

WORK OF ART- Leasing & Buying Property Panel 6/23/15

Panelists: Rob Clapp (Broker/Owner, Summit Group/Can Can Wonderland), Ephraim Eusebio (Realtor, Bjorklund Realty), Lucas Koski (Consulting Associate, Artspace Projects/The Theater Company Lowertown Venue Director) and Hannah Holman (Managing Director, Savage Umbrella).

Artistic disciplines of attendees: Media art, Video, Writing, DJ, Sculpting, Music, Non-profit / Arts Administrative, and Theatre

The following notes are taken from the opinions of the panelists and do not necessarily reflect the views of Springboard for the Arts on these issues.

1) How can I figure out how much I can afford to pay?

- Start-up businesses should make a business plan where 7-10% of gross revenue is allocated towards rent (clients that are businesses will generally already know how much they can afford to pay).
- Start with a 1-3 year budget plan; be really realistic (but not terrified) about your budget
- Non-profits are seeing the struggles of solely going after foundations (because all orgs are going after the same money), so people are figuring out how they can diversify their revenue streams
- Example – *Theatre Company*: The Theater Company knew internally that they wanted to own a new space so that they could control the future of their project
 - Figured out how to build a budget based on what they already knew how to do
 - Chose St. Paul over Minneapolis because there were more opportunities at the city level in St. Paul for financial support with the Neighborhood STAR program
 - Advice: pushing private events (like weddings, corporate events) that may make your constituents uncomfortable in the beginning will get you the money you need to take care of your bottom line and make it possible to do the work you want to do later on
 - The Theater Company, by being open to collaborations, has grown a really strong support network of people who care about The Theater Company existing for reasons besides just their performances, which helped the organization weather financial storms early on

2) Any costs associated with operating that people may not think about?

- Net Worth, which includes common area maintenance (CAM), taxes, utilities and operating expenses

- These are often not included in the initial rate, so be sure to ask about these additional expenses

3) What are some good methods for finding available spaces besides looking for realty signs? Should you work with a broker or real estate agent?

- Take advantage of word of mouth to find a place, in addition to calling the number on a realty sign
 - Example -- *Seven-person theater company*: The company started looking for a space in the summer and signed a lease by January; this happened so quickly because they actively asked around and put it out in the community that they were looking for a space. It's a matter of casting your net out and not jumping on the first thing you see.
- For tenants and buyers, it is important to get representation for two reasons:
 1. The broker you're dealing with is representing the landlord, so that's whose interest they're looking out for. You need someone to advocate for your needs as well.
 2. Most of the time representation doesn't cost you anything so it's well worth it.
- Craigslist is a good option to find space, as well as any Community Development District (CDD)
- Working through a community organization, which consequently builds personal connections, is more helpful down the line than simply relying on funding from foundations.
 - The broker for the community you're interested in should know the political climate for non-profit real estate in that area
- A variance is when you're looking to amend restrictions that are on a space.
- Obtaining a liquor license increases scrutinization of your organization
- Organizations looking for a space need to deal with the IRS, while individuals do not.
- www.thestorefront.com is a helpful resource to find a temporary space.

4) Are there advantages to looking in certain geographic areas or neighborhoods?

- Different foundations have different project cities
 - For example, the foundations in St. Paul are committed to building their city, so they're a driving force for the arts here
- The opportunities available in neighborhoods are always fluctuating
- STAR: Sales Tax Revitalization
 - <http://www.stpaul.gov/index.aspx?NID=1162>
 - There are two kinds of STAR projects: Neighborhood and Cultural
- Neighborhood STAR projects deal more with brick and mortar projects (fixing a roof, getting new lights installed etc.), while Cultural STAR projects are more content-based

- Right now there are no legally designated arts districts; in reality, the label of “arts district” is more of a branding tool, but it does help to have people close by who are doing similar projects as your organization
- NE Minneapolis and Lowertown, St. Paul are two of the biggest arts neighborhoods
- Highway 280 to Prior Ave & West 7th Ave is also arts communities

5) Any advice for signing a lease as a group?

- If you’re trying to obtain a space as group, chances are the landlord is going to ask everyone to be a guarantor of that lease, in which case you might want to consider becoming an LLC. That will protect you from having to sign individually for the lease.
- Public-benefit Corporation: a for-profit business with a social mission
 - A Public-benefit Corporation isn’t required to solely maximize profits for shareholders
- Many foundations don’t want to give to Public-benefit Corporation because they’re for-profit orgs, but this is gradually changing because foundations are having to realize that the non-profit model isn’t necessarily sustainable forever

6) What kind of insurance do you need to think about when you get a space?

- Know that if you’re dealing with a sophisticated landlord, they’ll have insurance requirements, as opposed to if you’re looking at a mom-and-pop space
- Artist and Craft Fair Liability Insurance (ACT): Insurance specifically for insuring the space of artists and creatives

7) Renting v. buying?

- For a lot of people, it makes more sense to rent because you can take on more space for less than if you were buying
 - Despite the amount of space being generally smaller, buying a space is more expensive because improvement costs and down payments are taken into account
 - Getting loans from banks to buy a space is very difficult
 - However, buying a space is a great wealth tool if you can afford it
- Tax forfeiture property deals are rare and arduous
- Co-locating: co-working spaces are really smart; often times people want to have their own spaces but keep in mind why you need it - could you get the same thing accomplished in a co-working space?
- You don’t necessarily need to co-locate with organizations that are they exact same as you; they can be complementary as well

8) Are you able to negotiate with a landlord for a long-term (i.e., 10-year) lease?

- Be aware if there is a buy out/early exit clause in a lease.
- In buildings that are being redeveloped, generally 1-3 year leases are preferred to longer leases
- William Mitchell's small business clinic is a good resource
 - Example – *Seven-person theater company*: This theater company got an amendment and four different contracts from the W-M clinic
- Artspace is Minneapolis nonprofit that has developed about 45 buildings throughout the country; the idea is that Artspace goes into communities via invitation and figures out if they can develop affordable live/work spaces for artists there
 - Artspace also does a lot of consulting
 - As of now, Artspace has minimal to no openings available