

Ann Arbor City Council Regular Session: October 21, 2024
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From: [Song, Linh](#)
To: linh.song@gmail.com
Subject: Fw: Artspace Phase 11 Feasibility Report
Date: Monday, October 21, 2024 7:59:01 PM
Attachments: [FINAL_F2S Phase 11 Artspace Report - Ann Arbor, MI.pdf](#)

From: Higgins, Sara <SHiggins@a2gov.org>
Sent: Monday, October 21, 2024 2:56 PM
To: City Council <CityCouncil@a2gov.org>
Cc: Dohoney Jr., Milton <MDohoney@a2gov.org>; Praschan, Marti <MPraschan@a2gov.org>; Delacourt, Derek <DDelacourt@a2gov.org>; Hall, Jennifer (Housing Commission) <JHall@a2gov.org>
Subject: Artspace Phase 11 Feasibility Report

Mayor and Council,

Please find the attached Artspace Phase 11 Artspace Feasibility Report. This report will be included as a City Administrator's written communication on the October 21st Council Agenda.

This report highlights the need for additional housing to be designed and built with the creative community in mind. This report also identifies a potential path forward along with recommendations the City can pursue in the interim. Primary among them is the potential for the City and other governmental entities to create a process designed to better pair the artistic community with existing available affordable housing, helping to navigate the process for application and occupancy of existing units. Staff is also looking for opportunities to partner with Artspace on projects currently being considered by the City and AAHC.

We will continue to review the opportunity to contract formally with Artspace on the next phase of the process. That determination will be dependent on available funding, capacity and prioritization of workflow that will be determined as part of next year's budget process.

Sara Higgins (she/her), **Director of Operations**

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ANN ARBOR BICENTENNIAL
1824-2024

FEASIBILITY II REPORT

Ann Arbor, MI | August 2024



(Clockwise from Upper Left) Public Art adjacent to the Library Lot, Art Alley Ann Arbor, Public Meeting // Photo Credit: Needed



*Prepared at the request of the City of Ann Arbor,
with grant funding from the Song Foundation*

ACKNOWLEDGMENTS

Artspace would like to thank the City of Ann Arbor and the core group for their continued effort and attention on this initiative. The visit would not have been possible without the direction, coordination, and support of the Ann Arbor Core Group members. We would also like to thank all those who participated in the focus groups, public meeting, and additional 1:1 conversations. These engagements brought forth additional information and perspectives critical to an Artspace project's future. This study was funded by the City of Ann Arbor through a grant from the Song Foundation.



ANN ARBOR CORE GROUP

- Devon Akmon** // Artspace Projects, Board Member; Ann Arbor Resident
- Derek Delacourt** // Community Services Area Administrator, Ann Arbor
- Karen Delhey** // The Guild, Executive Director
- Jennifer Goulet** // WonderFools, Executive Director; Ypsi Arts Commission
- Amina Iqbal** // Ann Arbor Area Community Foundation; Sr Community Investment Officer
- Jenny Jones** // Artistry Connector, Authenticity Advocate, Founder, and Encouragement Influencer
- Deb Polich** // Creative Washtenaw, President/CEO; Artrain, President/CEO
- Lisa Sauve** // Synecdoche, Architect; City of Ann Arbor; Faculty at University of Michigan
- Frances Tordoro-Hargreaves** // Ann Arbor Community Foundation, Impact Investing Manager



AMERICA'S LEADER IN ARTIST-LED COMMUNITY TRANSFORMATION

Artspace is America's leading nonprofit developer for the arts, committed to developing affordable, sustainable spaces that equip artists, creatives, and entrepreneurs to live and work. By employing the strategies of real estate development, Artspace promotes not only accessible artist housing, workforce housing, and individual artist studios, but has also been a catalyst for communities and creative hubs rooted in the cultural sector for decades. For 40+ years, Artspace has spearheaded the growing nationwide movement towards community revitalization through the arts, with our efforts emanating from our Minneapolis headquarters and extending through offices in New York and Washington D.C. As the nation's foremost developer of arts facilities and creative workforce housing, Artspace has also provided expert consultancy to numerous communities and arts organizations across the country.

WWW.ARTSPACE.ORG

STAKEHOLDER ENGAGEMENT

While in town, Artspace engaged with local stakeholders through a public meeting. We appreciate the valuable ideas, perspectives, and context that attendees shared throughout these conversations.

PUBLIC MEETING ATTENDEES

- | | |
|----------------------------|--------------------------|
| <i>Devon Akmon</i> | <i>Jenny Jones</i> |
| <i>Dharma Akmon</i> | <i>Cathi Judy</i> |
| <i>Ashley Ambrozino</i> | <i>James Mackin</i> |
| <i>Lauren Blackford</i> | <i>Carrie McClintock</i> |
| <i>Janet Blackwell</i> | <i>Hilay Nichols</i> |
| <i>Dennis Burke</i> | <i>Mark Pannell</i> |
| <i>Brian Chambers</i> | <i>Lisa Sauve</i> |
| <i>Isabella De la Mora</i> | <i>Kai P. Stabell</i> |
| <i>Robert Gleba</i> | <i>Frances Todoro</i> |
| <i>Aaron Hillebrand</i> | <i>Hannah VanDuinen</i> |
| <i>Ann Hilton</i> | <i>Courtney Wollet</i> |
| <i>Phil Huhn</i> | <i>Mark Woogie</i> |
| <i>Amina Iqbal</i> | |

Attendees are identified to the best of our abilities. We apologize for any omissions or misspellings.



Public Meeting Attendees // Photo Credit: Artspace

TABLE OF CONTENTS

<i>Acknowledgments</i>	2
<i>I. Feasibility II Study</i>	5
<i>The Artspace Approach</i>	6
<i>II. Key Findings</i>	7
<i>Project Concept</i>	7
<i>Arts Market</i>	8
<i>Alignment with Broader Community Goals</i>	9
<i>Local Leadership</i>	10
<i>Funding and Financing</i>	11
<i>Potential Sites</i>	13
<i>III. Next Steps Towards an Artspace Project</i>	15
<i>Appendix A. Path to an Artspace Project</i>	16

I. FEASIBILITY II STUDY

Following an informative Preliminary Feasibility Study in February of 2022, The City of Ann Arbor and Artspace advanced into Feasibility II with an in-person, community visit May 21-22, 2024. The Feasibility II Study is the second step in Artspace's development process. A highly customized phase, this step further analyzes the challenges that were unearthed during the Preliminary Feasibility Study to address and strengthen these areas, while continuing to build support and identify resources through key conversations with potential project partners, funders, and stakeholders to advance towards predevelopment.

Artspace had come away from the initial study with the sense that while Washtenaw County could benefit from an Artspace-style project of 40+ units of workforce housing for artists and their families and a ground floor commercial and community space, the initiative needed strong involvement from a city partner to make this a successful endeavor. It is well known and certainly from our Feasibility study in 2022, born true that both Ypsilanti and Ann Arbor have strong and deep creative communities, and in the case of Ann Arbor, an extremely prescient need for affordable housing for the creative sector to keep artists and the cultural community thriving and growing.

Leading up to the Feasibility II study, the challenges that still needed addressing and focus were bringing Ann Arbor Leadership into the conversation, finding stronger potential sites that were ideally city-owned as well as building further partnerships with potential funders and the Housing Commission.

Artspace was represented by Wendy Holmes, Senior Vice President of Artspace Consulting, and Jessi Fett, Director of Artspace Consulting, with support from Greg Handberg, Senior Vice President of Property Development.

FEASIBILITY II ENGAGEMENT

During the Ann Arbor study, the Artspace team:

- Held a Student Focus Group, virtually
- Toured six potential development sites with some located in downtown Ann Arbor
- Met with The Ann Arbor Community Foundation
- Hosted a Public Meeting at StudioStudio with 45 participants to present preliminary findings and recommendations
- Held a breakfast meeting with the Core Group at City Hall
- Spoke with Mayor Taylor who shared his support of an Artspace project in Ann Arbor
- Had a lunch conversation with Jennifer Hall, Executive Director of the Ann Arbor Housing Commission
- Facilitated a virtual meeting with City Council members Dharma Akmon, Erica Briggs, and Jenn Cornell.

The Artspace Approach

Based on four decades of experience, Artspace has identified six key components of community-led development that every community needs to have in place to make a grassroots arts project feasible. During the Preliminary Feasibility Study, Artspace gathered and organized information through the lens of these six components. The Feasibility II phase delves deeper into our initial findings to address potential challenges, leverage opportunities, and advance the preferred project concept.

THERE ARE SIX AREAS OF CONSIDERATION:



CORE GOALS

At the heart of every Artspace development are these goals:

- Meet the creative sector's space needs
- Ensure long-term affordability
- Reflect the unique culture and character of the community
- Include diverse BIPOC and other underrepresented voices at the table
- Exemplify sustainable and efficient design
- Operate in the black
- Hire a local property management firm trained in affordable housing management to maintain, support, and manage the rental facility.

II. KEY FINDINGS

Project Concept

INITIAL FINDINGS

The following three types of artist spaces ranked of highest need in Washtenaw County (in a nearly tied order): **Artist live/work housing**, **private studio space**, and **shared creative space**. Artists and creatives would like to see these spaces located in or near one of the downtown cores. Artspace came away with a keen sense that a 40+ unit mixed-use development featuring live/work housing and ground floor community and commercial space would serve the region's creatives and benefit the broader community.

Updates Needed

A mixed-use, live/work artist housing project with ground floor community and commercial space is a concept that continues to resonate well in Ann Arbor. The public meeting, attended by approximately 45 people on May 21st, 2024, reaffirmed the general public's passion and commitment to this kind of project in or near downtown. Attendees' priorities still aligned with artist live/work housing and shared creative space but shifted to incorporate event space (such as galleries) over private studio space, at least with this group. The gathering was attended by mostly new public members that had not attended Artspace's Preliminary Feasibility public event, taking note that in the two years that have passed many artists have moved away from Ann Arbor, perhaps because of the lack of affordable housing and workspace.

From conversations with the city and the Housing Commission as well as members of the Core Group, it was abundantly clear that a partnership with the Housing Commission would be preferable and make sense for several reasons. The Housing Commission, led by Jennifer Hall shared with the Artspace team that they go through an RFP or RFQ (Request for Proposals or Qualifications) process for development partners for sites they own and plan to redevelop. A relationship with the Housing Commission would build on the consulting work that Artspace is currently doing with the Avalon/Housing Commission team on the Catherine Street project. Artspace's role is to help with aspects of the project that are specifically related to creative space, including the design of the units, the community spaces and how they function as well as the leasing up of the residential spaces to income-qualified artists and creatives. The Catherine Street project (recently named Dunbar Tower) received an allocation of 9% LIHTC (Low Income Housing Tax Credits) funding in 2023 and has started construction on this 63-unit project in which half of the housing units will be available for those who are experiencing homelessness and the other half will be allocated to those who work in a creative industry, such as artists. The project broke ground in April 2024 and is expected to be a harmonious addition to downtown Ann Arbor as well as innovative and forward-thinking in design with elements such as a geothermal installation and significant green infrastructure.



Image courtesy of Landon Bone Baker Architects (LBBA) Dunbar Tower, 121 Catherine Street, northwest corner of 4th Ave and Catherine Street

Arts Market

Washtenaw County is home to a substantial number of artists who represent a variety of talents including but not limited to mixed media artists, sculptors, bloggers, graphic designers, jewelry designers, book artists, muralists, fiber artists, etc. The artists and arts organizations agreed that the creative community is “underfunded” but also “vibrant”, “diverse”, and “passionate”. It was felt that undergraduates from the universities tend to leave the area and that resources should be used to encourage young artists to stay in the community.

Update

We learned from the city that several nonprofit organizations may need space and are interested in being a potential ground floor tenant in a future Artspace project. If the project progresses into predevelopment, Artspace will look to have conversations with these entities to gauge interest in partnership and to better understand each organization's future space needs.

It was clear during our discussions with the city and core group that their desire to help creatives was strong and while the value of an affordable housing project was undeniable, the core group wanted to find immediate ways to begin to help the creative sector. They are seeing artists and creatives continue to leave the area due to increasing housing costs and the inability to access affordable housing. An immediate solution Artspace proposes is to develop a system that will help creatives in understanding affordable housing processes and guides them through the application and the copious paperwork involved. As Artspace begins working with the Housing Commission on our next scope of consulting work (already under contract for the Dunbar Tower project), we recommend developing a method around marketing currently available affordable housing units to the creative sector.

The next step would be to include artists in information sessions for new affordable housing projects coming on-line in Ann Arbor and Ypsi. The Dunbar Tower project will include 31 units focused on the creative sector. Starting the education process now to let artists and creatives know about these and other housing units available for people at or below 60% AMI (Area Median Income), opens a market of individuals and families who evidence would suggest might leave town without access to affordable rents and/or workspace. Since artists find their income coming from a variety of sources (i.e. art fairs, gigs, etc.), they will need help pulling all this paperwork together and a program focused on this part could be a game changer in how artists see themselves staying in the community.

Alignment with Broader Community Goals

INITIAL FINDINGS

During our initial engagement in the community, Artspace asked focus group and public meeting attendees to identify their leading community goals from a list of over twelve objectives an Artspace-style project can align with. Among the goals Washtenaw County ranked as most important is preserving affordability, supporting a diverse cultural community, and sustaining creative businesses and nonprofits.

Update

Today, the affordability pressures are even more intense in Ann Arbor, with the average monthly rent now reaching \$2,000. Between 2012-2021 rent prices rose 33%. High land prices, property taxes and costs to build have led to these increases. In 2022, Washtenaw County was found to have the least affordable housing market in Michigan ([Ann Arbor Spark](#)) Also, Ann Arbor is becoming a more sought-after place to live, with the University, medical and tech fields expanding in the area. According to [Ann Arbor Spark](#), the tech industry now includes more than 370 companies that employ 20,000 people. This influx of tech professionals has driven up property values and rental prices, making Ann Arbor one of the more expensive places to live in Michigan ([Oxford Companies](#)).

The passage of the [2020 affordable housing millage](#) in Ann Arbor will support the creation of 1,500 units of affordable housing to house about 3,700 residents. The millage will support residents in Ann Arbor who earn less than 60% AMI. 20% of the funds will go toward supportive services to increase housing stability. The initiative aims to address the affordable housing shortage in Ann Arbor.

While the funds are not exclusively for the Housing Commission, the highest priority will go to city-owned sites. The millage funds can also fund gap financing for other affordable housing projects. The main goal is to keep the housing affordable long-term. Therefore, it is most likely the funds will be distributed to projects led by nonprofit developers and the Housing Commission.

An affordable, self-sustaining mixed-use creative economy-focused facility helps to ensure a long-term home for creative businesses and nonprofits, as well as individual artists. A critical mass of creatives also offers increased visibility to the buying public and an opportunity for artists to share networks, materials, and ideas. For the City and region, having a healthy creative sector is also a factor in attracting businesses, students and visitors alike.

Local Leadership

INITIAL FINDINGS

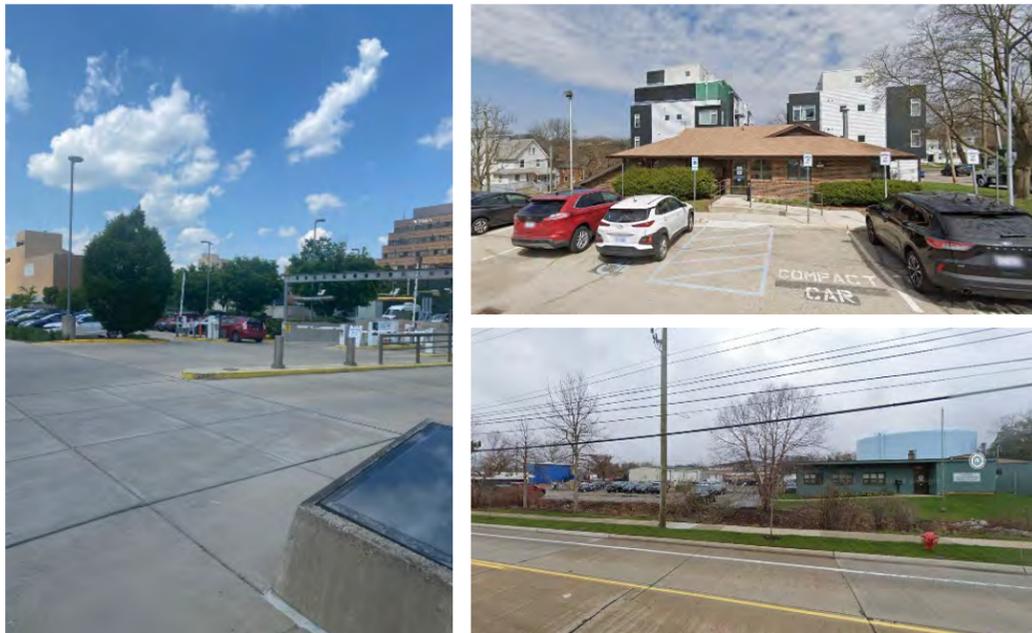
The Preliminary Feasibility Study was led by a Core Group of representatives from Ann Arbor and Ypsilanti. While there was city representation from the Ypsi side, there were no city officials from Ann Arbor present in the Preliminary Feasibility Study in February 2022. Since this project is moving forward with a focus on Ann Arbor, their representation is crucial and has been expertly represented by Derek Delacourt, head of the Community Services Department which oversees affordable housing and planning and zoning, among other areas of the city.

The Artspace team engaged with Mayor Christopher Taylor to gauge his interest and commitment to this type of project. Mayor Taylor has a deep affection for the arts, having a background as a musician and actor himself. He was incredibly interested in the work of Artspace and having a project in his community that meets the needs of regional artists and creatives.

It was evident when meeting with Eli Neiburger, Director of Ann Arbor District Library, that he has such a care and respect for creatives in the community. The library is in support of the work that Artspace is doing around affordable live/work project for the creative sector. He agrees wholeheartedly that there is a need for more assistance for artists in the area. The library is always looking for ways to provide more programming and space for creatives. They would be open to investigating ways to partner if the project were to move forward.

In our meeting with City Council members, Dharma Akmon, Erica Briggs and Jenn Cornell, we discussed how they felt this type of housing would resonate well with the community and could be leveraged for the City's efforts to engage in more deliberate placemaking efforts.

Strong local leadership is essential to the successful completion of this project. Maintaining lines of communication at the local level and continuing to advocate for the project will be a critical role of the Core Group, as well as the public and private sector leaders who have engaged in this initiative to date.



Photos (left to right): Library Lot, 404 N Ashley, 2000 S Industrial Hwy
// Photo Credit: Artspace, Google Earth

Funding and Financing

INITIAL FINDINGS

There are many funding opportunities in Washtenaw County and Michigan. Since an Artspace project has been in operation for 10+ years and Artspace has a project in predevelopment in Detroit, there is a lot of knowledge and relationships that Artspace can lean into in pursuing funding for a mixed-use affordable project in Ann Arbor. It is also a recommendation to further learn about private funding as well as major funders and individual donors both locally and Detroit-based. For example, which Detroit area funders might consider a project in Ann Arbor.

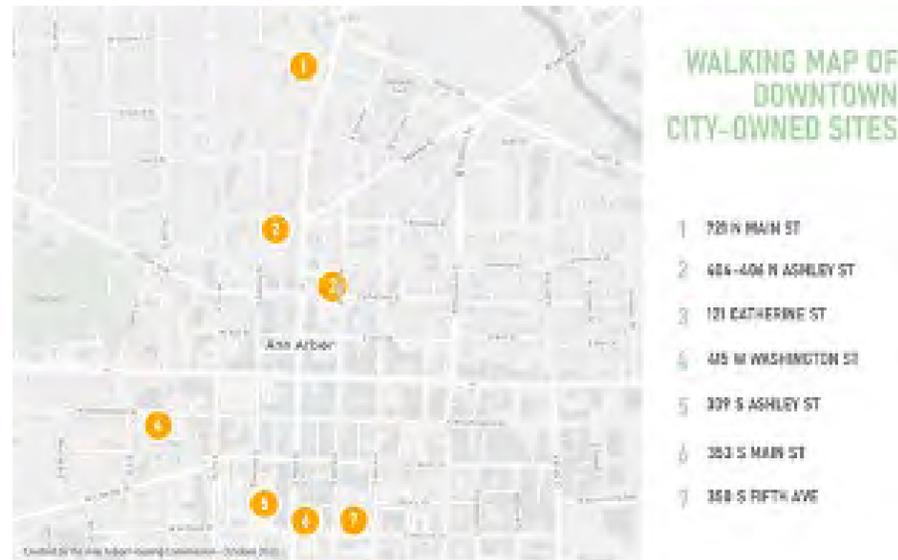
PRIVATE FUNDING UPDATES:

Both the Ann Arbor Community Foundation and the Song family or Song Foundation could be among the private funders for this project in the following ways:

- Grants for either or both predevelopment and capital
- Program-related-investment (particularly from the Community Foundation) as a bridge loan
- Other SE Michigan private funders who could be prospects for an Artspace initiative in Ann Arbor, include:
 - [Ralph C. Wilson, Jr. Foundation](#). The Wilson Foundation is providing strong support for Arts & Culture in SE Michigan through a partnership with the SE Michigan Community Foundation. The Wilson Foundation also provides separate grants for arts and culture projects. Artspace may have an opportunity to intersect with several program areas at the Foundation which may increase the likelihood of a grant.
 - [Community Foundation for SE Michigan](#). In addition to donor-advised funds, the Foundation does grantmaking for programs and projects with a focus on sustainability.
 - [Fred A. and Barbara M. Erb Foundation](#). Strong funding in the Arts in Detroit and Sustainability in Southeast Michigan which aligns with the City of Ann Arbor's [A2Zero goals](#).
 - [Davidson Foundation](#). One of the Foundation's focus areas is Entrepreneurship and Creativity. [George Jacobsen](#) is the program officer for this area of giving and used to be one of Artspace's contacts at the Kresge Foundation during the days of Dearborn project development.

PUBLIC FUNDING UPDATES:

Ann Arbor recently passed a millage that will generate funds to develop housing for residents earning less than 60% AMI. This is a fantastic resource to the city of Ann Arbor and marks the most significant expansion in affordable housing in over 40 years.



UPDATED FROM PRELIMINARY FEASIBILITY STUDY:

- MI State Housing Development Authority (MSHDA) also has a Mortgage Resource Fund and HOME funds that can be used to fill gaps in projects utilizing the less lucrative 4% LIHTCs (Low Income Housing Tax Credits).
- The Michigan Economic Development Corporation (MEDC) offers grants for brownfield cleanup and redevelopments tied to job creation. Artspace projects often qualify for job creation initiatives because so many artists are self-employed entrepreneurs running their own cottage industries.
- Michigan Community Revitalization Program (MCRP) funds can be used for the non-residential components of a project. Artspace's project in Dearborn, the City Hall Artspace Lofts, includes a separate commercial building which received \$1 million in MCRP funds. Up to \$10,000,000 (not to exceed 25% of the eligible investment) for flexible terms and condition loans and grants. Projects must be in a downtown or commercial center.
- Federal Home Loan Bank. The Indianapolis office serves the state of Michigan and is one of twelve government-sponsored Federal Home Loan Banks that provide equity to support housing financing and community investments.
- Illinois Facilities Fund (IFF) is a CDFI (community development financial institution) that serves the Midwest region. IFF provides bridge loans, gap financing, and other kinds of technical assistance for affordable housing and other kinds of community development projects. IFF has played an important role with Artspace projects in the Chicago area and in Dearborn.
- State and Federal Historic Tax Credits (HTCs). To qualify for the federal program, a property must be listed on the National Register of Historic Places either individually or as a contributing member of a designated historic district. Only one of the properties we discussed, the City Hall building in downtown Ypsilanti has the potential of being listed on the National Register and qualifying for historic tax credits.
- HOME Program. A federal program that provides funding to state and local governments to fund affordable housing developments. Ypsilanti and Ann Arbor are both members of the Urban County for CDBG (Community Development Block Grant) and HOME funds.

- Tax Increment Financing (TIF). A tool available to local communities for assisting economic development, redevelopment, and housing. Washtenaw County has a brownfield redevelopment agency authorized for redevelopment projects.
- Community Development Block Grants (CDBG) are tools that cities can use for a range of activities that benefit low- and moderate-income individuals or prevent or eliminate slums and blight. The funds vary from year to year but average about \$2 M annually for Washtenaw County; 15% are designated for social services, while the remaining 85% are typically used for infrastructure improvements.
- The City of Ann Arbor has a new affordable housing tax that will be available as a gap filling resource on projects targeting 30-60% Area Median Incomes. The city is entering the second year of the 20-year tax with an estimated \$6.5 million in revenue from it in the 2022-23 fiscal year. This fund could potentially raise around \$160 million over the next two decades, according to city estimates. These funds are intended to help leverage other funding to create new affordable housing for people earning up to 60% of the area median income, furthering the city's goal of socioeconomic diversity.
- The Michigan Council for the Arts and Cultural Affairs has a capital program that provides up to \$100,000 for eligible projects.
- Personal Property Tax Exemption for Ann Arbor and Ypsilanti. Allows local governments to offer a personal property tax exemption to spur investment in the Industrial Development District, Brownfield Redevelopment District, Local Development Financing District/ Smart Zone, or the Downtown Development District. New personal property (equipment) leased or owned by eligible businesses and located within these established districts could be 100% exempt from local and state personal property taxes. This incentive is not project-specific and extends to all personal property investments during the exemption.

Potential Sites

INITIAL FINDINGS

Artspace toured 12 potential sites while in town during the Preliminary Feasibility Study, with an emphasis on downtown Ann Arbor and Ypsilanti. At the time of this first phase, there were not many options in the Ann Arbor downtown area due to lack of City representation and those that were toured were privately owned.

With the City of Ann Arbor now at the table we were able to have an extensive tour of six new sites with the Community Services Area Administrator, Derek Delacourt. These sites include the Library Lot, 404. N Ashley, 2000 S. Industrial Hwy, 415 W Washington, 2555 S. State, and 1510 E Stadium. All these sites are city-owned, in partnership with the Housing Commission, or owned by Ann Arbor Public Schools. We have narrowed the focus to three sites that seem to have the highest potential to become an Artspace project.

Although the City of Ann Arbor overall has a low walk score of 53, the urban core has received recognition as a Gold Level Community by the [Walk Friendly Communities organization](#).

LOCATION	Library Lot	404 N Ashley	2000 S. Industrial Hwy
RELATION TO DOWNTOWN	Direct center of Ann Arbor downtown	In downtown, near new condo building at W. Kingsley and N. Ashley	Outside of Downtown, between downtown and U of M
SIZE & DEVELOPMENT POTENTIAL	7,000 sq ft (about twice the area of a tennis court)	.37 acre	
PROJECT EASE OF ACQUISITION	City owned- under referendum to be developed as an urban park and civic center commons. Would need a vote to change City charter.	City-owned	City-owned
ACCESSIBILITY	Very walkable to many amenities: heart of the city, close to transit, grocery (Kanbu Asian Mart and Argus Farm Stop), etc	In the heart of downtown; walking distance to many restaurants and shops	Close to transit, mall and grocery. The area is growing. Not currently walkable to anything. Sidewalks?
PARKING	Enough space for onsite parking	Is a tighter site. No parking requirement in the downtown zone	Enough space for onsite parking
RENOVATION OR NEW CONSTRUCTION	New Construction	New Construction	New Construction
ENVIROMENTAL ISSUES	Environmental clean-up has been completed?	None known at this time	Will be some environmental issues though no toxic uses in past.
POTENTIAL FOR SUSTAINED COMMUNITY IMPACT	Well-located and very walkable	Well-located and very walkable	Evidence that area is in a future redevelopment zone, but access and walkability would need to be built into future site development or small area plan for the area.
SUMMARY	Core group and many stakeholders felt the site holds promise due to its central location and the direct public value that a project like this could bring to the City, while remaining a City-owned parcel.		The current planning commissioner taught a design studio with multi-family housing.

Of these three, the Library Lot site emerged as the most compelling across the community and stakeholders. There are many strengths that come with this site including this it is city-owned, adjacent to an upcoming Housing Commission project, and in the center of downtown. There are many key steps that we recommend occur to advance support for a mixed-use affordable housing project, if the city moves forward with pursuing an Artspace development on the Library Lot including:

- Series of community engagement meetings with broader community and the creative sector designed to focus on the Library Lot.
- Discussion with City stakeholders to produce a potential plan with several rounds of community engagement.
- Architectural massing study for the site (not a design, simply a massing of volume of space needed to accommodate both the library and 30-50 units of live/work housing and community space).
- Work with Housing Commission on a process to market opportunity to apply for their housing units to the creative community. members of the Urban County for CDBG (Community Development Block Grant) and HOME funds.

III. NEXT STEPS TOWARDS AN ARTSPACE PROJECT

Artspace believes that Ann Arbor is set to be a terrific location for affordable housing focused on the creative sector based on the PFS in 2022 and the Phase II work done in May 2024.

Next steps would be to invest in both the immediate needs and future initiatives. This would be to develop a program locally that would help artists to access current affordable housing that is already built or going to be open soon. Many artists that were in Ann Arbor in 2022 have left because of the excessive cost of living. If the city were to build support systems, they may be able to keep more of their artists and creatives. It would behoove Ann Arbor to partner with Ypsilanti and other cities in Washtenaw County to better serve the broader, regional artist community. The city has a great desire to put efforts into this immediately. It was discussed that the Song Foundation could be interested in investing funds to help create a web portal or app that would help guide creatives through applying for housing. Finding the organization that would spearhead this initiative is key to launching a successful program.

To build a future affordable live/work housing project, Ann Arbor will need to focus on predevelopment funding. Predevelopment funds represent the dollars needed to advance a project to the point of construction – typically 3 years after the signing of a predevelopment contract. The predevelopment funding totals \$800,000, paid over those three years, and covers many of the expenses related to 3rd party soft costs such as architects, legal fees, application fees, environmental studies, and Artspace's staff time. During predevelopment, Artspace works on putting together funding and financing for the capital costs of the project, typically in the range of \$15-25 million, depending on the size of the project and the number of units of housing (see Addendum A "Path of an Artspace Project"). In the case of Ann Arbor, the funding for predevelopment could come from a combination of City and private philanthropic funds.

The first step will be to decide which city-owned site is the best fit for this project. If the city decides to move forward with the Library Lot, moving forward with predevelopment would have to wait for a successful referendum change to the City Charter.

Artspace is excited about the potential of an Artspace project to complement the City's investment projects currently underway, while introducing much-needed workforce housing for local artists and further catalyzing creative activity in Ann Arbor. We look forward to our next steps together.



Mural by Martin Kazan, Ann Arbor // Photo Credit: Artspace

APPENDIX A

PATH TO AN ARTSPACE PROJECT



A typical Artspace live/work project takes four to seven years to complete. Although no two projects are alike, they all travel a similar path through the development process.

Here is a brief look at a typical Artspace live/work project as it proceeds from inquiry to preliminary feasibility studies, predevelopment, development, to completion and then occupancy. Please note that this is not an exhaustive list of every activity that goes into an Artspace project and is provided solely as the sample "path" a project might take.

STEP 1: PRELIMINARY FEASIBILITY VISIT I	
OVERVIEW	<ul style="list-style-type: none"> Information Gathering and Outreach
PRIMARY ACTIVITIES	<ul style="list-style-type: none"> Meet with artists, local funders, businesses, civic leaders, and other stakeholders Conduct a public meeting to introduce Artspace and solicit community feedback Tour candidate buildings and/or sites Extend outreach as needed to ensure that people from underrepresented communities are included in the process
DELIVERABLES	<ul style="list-style-type: none"> Written report with recommendations for next steps
PREREQUISITES FOR MOVING FORWARD	<ul style="list-style-type: none"> Demonstrated support from local leadership Critical mass of artists and arts organizations with space needs Established base of financial support
TIME FRAME	<ul style="list-style-type: none"> 4-8 months

STEP 2: FEASIBILITY VISIT II	
OVERVIEW	<ul style="list-style-type: none"> Sharing findings and advancing predevelopment
PRIMARY ACTIVITIES	<ul style="list-style-type: none"> Community meeting to share findings and recommendations from the first visit. Solicit input on the proposed project concept. Meet key staff at the state housing finance agency. Review the Qualified Allocation Plan for Low Income Housing Tax Credits with key stakeholders. Meetings with potential funders. Deeper evaluation of proposed sites.
DELIVERABLES	<ul style="list-style-type: none"> Draft Pre-development agreement (if applicable)
PREREQUISITES FOR MOVING FORWARD	<ul style="list-style-type: none"> Local leadership and creative sector support Alignment with broader community goals Funding resources for predevelopment Available sites
TIME FRAME	<ul style="list-style-type: none"> 3-6 months after Step 1

STEP 3: PREDEVELOPMENT I	
OVERVIEW	<ul style="list-style-type: none"> Determining Project Location and Size
PRIMARY ACTIVITIES	<ul style="list-style-type: none"> Work with City and other stakeholders to establish (a) preliminary project scope and (b) space development program for evaluating building and site capacity Further analyze candidate buildings/sites with respect to cost, availability, development program goals. Review existing information about potential site(s) to identify key legal, environmental, physical, and financial issues affecting their suitability Negotiate with property owners with goal of obtaining site control agreement Continue outreach to artists and arts organizations Connect with potential creative community partners and commercial tenants
DELIVERABLES	<ul style="list-style-type: none"> Confirmation of development space program and goals Assessment of site suitability and identification of any contingent conditions to be resolved through continued due diligence Site control agreement or update regarding status of site control negotiations Summary of project status
PREREQUISITES FOR MOVING FORWARD	<ul style="list-style-type: none"> Site control agreement with property owner Growing stakeholder/leadership group Both parties' agreement on project scope and feasibility
TIME FRAME	<ul style="list-style-type: none"> 3-6 months
FEE	<ul style="list-style-type: none"> \$150,000

STEP 4: PREDEVELOPMENT II	
OVERVIEW	<ul style="list-style-type: none"> Project Design and Financial Modeling
PRIMARY ACTIVITIES	<ul style="list-style-type: none"> Establish process for selecting architectural team Confirm development goals and space program with architectural team Engage architect to create conceptual plans and schematic designs Engage contractor or cost consultant to provide pre-construction services Resolve any contingent conditions relating to site control Create capital and operating budgets Obtain proposals and/or letters of interest from lender and equity investor financing partners Prepare and submit Low Income Housing Tax Credit application Submit other financing applications as applicable Maintain excitement for the project within the creative community Encourage and guide local artists to activate the site with arts activities
DELIVERABLES	<ul style="list-style-type: none"> Schematic designs Financial pro-forma detailing capital and operating budgets Preliminary proposals and letters of interest for project mortgage and equity financing Summary of project status
PREREQUISITES FOR MOVING FORWARD	<ul style="list-style-type: none"> Award of Low Income Housing Tax Credits (first or second application) or commitment of alternative funding
TIME FRAME	<ul style="list-style-type: none"> 12 months+
FEE	<ul style="list-style-type: none"> \$300,000

STEP 5: PREDEVELOPMENT III

OVERVIEW	<ul style="list-style-type: none"> • From Tax Credits to Financial Closing
PRIMARY ACTIVITIES	<ul style="list-style-type: none"> • Secure final gap funding commitments • Raise funds for equity, including private sector philanthropic dollars • Complete construction documents and submit permit applications • Negotiate construction and permanent loan commitments • Negotiate limited partner equity investment commitments • Advance project to construction closing • Communicate the progress of the project to the creative community to keep up the involvement and excitement
DELIVERABLES	<ul style="list-style-type: none"> • Successful closing and commencement of construction
TIME FRAME	<ul style="list-style-type: none"> • 4-6 months
FEE	<ul style="list-style-type: none"> • \$350,000+

STEP 6: CONSTRUCTION

OVERVIEW	<ul style="list-style-type: none"> • Construction and Lease-up
PRIMARY ACTIVITIES	<ul style="list-style-type: none"> • Oversee project construction • Engage property management company • Identify commercial tenants and sign lease agreements • Reach out to potential artist tenants, providing education on the application process • Conduct residential tenant selection process
DELIVERABLES	<ul style="list-style-type: none"> • Completed project ready for occupancy
TIME FRAME	<ul style="list-style-type: none"> • 6-10 months
FEE	<ul style="list-style-type: none"> • Depends on project (not part of predevelopment contract)