

Community Redevelopment Agency City of Delray Beach, Florida

Arts Warehouse – Visual Arts & Business Incubator Facility and Business Planning Study Phase 3 (Amended) Report – CRA WORKSHOP PRESENTATION

Arts Consulting Group, Inc. – New York, NY
Thursday, October 24, 2013



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Arts Warehouse Background

- ❑ In 2010, CRA purchased 15,007-square foot warehouse; located in Pineapple Grove Arts District; interior is primarily open space.
- ❑ Develop as arts center or arts incubator: could include galleries, studio space, multi-discipline performing venue (black-box theater), educational space; visual arts, theater, dance, film.
- ❑ CRA engaged the Arts Consulting Group, Inc. (ACG) in 2011 to undertake a comprehensive facility planning study. ACG formed a team with Designel architects, West Palm Beach, and Venue, arts project cost consultants in Tampa.

Delray Beach Arts Warehouse

CRA's Revised Facility Concept – June 2013

- ❑ Eliminate need to accommodate Arts Garage performance functions.
- ❑ Simplify Arts Warehouse plan to focus almost exclusively on the visual arts
- ❑ Arts Warehouse space should be developed to provide:
 1. Studio space for rent by local and visiting artists
 2. Gallery space for temporary art exhibitions, installations and events
 3. Classroom and workshop space
 4. Gift shop
 5. Food preparation space for catering events on site
 6. Administrative office space
 7. Space for rent to businesses that will collaborate with and/or provide support services to artists.

Delray Beach Arts Warehouse

CRA's Revised Facility Concept – June 2013

- ❑ Deleting Performance Space: Costs and Revenues
 - Reduce construction and operating expense budgets.
 - Rough estimate of construction costs for converting for studio/business use: approximately \$2.5 million. If necessary the improvements can be phased over several years as the budget permits. .
 - Reduce ongoing revenues.
 - Continued support from the CRA likely will be necessary.
 - Modify ACG's existing business plan.
 - Scale back or delete fundraising feasibility phase of ACG study.

Revised Arts Warehouse concept – ACG Amended Phase 3 Study, Aug.-Sept. 2013

Step 1: Conduct additional research into comparable existing visual arts studio facilities; interview selected executive and/or artistic leaders of such facilities.

Step 2: Prepare revised financial operating estimate and plan, both short-term and long-range, for the ongoing operations and occupancy of the proposed Arts Warehouse facilities, with a primary focus on their use as visual arts studio, gallery, exhibition, rental, and commercial space.

Step 3: Present Project Needs Assessment and Cost Estimates report to CRA staff and commissioners.

ACG Interviews: August-September, 2013

(in addition to those conducted in previous phases)

- ❑ Diane Colonna, Executive Director, CRA
- ❑ Irene Revelas, Founder and President StartupDelray
- ❑ Joe Gillie, President/CEO Delray Beach Center for the Arts, Inc.
- ❑ Vincent P. Nolan, Jr. , Economic Development Director, CRA
- ❑ Shirley Talbert, Chief Marketing Officer, Palm Beach County Convention and Visitors Bureau
- ❑ Robert Currie, Principal, Currie Sowards Asguila Architects
- ❑ Pineapple Grove Arts District Board of Directors
- ❑ Vincent Cacace and artists of Artists Alley
- ❑ Julen Key, Gregg Weiss, Innovate Palm Beach

Summary of Regional Arts Community Programming and Space Needs, Desires (Revised)

- ❑ The consensus among arts and civic community interviewees is the **need for an arts incubator space** where leading-edge visual artists can create and exhibit new, possibly challenging, work.
- ❑ The vibrant artist community of Delray Beach is underserved because of the **availability and affordability of artist studio space**. Currently 20 artists are on a waiting list to acquire a space in Artists Alley.
- ❑ Those in the visual arts see the **need for affordable artist studio space and for limited exhibition and retail gallery space**, as well as space to interact with and educate the public about various visual arts forms,
- ❑ There is substantial interest in creating **co-working (shared) workspace** for makers that encompasses **development of concepts through creation**. These initiatives can expand beyond traditional arts such as pottery, sculpture, painting, and wood/metal working, to include culinary arts, textiles, and technology as it impacts the creation of art, including 3-D printing, robotics, and technologies yet to be developed.

Summary of Regional Arts Community Programming and Space Needs, Desires (Revised)

- ❑ **Rental of work space, sale of artwork and memberships** in programs and use of facilities of the Arts Warehouse were seen as a potential sources of revenue for the operation of the Arts Warehouse.
- ❑ There is general support for the **Arts Warehouse to encompass a Business Incubator**. A working prototype might including providing space, tools and a community of artists and business mentors to a broad community including novice artists to hobbyists to entrepreneurs – a place where everyone is welcome – to bring ideas to fruition or developing a career.
- ❑ The consensus of potential users and stakeholders is that the **first priority of the Arts Warehouse remains artist studios**.

Arts Warehouse programming concept – proposed visual art uses

- ❑ Art studios, gallery, exhibit space and business incubator space on 2 levels in Arts Warehouse to include **24+ artist studios**.
- ❑ Flexible Space One:
 - Could accommodate **exhibit and event space**
- ❑ Flexible Space Two:
 - Could accommodate **classrooms, large specialized studios** as co-working space, and working business incubator space.
- ❑ **Entrances and access** should be created from the South and West sides of the Warehouse.
- ❑ Additional **natural light** through the addition of windows on the West side is desirable.
- ❑ A **catering kitchen** to meet the needs of artists, visitors and outside renters of facilities is desirable.

Arts Warehouse programming concept – proposed visual arts uses

- ❑ Artists-in Residence (AIR) program:
 - Established artists pay monthly fee for studio use
 - Artists apply for juried-in residencies
 - AIR applications open to artists worldwide
 - AIR participants would be asked to exhibit new work and interact with public, give demonstrations, teach, etc.
 - Provides opportunities for collaboration among artists of all disciplines
- ❑ Space utilization:
 - Artist studios, including specially-equipped studios for printmaking, ceramics, kilns
 - Art instruction space for various disciplines
 - Office and meeting space resources for business incubation
 - Exhibition space
 - Accommodate temporary exhibitions, site-specific art installations
 - Limited art retail sale opportunities

Other events Arts Warehouse could accommodate

- ❑ New programming and events:
 - Events, exhibits, seminars, workshops as part of the vitality of Artists Alley and done collaboratively with the artists and businesses of Artists Alley.
 - Contemporary Art Fair – Delray Beach version of Art Basel/Miami, multi-artist biennial exhibitions; possible connection with Art Palm Beach.
 - Arts Warehouse would anchor contemporary arts events throughout the City in under-utilized spaces (e.g. SW 5th Ave. Pavilion, Veterans Park)
- ❑ Festival programming – connect Arts Warehouse to current Delray Beach annual festival and events schedule and cultural venues:
 - Downtown DB Festival of the Arts (January)
 - Garlic Festival (February)
 - Arts festival (throughout the year)
 - AW would work with OSS, Spady Museum, DB Playhouse, and other existing cultural venues to create new city-wide events, festivals

Preliminary Facility Concept Description

- ❑ Create space for multiple artist studios.
- ❑ Create transparent and welcoming lobby/entrance(s) on west and south side as gateway to arts complex and neighborhood.
- ❑ Artists strongly urge creating an entrance on west side, open to Artist Alley and outdoor activities.
- ❑ Create load-in/service spaces in north-side alley at high-volume bays.
- ❑ Create flexible spaces for future space and program build out.
- ❑ Provide for catering kitchen.
- ❑ Program requirements dictate layering of spaces on limited site area available.
- ❑ Transparency and interesting forms and flow lead arts patrons through dynamic and educational Arts Warehouse experience.

Arts Warehouse concept – Questions, Issues

- ❑ Arts Warehouse as world-class space vs. initial more basic vision.
- ❑ Importance of community outreach, youth education, and inclusiveness in Arts Warehouse mission.
- ❑ Need for multiple flexible spaces to serve multiple missions; implications for Arts Warehouse design and development.
- ❑ Importance of collaboration with artists from Delray community in Artist Alley and other downtown artists and galleries.
- ❑ Separation of Arts Garage from Arts Warehouse.

Arts Warehouse concept – Questions, Issues

- ❑ Limited capital resources of CRA at approximately \$2.5 million will not be sufficient to renovate, rehab, build out and equip the Arts Warehouse for its intended usage.
- ❑ Need to create long-term sustainable operational model.
- ❑ Essential need for CRA to identify public-private partnership with existing or new nonprofit organization for Arts Warehouse development, funding, fundraising and management.

Revised Construction Cost Estimate

- ❑ The cost of building the infrastructure of the Arts Warehouse is estimated at over \$2.5 million:
 - Enable Studio build-out
 - Provide insulation
 - Install HVAC, plumbing
 - Create a partial second floor
 - Provide catering kitchen, equipment
 - Bring building up to 2013 building codes
 - Provide legal access to the facility

Delray Beach Arts Warehouse – Conceptual Plan: Suggested Space Use

- ❑ Studios: 9,200 SF (*24 studios, av. 383 SF*)
- ❑ Gallery: 3,500 SF
- ❑ Multi-purpose: 1,800 SF
- ❑ Maker space: 1,300 SF
- ❑ Business Incubator: 440 SF

Other artists communities can serve as models for Arts Warehouse Incubator

- ❑ Artists' communities and residencies –
 - Provide places where artists of all disciplines can work on their art.
 - Serve as research-and-development labs for the arts, providing artists with time, space, and support for the creation of new work and the exploration of new ideas.
 - Assist the arts entrepreneur in the creation of art and the business of art.
- ❑ According to the Alliance of Artists Communities:
 - An estimated 500 artists' communities in the US and approximately 1,000 worldwide
 - 15,000 artists are in residence each year
 - Residencies provide \$40 million in support to artists annually
 - 60% are in rural areas and small towns, while 40% are in urban areas
 - 90% have public programs that engage the local community

Selected Arts Warehouse Models for Arts Incubator

- ❑ While many arts incubator spaces in the U.S. are larger than the Arts Warehouse space, the DBAW can learn and draw from the experience of hundreds of models. Many of these models now incorporate aspects of a business incubator as part of their programs and spaces.
- ❑ Particularly relevant to the Arts Warehouse concept are:
 - The Beloit Arts Incubator, Beloit WI
 - The Bauer, Kansas City, MO
 - Batavia Industrial Center, Batavia, NY
 - ADX Portland, Portland, OR
 - The Armory Art Center, Palm Beach, FL
- ❑ ACG has gathered background information on these and other arts centers: AIR programs and requirements, artists' studio and equipment specifications, staffing, funding.
- ❑ Providing flexible spaces that could accommodate makers and a business incubator could make the Arts Warehouse a relevant significant enhancement to the arts and economy of the Delray community.

Selected Incubator Uses

Organization	Type	Artist Studios	Gallery, Exhibition Space	Business Incubator	Classrooms /Education	Retail
Beloit Arts Incubator	NFP	✓	✓		✓	
The Bauer (on site of former Arts Incubator of Kansas City)	FP	✓	✓	✓	✓	✓
Batavia Industrial Center	FP	✓	✓	✓	✓	
ADX Portland	FP	✓		✓	✓	
The Armory Art Center	NFP	✓	✓		✓	

Beloit Fine Arts Incubator, Beloit, WI

- ❑ 501(c)(3) organization run entirely by volunteers.
- ❑ Its mission is to provide resources to help emerging artists, offer community education and cultural events, and expand on the "Arts Center" theme. BFAI offers affordable studio space for rent for artists to practice, create, exhibit and sell their art.

Beloit Fine Arts Incubator, Beloit, WI

- ❑ Description; rental rates:
 - 16 cubicles and studios: \$75-100 a month
 - Large open Gallery: \$200
 - Upstairs Conference Room and several classrooms; rented by event
 - Commission split 70/30 on sale of artwork
 - Kitchen for artists
 - Revenue from classes: \$100 and up
 - Workshops: \$30-\$50
 - Open Studio Nights: \$5 entry fee to work on artist's individual works

The Bauer, Kansas City, MO

- Three-story building; 30,000 sq. ft.; nestled in the heart of the creative block of West 18th Street; currently undergoing renovation
- Historic Bauer Machine Works building provides large studios; available to rent as artist studios, gallery, retail space and office space
- Each of the 40 studios/offices/retail spaces has large windows with panoramic views of the Kansas City skyline. Monthly rental: \$1 square foot.
- Third floor rental event space (The Bride and the Bauer) overlooks the new performing arts center
- Large Rental Space: \$1,800-\$3,500 per event
- Adjoining parlor: \$350 per event
- Catering Kitchen
- Each floor has common area with small kitchen

Batavia Industrial Center, Batavia, NY

- The Batavia Industrial Center, commonly known as the first U.S. business incubator.
- For-profit organization. Opened in Batavia, NY, in 1959.
- Accommodates manufacturing, graphics concerns, computer software enterprises, glass-making and laser operations, artisans, craftspeople, musical instrument instructors, local organizations.
- Also woodworkers, painters, sculptors, metal workers, muralists, and others who make things can turn their hobbies into careers and create jobs as their operations grow.
- Is creating a new 8,000-square-foot Artisan Center inside its Harvester Avenue facility:
 - Reaching out to the arts community by providing affordable studio, gallery space, and learning center;
 - Housing a community theater that will seat 144 people.
 - Function as a gathering place for adults and children to attend classes, performances, workshops and other arts-related activities and events.

Batavia Industrial Center, Batavia, NY

- 1 million square feet
- Studios rent for \$145-\$195 per month
- Business Group manages other facilities and provides coaching for a fee to Arts Incubators.
- Business Incubator for small business leasing (500,000 sq. ft. leasable space), and providing workshops, resources, consultants.
- Industrial, Commercial and Office Space
- Advises sensitivity to Individual markets in determining cost of studios

ADX Portland, Portland, OR

- 12,000-square foot facility. Founded in 2011. For-profit.
- High-profile designers work alongside students, retirees share their knowledge with novice builders, and entrepreneurs mix with hobbyists.
- Serves local artists trying to turn their hobbies into careers.
- Incubator-type business for:
 - “building a community of thinkers and makers, those who want to explore their art, prototype their designs, and bring them to fruition,”
 - those who want to explore their art, prototype their designs, and bring them to fruition.
 - Emphasis is on industrial, metal, wood, sewing, technical.
- “We give you access to the tools, the space, and the community to help you create anything you dream up.” (ADX website)

ADX Portland, Portland, OR

- ❑ Membership: \$360 a year
 - All access to factory floor and work benches
 - Unlimited access \$175 a month
 - Daily passes available
 - Gang of 10 space for \$250 a month for desk 24/7 access for freelancers, independent contractors, and professionals of all backgrounds
 - Ninkasi Bettyer Living Room available for rental to ADX community
 - Event space for 250 is fully booked through 2013

The Armory Art Center, West Palm Beach, FL

- Mission: Provide high-quality visual art school and art gallery services that stimulate personal self-discovery and generate knowledge and awareness of art as part of life.
- Is transforming abandoned classic Art Deco structure into a space for art classes and art exhibitions.
- Incorporated as a not-for-profit on December 1, 1986. Opened in 1987.
 - educating students, exhibiting works of art in more than 400 shows.
 - Visiting Master Artists from all over the United States have taught special classes; there have been more than 30 Artists-In-Residence.
- Three distinct buildings, including a large 4,000 sq. ft. multi-purpose hall.

The Armory Art Center, West Palm Beach, FL

❑ Rates:

- Membership: starts at \$35-\$100
- Classes: starts at \$15 per session
- Workshops: \$100
- Open Salons to work on art: \$10
- Patron levels: up to \$1,000
- Multiple Galleries available for rent from \$500-\$3,500, including a banquet facility
- All access of facility rental available: \$5,000 per event

Conclusions – Selected Incubators

- ❑ Incubators in all instances are highly individualized to needs of specific community.
- ❑ Each incubator has a distinct specialty or defining attribute.
- ❑ Incubators with larger square footage are generally the product of large for-profit companies specializing in the re-working of warehouses or other large commercial buildings.
- ❑ Rental rates of studio and event space are reflective of the demographics of each community and the level of involvement of the visual artists in the community.

Conclusions – Selected Incubators

- ❑ The concept of arts incubators dates back 50+ years.
- ❑ Some institutions have had to modify plans over the years, either commencing anew or relying heavily on volunteers.
- ❑ Sustainability is attained in multiple ways, primarily with not-for-profit management with a requisite fundraising and membership component.

Governance and Management Model

- ❑ Delray Beach CRA retains ownership and control over Arts Warehouse building:
 - CRA serves only as owner / landlord.
 - AW is managed as a rental property.
 - Lean operating staff (manager, assistant, maintenance)
- ❑ ACG recommends that the CRA identify, or create, a not-for-profit partner to:
 - Help in the design and funding of the building of the infrastructure and further structural and FFE enhancements of the Warehouse,
 - Serve as manager of the space, its programs, and activities.
- ❑ The not-for-profit could be one currently in existence or a new not-for-profit with the building and operation of the Arts Warehouse as its defining mission.

Delray Beach Arts Warehouse – Financial Operating Assumptions

1. Expenses:
 - a. Minimal staff for operations.
 - b. Facility operations, renter services.
2. Operating income derives from:
 - a. Space rental: studios, classrooms, business incubator space to artists, makers/doers, operating entity/not for profit, community users
 - b. Rental of gallery space: community, corporate, private .
 - c. Ancillary income of concessions, gift shop, percentage of art sales.
4. CRA responsibilities as reflected in financial operating estimate:
 - a. Serve as landlord only, not as a program presenter or producer. An outside programming partner would be necessary.
 - b. Provide financial operating support for building operation. Amount of CRA operating support would decline if revenues increase.

Delray Beach Arts Warehouse – Pro Forma Financial Operating Estimate: *Expenses*

OPERATING EXPENSES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Total Staffing Costs	\$214,340	\$220,770	\$227,393	\$234,215	\$241,242
Total Institutional Advertising & Promotion	\$19,200	\$20,040	\$20,918	\$21,837	\$22,798
Total, Facilities Operations	\$105,700	\$110,171	\$114,841	\$119,720	\$124,816
Total, General & Administrative	\$66,600	\$68,598	\$70,656	\$72,776	\$74,959
TOTAL EXPENSES	\$405,840	\$419,579	\$433,809	\$448,547	\$463,814

Delray Beach Arts Warehouse – Pro Forma Financial Operating Estimate: *Earned Income: Rental Revenue*

EARNED INCOME RENTAL REVENUE

<u>Visual Arts Spaces--Artist Studios; Classrooms: Business Incubator Space</u>	Av. Monthly Rent	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Visual Art Studios:						
24 studios (av. 383 SF)	\$500	\$144,000	\$151,200	\$158,760	\$166,698	\$175,033
Classrooms:						
3 Classrooms available for rent	\$1,000	\$36,000	\$37,800	\$39,690	\$41,675	\$43,758
Business Incubator Common Space, Equipment (440 SF):						
Annual Membership--access to common spaces: \$200		\$20,000	\$21,000	\$22,050	\$23,153	\$24,310
Daily, weekly passes		\$20,000	\$21,000	\$22,050	\$23,153	\$24,310
Total Rental Revenues: Studios, Classrooms, Business Incubator Members, Passes		\$220,000	\$231,000	\$242,550	\$254,678	\$267,411

Note: Individual studio rental rates may vary depending on the size of the space and the artists amenities and equipment provided.

Delray Beach Arts Warehouse – Pro Forma Financial Operating Estimate: *Earned Income: Rental Rates*

Suggested Rental Rates:	Daily NFP Rate	Daily Commercial Rate
Gallery		
Exhibition daily rate	\$500	\$750
Meeting rate	\$250	\$500
Art Fair	\$0	\$1,500
Performance--commercial presenter	\$0	\$750

Delray Beach Arts Warehouse – Pro Forma Financial Operating Estimate: *Earned Income: Gallery Rental, Ancillary Revenue, Funding Gap*

<u>RENTALS</u>	No. of Days/Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
		Rental Revenues	Rental Revenues	Rental Revenues	Rental Revenues	Rental Revenues
Total, Rental Revenues: Gallery	36	\$26,500	\$27,825	\$29,216	\$30,677	\$32,211
Total Ancillary Earned Revenues		\$22,500	\$23,875	\$25,261	\$25,659	\$26,069
TOTAL EARNED INCOME		\$269,000	\$282,700	\$297,028	\$311,014	\$325,691
TOTAL EXPENSES		\$405,840	\$419,579	\$433,809	\$448,547	\$463,814
FUNDING GAP		(\$136,840)	(\$136,879)	(\$136,781)	(\$137,534)	(\$138,123)

Arts Warehouse – Recommended Next Steps

1. CRA approves or amends current Arts Warehouse plan; votes to fund next stage of planning and design.
2. CRA engages counsel to assist with identification or formation of the Arts Warehouse management organization.
3. CRA identifies existing nonprofit organization to manage Arts Warehouse programming, *OR*
4. If no existing organization comes forward, CRA takes first steps to create a new nonprofit organization to manage Arts Warehouse programming.
5. Architect proceeds to Design Development phase.

Delray Beach Community Redevelopment Agency Delray Beach Arts Warehouse

❑ *Questions? Comments? Suggestions?*

THANK YOU!



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