces needed by 18%, Large spaces over 7,500 sf needed by 9%

**Q20 What characteristics would you want for any new space?**

- Most popular attributes were daylight (78%) and street level visibility (53%)
- Other desired attributes include soundproof, column-free, raked seating, good public transportation, parking availability, event space, ability to be noisy at night, 240 volt power, sinks, ADA accessibility, truck access, ability to include fire art, temperature control, good ventilation, access to an outdoor area, ability to place radio antenna on roof.

**Q21 What kind of ownership would be your preference in the future?**

- Over half the respondents were interested in ownership, long term lease or shared space
- 37% were interested in rent to own
- There is some interest in other forms of ownership, i.e. land trust (18%)

**Q22 Do you as an individual, or your organization, represent a community of color?**

- Yes, 31%; No 69%

**Q23 Are there kinds of technical assistance that you would find useful?**

- There is a strong demand for technical knowledge and assistance for most options listed (locating space, evaluating space, property acquisition, renting /leasing issues, tenant improvements, sharing space, adapting space, understanding codes & regulations, finding partnerships, financing, institutional readiness, alternate forms of ownership, and engaging community)

# Financial Scenario Planning

Owen Levin, Director of Finance and Operations at the Community Arts Stabilization Trust (CAST), was contracted to develop a series of estimating tools customized to our proposed operational model. With a series of linked spreadsheets, it is possible to test different amounts of initial capitalization and options for investing the funds.

Further, Seattle's Equitable Development Initiative, in the Office of Planning and Community Development, has dedicated staff resources to this project to assist with the creation of a series of pro-forma tools to test various models.

Multiple versions of these experiments were run, and will continue to be run, exploring various configurations of complementary cultural spaces. Models ranging from master-leasing to commercial condo ownership to site acquisition to site development are being estimated. Uses such as aggregated studio spaces, or cinema festival centers, or multidisciplinary centers, are being tested.

These explorations will continue and will become more granular as specific properties and organizations are plugged into scenario planning.

	A	B	C	D	E	F	G	H	I
Property 2		Storage & Mechanical Ground		250	0	\$0.00	\$0.00	\$0.00	\$0.00
		Trash Room and Load Ground		225	0	\$0.00	\$0.00	\$0.00	\$0.00
		Other Common Area (Ground)		0	0	\$0.00	\$0.00	\$0.00	\$0.00
		Gallery Space (Ground)		1,500	1,500	\$1.00	\$12.00	\$1,500.00	\$18,000.00
		Storage (Ground)		150	150	\$1.00	\$12.00	\$150.00	\$1,800.00
		Common Restrooms (Ground)		250	250	\$0.00	\$0.00	\$0.00	\$0.00
		Storage & Mechanical Ground		250	0	\$0.00	\$0.00	\$0.00	\$0.00
		Trash Room and Load Ground		225	0	\$0.00	\$0.00	\$0.00	\$0.00
		Other Common Area (Ground)		0	0	\$0.00	\$0.00	\$0.00	\$0.00
		Office Space (Ground)		1,500	1,500	\$1.50	\$18.00	\$2,250.00	\$27,000.00
Property 3		Meeting Rooms #1 (Ground)		250	250	\$0.00	\$0.00	\$0.00	\$0.00
		Storage (Ground)		150	150	\$1.00	\$12.00	\$150.00	\$1,800.00
		Common Restrooms (Ground)		250	250	\$0.00	\$0.00	\$0.00	\$0.00
		Storage & Mechanical Ground		250	0	\$0.00	\$0.00	\$0.00	\$0.00
		Trash Room and Load Ground		225	0	\$0.00	\$0.00	\$0.00	\$0.00
		Other Common Area (Ground)		0	0	\$0.00	\$0.00	\$0.00	\$0.00
		Office Space (Ground)		1,500	1,500	\$1.50	\$18.00	\$2,250.00	\$27,000.00
Property 4		Meeting Rooms #2 (Ground)		250	250	\$0.00	\$0.00	\$0.00	\$0.00
		Storage (Ground)		150	150	\$1.00	\$12.00	\$150.00	\$1,800.00
		Common Restrooms (Ground)		250	250	\$0.00	\$0.00	\$0.00	\$0.00
		Storage & Mechanical Ground		250	0	\$0.00	\$0.00	\$0.00	\$0.00
		Trash Room and Load Ground		225	0	\$0.00	\$0.00	\$0.00	\$0.00
		Other Common Area (Ground)		0	0	\$0.00	\$0.00	\$0.00	\$0.00
		TOTALS		10,000	7,450	\$4.28	\$45.33	\$8,650.00	\$106,200.00

CAST Temporary User Revenue	Level	Gross Leasable Area (GLA)	Net Leasable Area (NLA)	# Members	Gross Hours/Month	Hourly Rental Cost	Potential Monthly Rental
Meeting Rooms #1	Ground	250	250	30	30	\$35.00	\$1,050.00
Meeting Rooms #2	Ground	250	250	25	25	\$327.00	\$8,175.00
TOTALS		500	500	-	55	\$362.00	\$1,725.00

Event Sharing	Level	Gross Leasable Area (GLA)	Net Leasable Area (NLA)	# Events/Month	Net Revenue/Event	Potential Event Revenue/Month	Potential Event Revenue/Year
Summary	Development	Affordable Ground	Aggregated Studio				

Property 1		Cafe (Ground)		3,000	3,000	\$2.50	\$30.00	\$7,500.00	\$90,000.00
		Studio Space (Ground)		8,000	8,000	\$1.00	\$12.00	\$8,000.00	\$96,000.00
		Storage (Ground)		900	900	\$1.00	\$12.00	\$900.00	\$10,800.00
		Common Restrooms (Ground)		1,500	1,500	\$0.00	\$0.00	\$0.00	\$0.00
		Storage & Mechanical (Ground)		1,500	0	\$0.00	\$0.00	\$0.00	\$0.00
		Trash Room and Load Ground		1,350	0	\$0.00	\$0.00	\$0.00	\$0.00
		Other Common Area (Ground)		0	0	\$0.00	\$0.00	\$0.00	\$0.00
Property 2		Gallery Space (Ground)		8,000	8,000	\$1.00	\$12.00	\$8,000.00	\$96,000.00
		Storage (Ground)		900	900	\$1.00	\$12.00	\$900.00	\$10,800.00
		Common Restrooms (Ground)		1,500	1,500	\$0.00	\$0.00	\$0.00	\$0.00
		Storage & Mechanical (Ground)		1,500	0	\$0.00	\$0.00	\$0.00	\$0.00
		Trash Room and Load Ground		1,350	0	\$0.00	\$0.00	\$0.00	\$0.00
		Other Common Area (Ground)		0	0	\$0.00	\$0.00	\$0.00	\$0.00
		Office Space (Ground)		8,000	8,000	\$1.50	\$18.00	\$12,000.00	\$144,000.00
Property 3		Meeting Rooms #1 (Ground)		1,500	1,500	\$0.00	\$0.00	\$0.00	\$0.00
		Storage (Ground)		900	900	\$1.00	\$12.00	\$900.00	\$10,800.00
		Common Restrooms (Ground)		1,500	1,500	\$0.00	\$0.00	\$0.00	\$0.00
		Storage & Mechanical (Ground)		1,500	0	\$0.00	\$0.00	\$0.00	\$0.00
		Trash Room and Load Ground		1,350	0	\$0.00	\$0.00	\$0.00	\$0.00
		Other Common Area (Ground)		0	0	\$0.00	\$0.00	\$0.00	\$0.00
		Office Space (Ground)		8,000	8,000	\$1.50	\$18.00	\$12,000.00	\$144,000.00
Property 4		Meeting Rooms #2 (Ground)		1,500	1,500	\$0.00	\$0.00	\$0.00	\$0.00
		Storage (Ground)		900	900	\$1.00	\$12.00	\$900.00	\$10,800.00
		Common Restrooms (Ground)		1,500	1,500	\$0.00	\$0.00	\$0.00	\$0.00
		Storage & Mechanical (Ground)		1,500	0	\$0.00	\$0.00	\$0.00	\$0.00
		Trash Room and Load Ground		1,350	0	\$0.00	\$0.00	\$0.00	\$0.00
		Other Common Area (Ground)		0	0	\$0.00	\$0.00	\$0.00	\$0.00
		TOTALS		48,800	44,798	\$4.28	\$45.33	\$63,188.00	\$772,200.00



# Resources

## PDA Sources

*"Public Development Authorities." City of Seattle, City Departments. n.d. Web. 10 November 2014. <http://www.seattle.gov/city-departments/public-development-authorities>.*

*Reich, Jay, Crawshaw Lewis, Stacey and Deanna Gregory. "Public Development Authorities." Excerpted from Budget Suggestions for 2004, MRSC Information Bulletin No. 416. August 2003. PDF File. Ibid.*

*"Public corporations – Powers of cities, towns, and counties – Administration." Washington State Legislature. n.d Web. 26 November 2014. <http://app.leg.wa.gov/rcw/default.aspx?cite=35.21.730>.*

*Washington State Auditor's Office. "Audit Summary of r Public Development Authorities and Public Facilities Districts." November 2012. PDF File.*

*"New Developments: 12th Avenue Arts." Capitol Hill Housing. 2014. Web 11 November*

*Eng, Tiffany, Community Development Corporations: Commercial Leasing Strategies and Social Objectives, 2003 <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.463.823&rep=rep1&type=pdf>*

The background of the page is a complex, abstract pattern of overlapping, semi-transparent geometric shapes in various shades of dark red and black. The shapes are primarily rectangular and trapezoidal, creating a sense of depth and movement. The overall effect is a textured, layered composition that resembles a modern architectural or digital design.

framework