

Memorandum

To: Mayor Libby Schaaf
From: Mayor's Artist Housing and Workspace Task Force
Date: December 23, 2015
Subject: Top Three Strategies to Stem Artist Displacement

I. OVERVIEW

The City of Oakland is in the midst of an economic upturn, characterized by increased investment, much national attention and quickly escalating real estate prices. Unfortunately, some artists—along with other low-income populations—have been or are at risk of getting displaced from the City in the process. Given the unique role that artists play in creating economic, cultural and social value for the City and its residents, the Mayor convened a task force to propose policy recommendations to help artists remain in Oakland. This multi-disciplinary task force included artists and representatives from arts organizations, architects, market and affordable real estate developers, technical experts, and city staff (a complete task force roster is attached). The task force serves as a subcommittee of the Mayor's larger Housing Cabinet and met seven times over the last five months.

The task force issued a survey of Oakland's artists in November 2015 to help better understand the issues facing Oakland's artists and attempt to assess their magnitude. The survey received more than 900 responses with the help of task force member outreach. According to the survey, most artists both live and work in Oakland and have been in Oakland more than five years, with the largest percentage having been in Oakland more than ten years. While a majority of respondents reported that they are not currently facing imminent displacement in their housing or workspace, the majority indicated that workspace and housing costs present the biggest challenges to being an artist in Oakland. In addition, nearly half of the respondents stated they are currently on month-to-month leases in their housing and workspaces, making them vulnerable to displacement. The threat of displacement is particularly high in workspaces, where there is no commercial rent control or other commercial rent protections. Most broadly, this data suggests that now is the time to establish more robust policies to support artists in Oakland, before displacement worsens.

The task force studied and vetted a wide range of strategies for creating and preserving affordable housing and workspaces for artists in Oakland. Over the course of these conversations, and informed by the survey results and the affordable housing work being done by the larger Housing Cabinet, the task force's work resulted in a greater focus on workspace affordability.

Consistent with the charge from the Mayor's office, this brief memorandum outlines just the top three (3) strategies that garnered the strongest and broadest support from task force members and can begin to be implemented most quickly.

The full breadth of the research, strategies and case studies that were studied by the task force – addressing both housing and workspace affordability – will be included in a final report to be produced in early 2016. The complete survey findings as well as the survey tool will also be included in the final report.

II. GUIDING PRINCIPLES

In developing its recommendations, the Artist Housing and Workspace Task Force considered the following principles to guide its work:

- **Permanency** – While recognizing that temporary, stopgap measures may be necessary to provide immediate relief to artists facing displacement, policies that provide artists with the ability to live and work in Oakland permanently are the most desirable solutions.
- **Equity** – Solutions that assist a diverse and broad group of artists and arts organizations are most desirable, given Oakland's geographically large and culturally varied landscape. Priority should be given to those neighborhoods and communities that are currently underserved and would benefit most from the preservation/development of arts and cultural spaces and activities.
- **Cultural preservation** – The City of Oakland is home to existing rich and diverse cultures and cultural legacies. Any intervention should benefit those already in Oakland, especially long-time residents and artists who are integral to Oakland's communities. Both cultural heritage and physical cultural assets should be preserved.

III. STRATEGIES

The three strategies (and sub-strategies) listed below are intended to reflect the ideas that garnered the most consensus and support amongst task force members. Additional policies and case studies considered and supported by the task force will be described in a more comprehensive report to be produced in early 2016.

STRATEGY #1

Real Estate Acquisition and Leasing

Ensuring long-term affordability and ideally ownership for artists in their housing and workspaces is the most powerful way to ensure artists can remain in Oakland. The following sub-strategies offer several ways to protect artists against rising real estate costs.

1a. Create a property acquisition program, modelled on CAST in San Francisco, to create permanently affordable space for arts organizations in collaboration with foundations and other partners

A nonprofit should acquire real estate (buildings or ground floor spaces) before prices increase further. Once acquired, this real estate would be leased at an affordable rate to arts organizations on long-term leases. These arts organizations would then be provided technical assistance to build their capacity to fundraise, manage their facilities, and ideally purchase the space from the nonprofit at a later date.

Population served: *Arts organizations*

Type of space addressed: *Workspace (e.g., offices, gallery space, performance space, rehearsal space, studio space)*

Implementation Steps

- *Establish working group—including potential philanthropic funders and nonprofit partners like East Bay Asian Local Development Corporation (EBALDC), the Community Arts Stabilization Trust (CAST), Northern California Community Loan Fund (NCCLF), and the Kenneth Rainin Foundation—to begin fundraising and identify potential properties for acquisition.*
- *Seek foundation support to seed program*
- *Establish a framework for identifying potential nonprofit partners to manage the program, looking at the CAST and NCCLF as potential partners or models*

Timeline: *Mid-term – 1 to 3 years*

A working group can be established immediately, but it could take a year or more to acquire property and find suitable arts organization tenants. It could also take several years for arts organizations to raise capital and make the improvements needed to make space fully functional.

CASE STUDY

Community Arts Stabilization Trust (CAST), San Francisco

CAST was established in 2013 to acquire properties in San Francisco's Mid-Market neighborhood to create permanently affordable arts spaces. Rising rents and development pressures in this neighborhood put existing arts and culture uses at risk, especially given that most organizations had short-term leases. To help those organizations without the capital necessary to purchase property themselves, CAST purchased real estate and then entered into long-term leases (7-10 years) with the arts organizations. The goal is in 7-10 years, the arts organizations would have the capacity to buy the real estate from CAST at cost. NCCLF in turn provides the arts organizations with technical support to help move them toward eventual ownership, but an organization can decide whether or not to continue to lease when they hit the 7-10 year mark.

The Kenneth Rainin Foundation provided \$5 million to launch CAST and allow it to begin making acquisitions. The first two buildings CAST acquired almost doubled in value, which allowed CAST to leverage another \$5 million in NMTC, development rights and other funds for acquisitions. The Luggage Store Gallery, Hospitality House, and CounterPulse dance company now have permanently affordable homes in Mid-Market. CAST began as a conduit model for purchasing and holding real estate; for-profit developers like Forest City now have begun to contract with CAST to bring arts organizations into new projects, making it a conduit for the provision of community benefits. CAST is considering expanding the geography of its work beyond San Francisco to include Oakland.

STRATEGY #1 (continued)

Real Estate Acquisition and Leasing

1b. Lease City or other publicly-owned property for arts uses at affordable rates, modelled on Spaceworks in New York City

Properties that are currently owned by the City or other public agencies should be assessed for excess or underutilized space. Spaces that might be appropriate for art space could be leased (long-term) to a nonprofit, with expertise in the arts, which could then rehab, lease and manage the space for arts uses at below market rates. Uses could include artist working studios, space for nonprofit arts organizations, and rehearsal and programming spaces.

Population served: *Individual artists and arts organizations*

Type of space addressed: *Workspace (e.g., offices, gallery space, performance space, rehearsal space, studio space)*

Implementation Steps

- *Identify and map potential properties (already underway by the Housing Cabinet's Public Lands subcommittee and Enterprise Community Partners)*
- *Consider launching a pilot program in a limited geography, such as downtown, including getting the required City Council approval for below-market rents.*
- *Identify competitive process for offering space (to Spaceworks-like nonprofit versus other potential lessees)*
- *Identify potential nonprofit partners with expertise in the arts and real estate to rehab, manage and lease space*
- *Seek foundation support for leases, improvements and property maintenance*

Timeline: *Short- to Mid-term – 6 months to 3 years*

The process to negotiate leases and make improvements could take a couple of years or more. The City could consider piloting the program where a number of arts uses in city-owned properties already exist.

CASE STUDY

Spaceworks, New York City

Spaceworks is a nonprofit real estate developer created in 2011 by New York City's Department of Cultural Affairs to transform underutilized public and private property into affordable rehearsal and studio space for artists. Spaceworks serves as the master lessee and assists with space build-out, tenant selection, and artist lease negotiation.

Spaceworks currently leases and manages space in three (3) buildings:

- **Long Island City (privately owned building)**
Four (4) rehearsal spaces
- **Williamsburgh Library (active public library)**
Three (3) visual artist studios, two (2) rehearsal spaces, one (1) community art room
- **Gowanus (privately owned building)**
Two (2) visual artist studios, four (4) co-working spaces, Spaceworks headquarters

Spaces in at least (2) more buildings are planned:

- **Governors Island (former PS 26 school building)**
Forty-three (43) studios, one (1) rehearsal space, one (1) gallery
- **Redhook Library (active public library)**
Two (2) rehearsal spaces

Spaceworks rents rehearsal spaces by the hour at \$12-16 per hour. It rents studio spaces to artists chosen by lottery via annual, renewable lease for \$350-400 per month.

Development costs range from \$200,000 to \$6,000,000 per project. Spaceworks receives substantial city funding and foundation support.

STRATEGY #1 (continued)

Real Estate Acquisition and Leasing

1c. Purchase properties via community land trust to create or maintain permanently affordable housing and workspaces for artists

A community land trust (CLT) is a nonprofit organization that acquires and stewards land in trust for permanent community benefit and affordability. The City should conduct a campaign to educate property owners of the significant tax and estate planning benefits associated with donating property to a land trust, such as the Oakland Community Land Trust (OakCLT). Once OakCLT has acquired a property, it can perform rehab if needed, maintain ownership of the property's land, sell the property's building(s) to low-income artists or arts groups with a 99-year ground lease and ensure that the property remains affordable for arts uses in perpetuity. OakCLT is currently in the process of acquiring seven existing artist live/work spaces in East Oakland, accruing significant tax benefit to the elderly owner.

Population served: Individual artists and arts organizations

Type of space addressed: Housing and workspace (e.g., offices, gallery space, performance space, rehearsal space, studio space)

Implementation Steps

- Identify potential property owners that might be interested in the CLT model and proactively market to them
- Create the marketing materials necessary to make clear what the benefits of donating property to a community land trust are and who would benefit
- Use as a model OakCLT's acquisition of a 7-unit building in Eastlake, which OakCLT will maintain as permanently affordable artist live/work housing

Timeline: Short- to Long-term – 6 months to 10 years

Difficult to assess; dependent on OakCLT's staff capacity and nature of future opportunities.

1d. Create affordable temporary art spaces in private developments in existing vacant or underutilized buildings poised for future redevelopment

Establish a program with a local nonprofit to create temporary artist studios or other arts uses (e.g., 9 months to two years) in existing vacant retail spaces or vacant buildings planned for redevelopment that are going through the entitlement process. This program could be modelled on ArtSpan's partnership with Build Inc at the Journal Building in San Francisco.

Population served: Individual artists and potentially arts organizations

Type of space addressed: Workspace (e.g., offices, gallery space, performance space, rehearsal space, studio space)

Implementation Steps

- Identify nonprofit or other entity to partner with to broker relationships between property owners and artists, and to enter into master leases with property owner
- Identify one or two properties to contact to pilot the program
- Look to ArtSpan as a model, adapting its leases and regulatory agreements
- Seek foundation support to help fund build out of space

Timeline: Short-term – 6 to 12 months

Once an appropriate nonprofit partner has been identified, negotiating lease agreements with property owners and artist tenants and building out space to suit artist needs could take several months.

CASE STUDY

ArtSpan, San Francisco

While it works to get entitlements to redevelop a property in San Francisco, Build Inc. is temporarily leasing an existing, otherwise vacant, old office building on the property free-of-charge to ArtSpan. ArtSpan then leased the building, now referred to as the Journal Building, to 22 artists for studio space at very affordable rents. The developer creates activity and vitality in the short-term on its property, and a large group of artists receives affordable workspace. ArtSpan made basic building improvements to create the artist studios then selected the artists through a competitive process to sublease the space as part of an artist residency program, renewable until the master lease ends. At the end of the lease, artist residents will have a group show to share the work created during their time in the Journal Building. ArtSpan now looks to replicate this model in two more locations.

STRATEGY #1 (continued) Real Estate Acquisition and Leasing

1e. Incentivize private developers to provide permanently or long-term affordable artist spaces in mixed-use developments through zoning tools

With new development taking place in Oakland, the City has an opportunity to incentivize the long-term or permanent inclusion of arts uses in new mixed-use buildings. For example, conditional use permits for residential construction could be tied to the provision of affordable arts and culture space on ground floors or some amount of artist housing in certain areas (such as a neighborhood zoned Community Commercial (CC), including CC-3 districts where residential is currently now allowed) or in areas designated as formal Cultural Districts. The City should also consider establishing a density bonus for providing permanent, affordable artist workspace in a development (perhaps through the selling of the space as a “cultural” easement to a nonprofit as described in 1a or a dedication of space to a land trust as described in 1c).

Population served: Arts organizations and potentially individual artists

Type of space addressed: Workspace (e.g., offices, gallery space, performance space, rehearsal space, studio space) and potentially housing

Implementation Steps

- The Planning Department should develop new zoning policy (perhaps as part of the Oakland Downtown Specific Plan) to incentivize arts uses, as described above.
- Garner public and political support to get new zoning passed
- Consider piloting this approach in a project currently going through the entitlement process

Timeline: Short-term – 1 to 2 years

New development that can be used to support cultural uses is happening now so the City needs to move quickly to capture inclusionary potential. Plus, the Downtown Specific Plan is scheduled to be completed in a year, and the first round of State Cultural District designations, which could support the inclusion of cultural uses, is scheduled to be announced in 2017. Zoning work must be done within this 1-2 year timeframe in order to fully leverage the opportunities presented by these initiatives.

STRATEGY #2 Financial Assistance

Provide direct financial assistance to help artist groups/arts organizations avoid or cope with displacement

Modelled on San Francisco’s Nonprofit Displacement Mitigation Program, Oakland should establish a program to provide artists and arts organizations facing displacement with direct monetary assistance to help them remain in Oakland. The direct funding could support operating costs, rent payments, tenant improvements, etc. Arts organizations must demonstrate displacement risk (e.g., previous displacement, evidence of impending rent increase) and provide evidence of a multi-year lease being offered in order to qualify. This financial assistance could be a standalone program administered by a nonprofit partner (like CAST in the San Francisco model), or it could be an added component to the funding programs already administered by the Cultural Arts Unit. The funding should be seeded by the City of Oakland in the next budget cycle, which can then be used to leverage additional philanthropic support.

Population served: Arts organizations

Type of space addressed: Workspace (e.g., offices, gallery space, performance space, rehearsal space, studio space)

Implementation Steps

- Consider requesting \$250,000 in seed money from the City of Oakland general funding during the City Council’s mid-cycle budget process (beginning spring 2016)
- Identify other potential funding sources such as foundations
- Identify nonprofit partner to run program (if not administered internally by Cultural Arts Unit)

Timeline: Short- to Mid-term – 6 months to 2 years

If seed money is secured during the mid-cycle budget process, funds could begin to be disbursed within a year.

CASE STUDY

Nonprofit Displacement Mitigation Program, San Francisco

In 2014, the San Francisco Board of Supervisors allocated \$4.5 million in general fund reserves to fund a 3-year Nonprofit Displacement Mitigation Program to help keep organizations facing displacement stay in San Francisco. \$2 million was given to the SF Arts Commission, which contracted with the Community Arts Stabilization Trust (CAST) to provide financial assistance to arts and cultural organizations to help pay for relocation costs (e.g., professional services, rent stipends, moving expenses, tenant improvements, furnishings/fixtures/equipment). The remaining \$2.5 million was given to the Mayor’s Office of Housing and Community Development, which contracted with Urban Solutions to provide assistance to nonprofit social service agencies. Only 501(c)(3) nonprofits in existence for at least 3 and 5 years are eligible to apply for up to \$50,000 and \$100,000 respectively. These financial assistance grants can be paired with Nonprofit Displacement Mitigation Program technical assistance grants administered by the Northern California Community Loan Fund. Five (5) arts and cultural nonprofits received financial assistance in the first round of allocations.

STRATEGY #3

Technical Assistance

3a. Establish a robust portfolio of technical assistance programs to support and help artists strengthen their businesses and art practice and stay in Oakland

The City should develop a clearinghouse of resources that artists and arts organizations can refer to when in need. This clearinghouse could provide links to applications for financial assistance (Strategy 2) as well as tenants rights groups, legal help, business planning tools, available artist space, and an information packet for landlords and artists (including a multi-year model lease and descriptions of any tax incentives or facility improvement grants that the City might make available to property owners to encourage the creation and maintenance of affordable artist spaces). The City should create a clear and easy to navigate website of resources to support artists and arts organizations in Oakland.

Population served: *Individual artists and arts organizations*

Type of space addressed: *Workspace (e.g., offices, gallery space, performance space, rehearsal space, studio space) and housing*

Implementation Steps

- Identify partner to help establish curriculum
- Consider using the City's Business Assistance Center or local arts spaces in City-owned properties such as ProArts as venues for technical assistance
- Prioritize creation of a new City website dedicated to these resources
- Look to existing models (e.g., Assets for Artists) on which an Oakland clearinghouse could be based
- Identify nonprofit subject area experts for collaboration
- Ensure sufficient City staffing is dedicated to creating and maintaining clearinghouse and other technical assistance programs

Timeline: *Short-term – 6 to 12 months*

Some resources already exist (e.g., California Lawyers for the Arts, tenant rights organizations) that the City can refer artists to now. However, developing additional resources (e.g., model leases, incentive information packets, a financial assistance program [Strategy 2]) and the clearinghouse platform itself could take several months.

3b. Improve the City's internal infrastructure to support artists and arts organizations in Oakland

The City's Cultural Arts Unit has been understaffed for many years and currently has several vacancies. In order for the City to offer better and broader support for the arts in Oakland, it needs a more robust infrastructure in place. Strategies include:

- Move swiftly to hire a permanent Cultural Affairs Manager and elevate that position within the organization to be more senior and externally facing.
- Add additional staff to the Cultural Arts Unit to increase its capacity to support arts and culture in Oakland, including moving ahead with the creation of a Cultural Plan, implementing the strategies of this Task Force, working with the State of California Arts Council on the new Cultural Districts program, and other proactive policy work
- Consider reconstituting a Cultural Affairs Commission empowered to devise and implement policy related to arts in Oakland, with appropriate staff support in place

Population served: *Individual artists and arts organizations*

Type of space addressed (indirectly): *Workspace (e.g., offices, gallery space, performance space, rehearsal space, studio space) and housing*

Implementation Steps

- Prioritize recruitment for vacant Cultural Affairs Manager position
- Consider mid-cycle budget request to fund one or two new staff positions at \$151,000 per position (includes salary and overhead)
- Seek foundation support to help fund additional staff (e.g., funds for a 2-year staff position to help create Cultural Plan)

Timeline: *Short-term – 6 to 12 months*

A new Cultural Affairs Manager should be able to be hired within 6 months. Hiring additional staffing and reinstating a Cultural Arts Commission may take longer.

Appendix

Artist Housing and Workspace Task Force Roster

| | |
|-----------------------|---|
| David Baker | David Baker Associates |
| Anyka Barber | Betti Ono Gallery/San Francisco Foundation/Oakland Creative Neighborhoods Coalition |
| MJ Bogatin | California Lawyers for the Arts |
| Natalie Bonnewit | Bonnewit Development Services |
| Katherin Canton | Oakland Creative Neighborhoods Coalition |
| Walter Craven | Blank & Cables/Norton Studios |
| Karen Cusolito | American Steel |
| Cheryl Derricotte | Artist/City Glassworks |
| Tom Dolan | Tom Dolan Architecture |
| Sasha Drozdova | California Lawyers for the Arts |
| Moy Eng | Community Arts Stabilization Trust |
| Rick Holliday | Holliday Development |
| Heather Hood | Enterprise Community Partners |
| Cristy Johnston-Limón | Destiny Arts Center |
| Steve King | Oakland Community Land Trust |
| Stephaney Kipple | Northern California Community Loan Fund |
| Gary Knecht | Artists' Legacy Foundation |
| Hiroko Kurihara | 25th Street Collective/Oakland Makers |
| Chris Maffris | Meta Housing |
| Adia Millett | Artist |
| Greg Morozumi | EastSide Arts Alliance |
| Alma Robinson | California Lawyers for the Arts |
| Jon Sarriugarte | Form and Reform |
| Elena Serrano | EastSide Arts Alliance |
| Joshua Simon | EBALDC/Community Arts Stabilization Trust |
| Kevin Skipper | Bay Property Group |
| Robert Stevenson | Pantoll Advisors |

City of Oakland Staff

| | |
|--------------------------|---|
| Kelley Kahn | Staff Lead, Economic Development Department |
| Ed Manasse/Alicia Parker | Planning & Building Department |
| Tomiquia Moss | Office of the Mayor |
| Denise Pate | Cultural Arts Unit, Economic Development Department |
| Antoinette Pietras | Housing and Community Development Department |
| Margot Prado | Economic Development Department |
| Kristen Zaremba | Cultural Arts Unit, Economic Development Department |

Special thanks to:

| | |
|----------------|--|
| Donn Harris | Oakland School for the Arts/California Arts Council |
| Joan Madonna | ArtSpan |
| Maryann Leshin | Leshin Consulting |
| Genise Choy | Enterprise Community Partners/UC Berkeley Department of City and Regional Planning |