

# PRELIMINARY FEASIBILITY REPORT

## Bentonville, AR | March 2018



Prepared at the request of the Walton Family Foundation

# ACKNOWLEDGMENTS

Artspace would like to thank the Walton Family Foundation for their leadership, coordination, and support of this study. The Core Group of individuals that they assembled offered invaluable insight, hospitality, and feedback throughout the process. It was a pleasure to work with such a committed group. We would also like to thank the participants in the focus groups and public meeting that made their voices heard over the course of this visit.

## WALTON FAMILY FOUNDATION



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### CORE GROUP

- Robin Atkinson, CEO & Creative Director, NWA Fashion Week
- Jaquita Ball, Founder/CEO/Artist, Red Cat Art LLC
- Shawn Barney, Founder & Managing Director, CLB Porter, LLC
- Neil Greenhaw, Founder & Principal Owner, Haxton Road Studios; and producer, songwriter, and session guitarist
- Casey Kleinhenz, Executive Director, Community Development Corporation of Bentonville
- Danielle Semsrott, Senior Planner, City of Bentonville

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# COMMUNITY PROFILE

## INTRODUCTION

One of the four largest cities in Northwest Arkansas (NWA), Bentonville still retains a small-town vibe – despite prosperity and rapid growth. According to U.S. Census data, Bentonville had a population of 11,000 in 1990; nearly doubled over the next decade, to just over 20,000 in 2000; rose another 75% the decade following, to more than 35,000 in 2010; and increased nearly 30% in the last several years, bringing the total population to more than 47,000 in 2016.

What accounts for this boom? Benton County is home to several large employers, including Walmart, Mercy Health System, and J.B. Hunt. Walmart, with corporate headquarters in Bentonville, is one of the world's largest retailers, and the largest employer in 22 states. Locally, Walmart employs some 14,000 people. In Fall 2017 Walmart announced plans to move its corporate headquarters closer to downtown with an intention to consolidate spaces, present a more modern and urban face, and increase its ability to attract top talent. In addition to the Walmart Corporation itself, Walmart vendors are also fueling growth. One news article cited upwards of 1,500 Walmart vendors setting up shop in the area – with more than 50 of those employing 50+ people per shop.

Despite the explosion of human capital, the downtown square remains modest in size and retains a historic character. Several gourmet restaurants and coffee shops are on offer, as well as Sam Walton's charming, original 5&10 store, the Walmart Museum, the well-appointed Walmart Neighborhood Market, a music venue, event center, and other civic buildings. A short four blocks from the square is the renowned Brightwater Culinary School and 8th Street Market. Within Northwest Arkansas, Bentonville has the largest population of people electing to live downtown. New construction is visible on every arterial road radiating out from the center.

Arts and cultural development is at the forefront of these conversations. Recent examples that have gained national recognition include the Crystal Bridges Museum of American Art, the Scott Family Amazeum, and the Momentary (a forthcoming contemporary arts venue), to name a few. Coupled with the extensive regional network of bike trails, which achieved a Silver Level Ride award by the International



The original Walton's 5 & 10



and increase its ability to attract top talent. In addition to the Walmart Corporation itself, Walmart vendors are also fueling growth. One news article cited upwards of 1,500 Walmart vendors setting up shop in the area – with more than 50 of those employing 50+ people per shop.

## BENTONVILLE, AR AT A GLANCE

**Population (2017 estimate):** 44,895  
**Households (2017 estimate):** 16,843  
**Population, % change 2010-2017:** 27%  
**Est. Population Growth 2017-2022:** 14%  
**Median Age (2017 estimate):** 33  
**Median HH Income, 2017:** \$62,989  
**Renter-occupied households, 2017:** 7,331  
**Race and Ethnicity, 2017 (top 4):**

- White: 77%
- Asian: 11%
- Hispanic: 10%
- Other: 4%

Source: Esri Community Analyst

Mountain Biking Association, Bentonville residents and visitors have many top-notch amenities to enjoy.

To better understand the needs of this dynamic city and region, the Walton Family Foundation is making several significant investments. They recently announced plans to commission a year-long study on workforce housing in the region, including an analysis of the region's needs and a comprehensive housing plan with recommendations addressing a broad range of incomes. In addition, the Foundation awarded several grants focused on research around mixed-use housing, including one to Artspace to assess the availability of creative-sector spaces in the region. The grant makes possible several Artspace trips to NWA, subsequent work to compile four feasibility studies, and a broader, regional arts market study.

The Bentonville study is intended to further the conversation by looking specifically at the space needs of the creative sector, and the feasibility of creating dedicated arts spaces in the core of the City.

## SUMMARY: MEASURING THE VITALITY OF DOWNTOWNS IN BENTONVILLE, FAYETTEVILLE, ROGERS, SILOAM SPRINGS, AND SPRINGDALE



This report, compiled by Center for Business and Economic Research in the University of Arkansas' Sam. M. Walton School of Business, was funded with support from with Walton Family Foundation. The Foundation provided a summary of the Bentonville section:

“Downtown Bentonville is booming. It has experienced steady growth in both commercial and residential property values and increased permits for construction of single-family homes that show strong demand for living space downtown. Residential average sales per square foot have jumped more than 200% in the past five years, raising concerns about affordability for people of different income levels, including young professionals.”

# PRELIMINARY FEASIBILITY STUDY

A Preliminary Feasibility Study is the first step in understanding how an attainable arts real estate project can move forward within the context of a community's unique needs, assets, sites, leaders, and resources. Central to this step is the Preliminary Feasibility Visit, in which Artspace visits the community to gather information, connect with local stakeholders, and share information about how these projects come together. With this approach, Artspace works to encourage community dialogue and build general support for the creation of attainable space for the arts sector.



Downtown Bentonville

The Bentonville Preliminary Feasibility Visit was conducted January 31 – February 2, 2018. During these three days, Artspace staff met stakeholders, toured potential sites, and facilitated a public meeting. Artspace was represented by Wendy Holmes, Senior Vice President, and Anna Growcott, Director, both from the Consulting and Strategic Partnerships Department; and Dana Mattice, Grants Writer / Communications Specialist, from the National Advancement Department.

## ABOUT ARTSPACE

Artspace is a nonprofit organization that uses the tools of real estate development to create affordable, appropriate places where artists can live and work. Because Artspace owns each of the projects it develops, we can ensure that they remain affordable and accessible to artists in perpetuity. Over the last three decades, Artspace has led an accelerating national movement of artist-led community transformation. While embracing the value the arts bring to individual lives, Artspace has championed the once-radical idea that artists living on the edge of poverty and chronically underfunded arts organizations can leverage fundamental social change. With headquarters in Minneapolis and offices in New Orleans, New York, Seattle, Denver, and Washington D.C., Artspace is America's leading developer of arts facilities and has served as a consultant to hundreds of communities and arts organizations nationwide.

## THE ARTSPACE APPROACH

Artspace has identified six key components of community-led development based on three decades of experience working on development projects in a wide variety of cities. These six components provide a framework for assessing feasibility and providing feedback to communities on how to plan for successful, affordable, mixed-use facilities. Thus, for the Preliminary Feasibility Study, Artspace organizes information through the lens of these components, defined below:

**PROJECT CONCEPT:** What type(s) of space would the community like to see created? Although many communities have a well-developed project concept in mind before embarking on this study, Artspace's first step is to ask different stakeholders, "What type of creative spaces are needed and wanted in your community?"

**ARTS MARKET:** Is there a sufficient market to support an arts facility? To answer that question, qualitative data is collected through focus group meetings. Specifically, Artspace asks artists if they need space to live, work, create, teach, share, and/or sell their art, how much rent they consider affordable, and what types of amenities are priorities for them. In addition to helping assess feasibility, this information lays the groundwork for an Arts Market Study, the second step on the path to an Artspace project, which provides quantitative data about the creative community's space needs.

**LOCAL LEADERSHIP:** Are there leaders on the ground who are willing and able to advocate for the project, open

doors, and keep lines of communication flowing between a developer and the community? These leaders come from all industries, from elected officials who control agencies and program dollars to citizens who are passionate about making their community a better place to live, work, and create.

**FUNDING AND FINANCING:** Arts facilities typically represent significant investments of civic resources. Although a variety of state and federal programs can be used to generate revenue for construction, Artspace relies on local funding and financing programs to support predevelopment expenses and gap funding. The Preliminary Feasibility Study considers the community's interest and capacity to commit resources to an arts facility. Basic information is gathered about local funding options from both private and public institutions as well as philanthropic donations.

**POTENTIAL SITES:** At this stage, the primary goal is not to select the final site, but rather to identify candidates for further study. The factors under consideration include: location, size, ease of acquisition, and potential for sustained positive impact. As a project moves into predevelopment, these (and perhaps other) candidate sites will be evaluated in the context of a refined Project Concept, Arts Market Study data, and a deeper understanding of local development priorities and funding sources.

**ALIGNMENT WITH BROADER COMMUNITY GOALS:** A potential project can help achieve other civic goals, such as economic development or historic preservation. Artspace considers strategies and partnerships that can leverage impact, so that the operating project can be greater than the sum of its parts. Community members are asked to circle their top priorities during the visit with Artspace.

## PRELIMINARY FEASIBILITY VISIT



During the Bentonville visit, the Artspace team:

- Toured potential sites
- Facilitated three focus group meetings (60 total participants):
  - Artists, Arts Organizations, and Creative Businesses
  - Civic Leadership
  - Finance and Funder Leadership
- Held a Public Meeting at Haxton Roads Studio (100 participants)

# BRINGING ARTSPACE'S NATIONAL EXPERIENCE TO BENTONVILLE, AR

In addition to the information gathered about Bentonville, this report is informed by Artspace's experience working in other cities that have invested in attainable facilities for artists and arts organizations. The following thoughts provide context for evaluating the feasibility and demonstrating the importance of creative spaces in Bentonville:

Mixed-use arts facilities with long-term affordability have been shown to:

- **Generate economic revitalization and development.** Each project provides job opportunities before, during, and after construction.
- **Preserve old buildings, stabilize neighborhoods, and revitalize vacant and underutilized properties.** They help preserve cultural heritage by providing places where cultural art forms can be passed from one generation to the next.
- **Catalyze private and public investment,** such as façade improvements and general beautification, in the surrounding area.
- **Create community spaces** that give the public opportunities to interact with the artist tenants through gallery events, demonstrations, performances, and installations. They also provide opportunities for other local artists to showcase their work.
- **Support independent artists** who are each, in effect, cottage industry business owners, generating economic activity by selling products or services, purchasing equipment and supplies, and paying taxes.
- **Build community.** Artists and creatives are active neighbors and community members. Many collaborate with the educational, cultural, and business communities as teachers, community conveners, and volunteers.

## Artspace Projects Around the Country



Top to Bottom:  
First residents at the Artspace Tannery Lofts in Santa Cruz, California; Residents in El Barrio's Artspace PS109 in East Harlem, New York; Interior of a live/work unit in the Northern Warehouse Artists' Cooperative in St. Paul, Minnesota; Grand Opening of the Brookland Artspace Lofts in Washington D.C.



# FINDINGS

## PROJECT CONCEPT

The first questions Artspace asked the focus group participants in Bentonville were, “what kind of creative spaces are in your community?” and “what additional spaces are needed and/or wanted?”

Some communities are clear about what they hope to achieve; other communities are starting from scratch. They look to Artspace to guide them through the process of determining whether a new facility makes sense for them – and, if so, what kind of space.

The overarching theme that Artspace heard from Bentonville artists and arts administrators was a lack of affordability. The majority of participants in the Artists, Arts Organizations, and Creative Businesses Focus Group work from home, and had trouble identifying appropriate and affordable places to exhibit or perform. While the artists viewed Crystal Bridges, 21c, and the Momentary as aspirational spaces to show their work, they stated that there is a chasm in the middle (between exhibiting at a coffee shop to displaying at a world-renowned museum) for early and mid-career, professional artists to grow. The Crystal Bridges curator herself was in the room and backed this perspective by stating that “a rich arts community takes many hands and spaces.” She did not desire the museum to be a monolithic place, and emphasized that Crystal Bridges and the Momentary can only do so much, with only so much space; and that additional spaces would be needed to grow the local arts community.

The group also discussed the value for children, and the public in general, to see the process behind the arts products being made. They began dreaming of a collaborative space that they compared to the Bike Rack Brewing Company at 8th Street Market, where folks could come in and see what others were working on, and collaborate.

## PRIORITY PROJECT CONCEPTS

Artspace looks at the needs and goals of the creative sector, the will and resources of the private and public sector, and any well-aligned opportunities that may drive the project concept(s).

Each focus group provided ideas about what type of creative space they would like to see in Bentonville. The Artists and Arts Organizations Focus Group brainstormed a list, and then prioritized their preferred concepts by a raise-of-hands vote. The ideas generated are as follows, listed in order of poll results:

1. The Hub / Village
2. Performance space
3. Gallery space
4. Residential
5. Affordable studio space
6. Shared studio space
7. Film, video, animation, green screen space
8. Marketplace

The top four concepts for affordable, creative space downtown are defined and discussed in more detail:

**The Hub / Village.** This concept is broad and references collaborative types of spaces where multiple kinds of entrepreneurial activities and experiences occur, and where visitors and the public are also invited to participate. Some hubs have a theme, like food or co-working. Other hubs are large open spaces where many different businesses co-exist with the potential of collaboration. Focus group participants talked about this concept as an “8th Street Market for the Arts.” The Arts Market Study can help further define these ideas.

**Performance Space** serves groups and individuals looking to rent space for performances, rehearsals, and/or community gatherings. Performance spaces are usually operated by a local organization and often rented out to performing arts groups on an occasional basis. Bentonville participants described interest in a performance space that is in the 100-300 seat range, flexible to meet the needs of multiple organizations, and rented for theater, music, and other events.

**Gallery/Exhibition Space** can be run by a business, a singular artist, or a group of artists. Gallery spaces are typically leased exclusively for a period of one year or longer, and are often subleased to other groups for events. In Bentonville conversations, there was interest in having a flexible exhibition space for multiple artists to use to display and sell their work to the public.

**Live/Work Housing** is residential space where artists can live and create in the same space. Artspace live/work units meet standard residential codes, and are somewhat larger (150 to 200 square feet) than a typical dwelling unit. The units include artist-friendly design features including durable surfaces, large windows, high ceilings, and wide doorways. Though residential space was not discussed at-length during Bentonville focus groups, participants prioritized it as one of the top potential concepts.

## DEFINING A PROJECT CONCEPT IN BENTONVILLE

There is a strong desire in Bentonville to have places to showcase and share work, whether that be performing or visual arts, and to forge collaborations. Beyond that, the needs were broad and equally rated, including places to live, create work, sell work, and have access to digital artmaking tools. Though no singular project can be all things to all people, understanding how the community views these concepts is valuable in understanding the breadth of space needs in Bentonville. One or more of these priority concepts could be combined into a project and co-exist, depending on the site and developer.

For purposes of this study, Artspace will explore a **mixed-use affordable live/work project with commercial space on the ground floor as the priority project concept for Bentonville**. The rapidly increasing challenge of housing affordability, combined with rising land values, lead us to prioritize housing among the top space concepts to be considered in a potential Bentonville project. This type of mixed-use project could create an arts hub by including a variety of uses in the ground floor commercial spaces, such as galleries, studios, and retail space. The following sections of this report are presented in the context of this priority project concept.



Community Space Example: Karcher Artspace Lofts - Waukegan, IL



Private Work Space Example: Leatherworks in the Northern Warehouse, St. Paul, MN



Live/Work Unit Example: El Barrio's Artspace PS109, New York, NY

## ARTSPACE & TENANT PARTNERSHIPS



**ARTSPACE BUFFALO LOFTS // BUFFALO, NY** - The Buffalo Arts and Technology Center (BATC) occupies 15,000 square feet on the first and lower level of a renovated historic electric car factory; the four upper floors are dedicated to 36 units of artist live/work housing.

BATC is a nonprofit subsidiary of Manchester Bidwell out of Pittsburgh, PA, which offers after-school visual arts programs for at-risk high school students as well as health sciences career training for under-employed and unemployed adults. There is a synergistic relationship with both the nearby medical campus, through job placements, as well as the artist residents, some of whom work as BATC faculty.

**NORTHERN WAREHOUSE ARTIST LOFTS // ST. PAUL, MN** - Springboard for the Arts is an anchor tenant in Artspace's mixed-use project in the Lowertown Historic District of St. Paul. Springboard provides resources, workshops and training for artists and small- to mid-sized arts organizations. Springboard serves artist tenants in all 10 of Artspace's Minnesota projects.

**CITY HALL ARTSPACE LOFTS // DEARBORN, MI** - The Arab American National Museum has been a key partner since the early days of the project. The museum is located across the street from Artspace, and operates an artist-in-residency space for visiting artists in the Artspace project.

This space provides a unique opportunity for the Arab American National Museum to host visiting artists from around the world who teach classes and engage with the broader community during their stay in Dearborn.

# ARTS MARKET

The term “arts market” refers to the demand for the kinds of space that creatives regularly need and use. The goal of the Preliminary Feasibility Study is to obtain qualitative data from artists, arts administrators, and others familiar with the sector.

During the Artists, Arts Organizations, & Creative Business Focus Group, participants were asked what they consider “affordable” in terms of rent and what amenities are high priorities for them for the different spaces they had prioritized. This information helps Artspace assess the feasibility of a project concept and lays the groundwork for the quantitative Arts Market Study, the second step on the path to an Artspace project, further detailed on page 16.

Artspace intentionally keeps its definitions of artist and creative broad to be as inclusive as possible. Residents of Artspace buildings range from veterans, retirees, service workers, teachers, and parents who also happen to be creative. They are likely to earn a portion of their income from something other than their art. In fact, a look across the Arts Market Surveys that Artspace has completed in the past 15 years shows that only about 10% of artist respondents make 100% of their income through their art.



Mural in Bentonville

## WHO IS AN ARTIST?

Artspace’s definition of an artist is very broad. An “artist” or “creative” is a person who has a demonstrable commitment to the arts or a creative pursuit. While the term is broad and varies from community to community, if affordable housing is utilized in a project, all “artists” must still qualify for affordable housing by income.

- A person who works in or is skilled in any of the fine arts, including but not limited to **painting, drawing, sculpture, book art, mixed-media and print-making.**
- A person who creates imaginative works of aesthetic value, including but not limited to **film, video, digital media works, literature, costume design, photography, architecture and music composition.**
- A person who creates functional art, including but not limited to **jewelry, rugs, decorative fixtures, edible products, furniture, straw bale homes, pottery, toys and quilts.**
- A performer, including but not limited to **singers, musicians, dancers, actors and performance artists.**
- In all culturally significant practices, including a **designer, technician, tattoo artist, hairdresser, chef/ culinary artist, craftsman, teacher or administrator** who is dedicated to using their expertise within the community to support, promote, present, and/or teach and propagate their art form through events, activities, performances and classes.

Artists and creatives from a broad range of art forms, ages, and career stages participated in the visit. Represented among the Artists, Arts Organizations, & Creative Business Focus Group were several music producers and musicians, an animator/illustrator, photographer, silversmith, pastel artist, actor/comedian, graphic designer/video artist, and multiple painters. Several artists in the group worked in multiple disciplines and had side gigs curating and/or consulting. Arts administrators included the CEO & creative director of NWA Fashion Week, the executive director of the Arkansas Philharmonic Orchestra, the Crystal Bridges Museum of American Art curator, and the head of the I’ll Fly Away Foundation. Also in attendance was Al Bell, renowned record producer, co-founder of Memphis’ Stax Records, and former Motown Records Group President. He and his partners shared that they are planning to move his latest business, Al Bell Presents, to Bentonville.

Current rental rates and expectations also inform the Arts Market assessment. Rental rates are also higher in Bentonville, and climbing. Anecdotally, we heard stories of artists who work in Bentonville and live in one of the other cities, either by choice or by necessity. Finding and keeping affordable rents is a pressing issue for Bentonville residents.

Local working artists are apparently not alone in their struggle for accessible space. A new report, "Measuring the Vitality of Downtowns in Bentonville, Fayetteville, Rogers, and Springdale," was commissioned by the Walton Family Foundation and compiled by the Center for Business and Economic Research in the University of Arkansas' Sam. M. Walton School of Business. While the report revealed positive economic progress, it also found that accessible housing options are needed region-wide. In Bentonville specifically, residential prices per square foot increased dramatically, to more than 200% in just five years. Bentonville also reported the largest residential population downtown and, with Fayetteville, the largest number of commercial and residential building permits downtown. The average price of downtown retail space for lease in Bentonville was also the highest in the region, jumping from \$11.31 per square foot five years ago, to \$16.67 in 2017. The data also showed significantly declining multifamily vacancy rates across the Northwest region, even as units were added, further attesting to the desire of locals to live in or near downtown while revealing trends that may limit residents' ability to do so. It should be noted that commercial rents of \$16 per square foot are comparable to those in the core of much larger cities such as Kansas City, MO or Memphis, TN.

Below is a summary of comments that focus group participants made about rental rates in town (please note that these rates are as discussed in meetings, and are not verified). Overall and compared to other cities where Artspace works, there was less awareness of rental rates for working studio spaces or other types of spaces. We believe this is partially due to the lack of space options for artists in the region.

- One paid \$325/month for 600 square feet in Baton Rouge. Another said that would be amazing.
- Someone else paid \$300/month for a small studio in Fayetteville.
- Artists wondered about opportunities for co-ops or collectives.
- The majority worked from home.

Discussions also revealed that many artists and arts organizations work out of their homes, exhibit in temporary spaces, and/or perform in less than ideal venues. For example, participants cited a lack of dedicated galleries to display their work. Though art displays at the local bank and coffee shops provided good visibility, they are less effective at elevating the artwork or cultivating an art-collecting community. The Arkansas Philharmonic Orchestra utilizes the high school auditorium for their performances, but would prefer a dedicated local venue.



Commissioned mural at 211 Café by Brandon Bullette

## EXISTING AND FORTHCOMING CREATIVE SPACES

During the Preliminary Feasibility Visit, several arts assets were included in Artspace's tour and in discussions. Bentonville's creative spaces are a striking combination of both internationally acclaimed institutions and small, understated spaces. During the tour, it was noted that much of the local arts scene is only visible with a local guide. Artspace is aware that there are many more arts organizations, businesses, and venues in Bentonville, and that additional spaces have opened since the visit. The following list only includes the creative spaces that Artspace had the opportunity to tour or meet during the visit:

- **Crystal Bridges Museum of American Art** was founded in 2005 by the Walton Family Foundation, with philanthropist and arts patron Alice Walton chairing the board. The museum's permanent collection features Colonial to contemporary American masterpieces. The artworks are housed within stunning pavilions of gleaming glass and soaring wood forms, designed by famed architect Moshe Safdie, and are nestled around two ponds fed by a gurgling stream. More than 100 acres of forest surround the museum, including walking and sculpture trails—which claim serious works of art themselves, including a James Turrell “Skyspace.” It provides free admission year-round, and wraparound arts education programs.



Crystal Bridges is “a pilgrimage site for the cognoscenti on par with Louisiana in Denmark, the Skirball Center and the Getty Center outside Los Angeles, and the Chinati Foundation in Marfa, Texas” — The Huffington Post. Pictured: Anna Growcott at Crystal Bridges.

- **The Momentary** (projected opening 2020) will be a contemporary visual and performing arts museum in an adaptive reuse of a vacant Kraft Food factory. This satellite project of Crystal Bridges will be located in the up-and-coming Market District, near the future Walmart Headquarters.
- **21C Museum Hotel** opened in downtown Bentonville in 2013, providing cutting-edge, international art exhibitions in its gallery spaces.
- **Museum of Native American History**, which opened in 2006 and spans 14,000 years, showcases thousands of artifacts from across the Americas including the skeleton of a woolly mammoth.
- **Scott Family Amazeum** is a hands-on, interactive arts and science museum for children and families. Situated near Crystal Bridges, it opened in 2015.
- **the visual poets society** is a collective founded by a Belizean American artist from Chicago, Hubert Neal Jr., who operates his studio and a gallery from within an unmarked, residential home.
- **Trike Theatre**, Northwest Arkansas' Professional Theatre for Youth, currently rehearses, performs, and teaches classes less than a block from the square. Its lease will be ending soon, and the theater is exploring options for its next space.

**“The Momentary will push boundaries of creativity, blur urban and rural lines, and provide access to arts-based experiences in a comfortable and well-designed social space.”**

**— Lieven Bertels, Director of Momentary in an ARTnews interview**

- **Haxton Road Studios**, a professional recording studio, opened in 2017 a few blocks from the downtown square.
- **House of Songs Ozarks** originated in Austin, TX, and opened in Bentonville in summer 2017 at the behest of the Walton Family Foundation. A nonprofit dedicated to hosting songwriters from around the world to collaborate with local musicians and present live performances, it also operates out of a home in a residential area, with minimal signage, one block from the Momentary site.

In this period of growth, there are also several new spaces planning to open in Bentonville. For example, we heard about up to four makerspaces in the works. One of these is a Northwest Arkansas Community College project that is slated to break ground Spring 2018. This makerspace concept will blend fine arts and construction trades, offering tools and space for both. It will be available for students in the arts degree and industrial arts degree programs; and though it may not directly serve working artists, it is an exciting model for innovative partnerships.

With all these new projects, the Core Group noted that the organizers may not be aware of each other's plans. As any new project – large or small, Artspace or otherwise – goes into development, it will be important to ensure that the initiative builds upon, and does not duplicate, other projects.



Haxton Road Studios



Artwork by Hubert Neal Jr.  
On view at the visual poet society gallery

## STEP 2: ARTS MARKET STUDY

The Arts Market Study will enable Artspace to test the priority project concept. Given the interest shown during the focus groups and at the public meeting, it will likely show a strong interest in residential and nonresidential space. The data collected helps refine the project concept, influence site selection, and guide future creative space development. The Study gathers information about:

- Amount artists could pay for studio/work space
- Amount artists could pay for housing
- Types of shared or community spaces that are most important
- Types of private studio workspaces that are most important
- Location preference
- Whether commercial space in a mixed-use project could serve both nonprofits and small creative businesses.

In addition to providing key information about the demand for space within the possible context of a future Artspace project, a survey of the arts market's space needs would also provide valuable information for other developers and organizations who might consider carving out space for artists in their projects.

## ARTIST PREFERENCE IN AFFORDABLE HOUSING

Artspace live/work projects are unlike most affordable housing in that we use an "artist preference" policy to fill vacancies.

For each project, we appoint a committee that includes diverse artists who are not applying to live in that project. The committee interviews income-qualified applicants to determine their commitment to their chosen art form or creative pursuit. It does not pass judgment on the quality of an applicant's work, nor is it permitted to define what is or is not art.

Although the IRS challenged the "artist preference" policy in 2007, it dropped the challenge after the Housing and Economic Recovery Act of 2008 became law. That law states: "A project does not fail to meet the general public use requirement solely because of occupancy restrictions or preferences that favor tenants...who are involved in artistic or literary activities."



## LOCAL LEADERSHIP

Strong local leadership is essential to the successful development of any sort of community-led development. Without someone on the ground to open doors, advocate effectively for the project, and keep communication flowing between the developer and the community, there is little chance of success.

Local leaders often include elected officials and city administrators who manage departments working on initiatives related to economic development, attainable housing, and public access to art. Other project leaders can range from artists and nonprofit leaders to bankers and foundation heads; business owners and real estate agents to developers or architects. In short, the local leaders who help make creative projects possible come from many walks of life. The commonality is a willingness to work hard to make things happen.

The Core Group that participated in the Preliminary Feasibility Study are the type of leadership needed from the very start. Bentonville leaders are poised to move forward with a shared vision for a city that is welcoming and affordable, and that embraces local, grassroots arts in addition to the new array of world-class offerings. They provided valuable information and insights about Bentonville's history, unique culture, goals, and strengths and challenges.



The Walmart Museum

## CIVIC LEADERSHIP

The cross-section of leaders in the Civic Leadership Focus Group included Mayor Bob McCaslin and County Judge Barry Moehring. Several major leaders in the education field were present as well, including the superintendent of Bentonville Schools, program director of Bentonville Public Schools' Ignite Professional Studies program, and the President of Northwest Arkansas Community College (NWACC).

The civic leaders spent significant time discussing how to create a local, cultural community. It was stated that it was there, but that "we don't do a great job of letting others know about it, and what's going on. We can do a better job of it." For example, many in the room had no idea of the existence of the local visual poets society gallery space that Artspace toured. This line of thought was later echoed by a member of the Core Group, who also did not know the richness of local arts currently available in Bentonville until joining the Artspace tour, and witnessing the large turnout at the public meeting. He knew about the museum and the "higher level stuff," but not about local artists and arts.

Other focus groups, however, expressed challenges working with the City. It was noted that, outside of cultural issues, there are structural issues with city codes that may not be in alignment with fire codes. Another participant added that there was a "huge disconnect" between City goals, studies, the blueprint, and current zoning. This person felt that the recently adopted downtown plan did not support affordability, and that a "huge shift in alignment" was needed to overcome this issue.

Every city has its challenges, so it's important to call out those potential challenges early in the process. Any future Artspace project(s) will require strong support from the public sector. These early conversations with civic leaders is the start of learning about local priorities, opportunities, and challenges. The shared excitement and interest expressed during the focus groups were promising. Despite challenges, optimism prevailed.

## PRIVATE LEADERSHIP

The Finance & Funding Focus Group was the largest of the three focus groups, and was dominated by bankers, developers, and architects, as well as a few representatives from local foundations. In addition to sharing valuable insights about sites and community goals, this group was enthusiastic about sharing information to help an Artspace project advance. Many individuals followed up after the meeting to discuss how they could contribute: bankers talking about financing options; architects referencing their services; developers sharing their experiences working in Bentonville. Many of the leaders that participated in the visit discussed the topics with a seasoned perspective of having both worked outside the region and within the unique market of Bentonville.

## CREATIVE SECTOR LEADERSHIP

Bentonville has attracted top talent from around the country (and in some cases, the world) in all industries, including arts and culture. However, though the creative sector participants were congenial and familiar with each other, we did not observe evidence of a strong unified voice or alliance. Artists made comments throughout the visit about how Bentonville is not as 'scrappy,' or as unified of an arts scene, as some of the other cities where they had worked; and how local artists are not as visible as they could be. This perception may evolve as this work continues, and as we continue to peel back the layers and/or perhaps as artists come together with a common vision. In either case, as any community-led development project progresses, leadership from the creative sector will be a necessary partner.

## POTENTIAL PARTNERSHIPS

Focus group participants discussed partnerships that could enrich an arts facility. Some of the potential partners that were mentioned include:

- City government
- Real estate developers
- Philanthropy
- Educators
- Startups and entrepreneurs
- Religious and diverse cultural communities, including proctors
- Construction professionals
- Young professionals and creatives, including interns, young architects, and engineers who want to do meaningful work gain community development experience



Arts & Creative Focus Group at Haxton Studios.

# FUNDING AND FINANCING

When considering financial feasibility and return on investment, it is important to note the multiple points of impact of a potential project site. “Returns on investment” include not only affordable housing but also blight remediation, adaptive reuse of historic buildings, and infrastructure investment in the cultural economy. Communities, civic leaders, and politicians must share in this vision to maximize impact.

In addition to these sources, mixed-use arts projects of the kind Artspace has developed over the years can tap into several federal and state funding programs. Project partners have identified additional sources, which will continue to be explored throughout the predevelopment process. Among these are Low Income Housing Tax Credits (LIHTCs), a federal program established in 1986 to encourage the development of affordable housing. These programs, and others like them, exist to encourage the development of affordable housing, the rehabilitation of historic buildings, economic revitalization of neighborhoods, and other public purposes.

Every municipality is unique in its approach, and in the sources available for important “gap” funding. The Funding and Financing Focus Group meeting with members of the local and regional financial sector is a first step to identifying potential local public and private resources. At the Finance and Funder Leadership Focus Group, we were encouraged by the participation of many local banks and lenders—in fact, this was the largest of the three focus groups. Artspace shared that every project relies on a mix of local and national funding sources. The group was engaged and optimistic in the discussions around potential local funding sources, making it clear that a private/public partnership is very possible in Bentonville.

Even LIHTC projects have funding gaps, which typically amount to around 40% of the total project cost. Other sources, such as CDBGs, HOME funds, and other public programs, can help close the gap. However, Artspace relies on the philanthropic community for the final dollars. Philanthropy comes in the form of gifts from foundations, corporations, and individuals.

In every case, an Artspace project must be prioritized by civic leadership for the development sources to be secured. Project partners undertake tandem effort to identify and secure the necessary predevelopment funding. Strong town and state leaders can often identify and prioritize funding for projects that strongly align with their community goals. We saw the potential for this kind of support in Bentonville.

## POTENTIAL FUNDING SOURCES

This is a preliminary list of potential sources that were discussed during the visit and other funding sources that Artspace had researched for the state of Arkansas.


- **Low Income Housing Tax Credits (LIHTC)** can generate up to two-thirds of the construction budget for a typical Artspace live/work project. 9% LIHTCs are highly competitive, and it is not uncommon for a project to submit multiple applications before receiving a tax credit award. In Arkansas, the LIHTCs are awarded through the Arkansas Development Finance Authority, the same agency that governs the Arkansas housing trust fund dollars.
- **Arkansas Housing Trust Fund** is a potential source of funding from the State. Arkansas Development Finance Authority is the agency that governs this program, as well as LIHTCs and other loan programs focused on community development and housing.
- **Community Development Block Grant (CDBG)** is a State program administered by the Arkansas Economic Development Commission. CDBG funds can be used for architectural expenses, site improvements and other infrastructure costs.
- **Historic Tax Credits (HTC).** To qualify for the federal program, a property must either be individually listed on the National Register of Historic Places or be listed as a contributing member of a designated historic district. If the priority site includes adaptive reuse of an existing building, further research will be needed to ascertain if the property is eligible for HTCs. Through the Arkansas Historic Preservation program, an eligible property may also be eligible for the state Rehabilitation Tax Credit program. New legislation passed in 2017, allows a tax credit up to \$400,000 per eligible project.
- **HOME Investment Partnership Program (HOME)** is a federal program that provides funding to state and local governments to fund affordable housing developments.

- **Tax Increment Financing (TIF)** is a tool available to local communities for assisting economic development, redevelopment and housing. Artspace understands that this tool is allowable in the State of Arkansas but may still be somewhat controversial in specific municipalities.
- **Northwest Arkansas Economic Development District** plays a role in administering and seeking federal funds for larger community projects that focus on infrastructure improvements, job creation and the like. While not likely to be a direct funding source for this initiative, having a relationship with this agency would be important relative to federal funding coordination and knowledge.
- **Philanthropy.** Following is a list of foundations, corporate giving programs and other entities that have a history of philanthropy and community grants in Northwest Arkansas. As any project moves forward, further research would be necessary to better understand these organizations' giving priorities and timelines.
  - Walton Family Foundation
  - Walmart Foundation
  - Windgate Charitable Foundation
  - Sunderland Foundation
  - Willard & Pat Walker Charitable Foundation
  - U.S. Bank
  - Schmieding Foundation
  - Bridgestone Americas Trust
  - 3M
  - Ash Grove Charitable Foundation
  - Jones Trust
  - Tenenbaum Foundation
  - William C. & Theodosia Murphy Nolan Foundation
  - Union Pacific Foundation
  - Elisabeth D. Wagner Foundation
  - Bitha Godfrey & Maude J. Thomas Charitable Foundation
  - Georgia-Pacific Foundation
  - Miller Family Foundation
  - Weyerhaeuser Giving Fund
  - Tyson Family Foundation, Inc.
  - Arkansas Communities Foundation
  - Arkansas Humanities Council

# UNDERSTANDING LOW-INCOME HOUSING TAX CREDITS (LIHTC)

**STEP 1 (OF 10)**

The **low-income housing tax credit — LIHTC** — is the government's primary program for building affordable housing. **Here's how it works...**



**STEP 2 (OF 10)**

The **IRS** has a pool of tax credits that it divvies up every year among **58 state and local housing finance agencies**, based on population size.



**STEP 3 (OF 10)**


Let's say you're a **developer** and you want to build an apartment building with units designated for low-income people. To decrease rents, you'll need help to offset your costs. That's where those tax credits come in.



**STEP 4 (OF 10)**


First, you go to your **housing finance agency** to request money to build. You promise to:

- Offer a certain amount of low-income units and keep it that way for at least 30 years.
- Meet the housing agency's requirements. For example, you might set aside units for veterans or the homeless.



**STEP 5 (OF 10)**

If your application is approved, the housing agency gives **about 70 percent of your allowable cost in tax credits**, which you can claim for 10 years once the building is completed.




**STEP 6 (OF 10)**

But tax credits are just a promise that you won't have to pay as much at tax time and are not very useful for buying concrete or labor.



**STEP 7 (OF 10)**

To solve that problem, you can sell your credits for cash to an **investor** — often, a big bank. Many developers use **syndicators** (who are like brokers) to help connect with investors.



**STEP 8 (OF 10)**

Everybody in this process earns a fee for their work.



**STEP 9 (OF 10)**

Investing in LIHTC buildings helps banks meet their obligations under the Community Reinvestment Act, which requires banks to invest in the poorer communities where they do business.



**STEP 10 (OF 10)**

**When the project is complete**, the investor owns the majority of the building and gets 10 years of tax benefits. Because taxpayers subsidized the building, the rents on the low-income units are cheaper than market rate.



Source: NPR, Illustrations by Chelsea Beck/NPR. Explainer by Meg Anderson, Alicia Cypress, Alyson Hurt, Laura Sullivan and Ariel Zambelich/NPR and Emma Schwartz/Frontline

## ARTSPACE FUNDING EXAMPLES

While the funding process for each project is unique, Artspace's development experience provides a head start in identifying and navigating state and regional funding sources. Below are summaries of financial sources Artspace compiled for recent projects in Loveland, CO; Council Bluffs, IA; and Chicago Avenue Fire Arts Center in Minneapolis, MN.

### ARTSPACE LOVELAND ARTS CAMPUS, LOVELAND, CO

Source	Amount	PCT.
<b>PUBLIC SOURCES</b>		
Low-Income Housing Tax Credits (9%)	\$5,598,880	68%
CO State Housing Trust Fund / HOME Funds	\$300,000	4%
Loveland City Contract	\$413,674	5%
Loveland City Loan	\$300,000	4%
HACOL - Sponsor Loan	\$50,000	1%
<b>PRIVATE SOURCES</b>		
Residential First Mortgage	\$912,000	11%
Private Sector (Philanthropic Gifts)	\$619,584	8%
<b>TOTAL</b>	<b>\$8,194,138</b>	<b>100%</b>

### HARVESTER ARTSPACE LOFTS, COUNCIL BLUFFS, IA

Source	Amount	PCT.
<b>PUBLIC SOURCES</b>		
Low-Income Housing Tax Credits Equity	\$4,497,843	44%
Historic Tax Credit Equity	\$1,693,301	16%
Iowa Enterprise Zone Tax Credits	\$484,719	5%
Iowa Enterprise Zone Sales Tax Rebate	\$150,000	1%
HOME Funds	\$132,877	1%
<b>PRIVATE SOURCES</b>		
Residential First Mortgage	\$540,000	5%
GP Loan	\$201,866	2%
Sponsor Loan (Iowa West Foundation)	\$2,327,537	23%
Deferred Developer Fee	\$242,449	2%
<b>TOTAL</b>	<b>\$10,270,592</b>	<b>100%</b>



Artspace Loveland Arts Campus, Loveland, CO



Chicago Avenue Fire Arts Center (CAFAC), Minneapolis, MN



Harvester Artspace Lofts, Council Bluffs, IA

### CHICAGO AVENUE FIRE ARTS CENTER (CAFAC), MINNEAPOLIS, MN

Artspace partnered with CAFAC, a start-up arts nonprofit to create collaborative artist space. The partnership included a long-term affordable lease agreement with intent to transfer ownership once nonprofit stability is achieved.

Project total: \$1.1 million; sources included:

- Great Streets program from the City of Minneapolis
- Bank loan
- One philanthropic gift

Space includes:

- Shared Equipment
- Lending Library
- Classroom Space
- Collaborative Spaces
- Gallery/Show Space



# POTENTIAL SITES

During a Preliminary Feasibility Visit, Artspace’s primary goal is not to select a site, but to identify candidates for further study should the project move forward. Several factors that contribute to eventual site selection include: location, size, conditions, adaptability to project concept(s), construction type, zoning/land use, ease of acquisition, and potential for sustained impact on the broader community. While site selection is a critical component of a future project, it should not drive the project. The key is to gain a deeper understanding of the elements that make a site feasible, and assess the sites for adaptability to a given project concept, alignment with broader community goals, and financial wherewithal.

## SITE TOUR OBSERVATIONS

The Bentonville site tour focused on five potential sites in or adjacent to downtown. For the purposes of this report, we have provided summaries of our observations about the top five sites and a comparison of the top three. Each of the potential sites is assessed on the following pages, using information available as of the date of the tour on February 1, 2018.



Former City of Bentonville utility building

### 1. Former City of Bentonville Utility Building

501 SE 3rd Street

This 2.29-acre site, owned by Rope Swing, is uniquely situated just a few blocks away from the Momentary site. It is just north of the Market District, which spans 5th to 8th Streets. Core Group members commented that an Artspace project in this area, linked with the Momentary, could be “catalytic” in jumpstarting the Market District. One Core Group member had a vision of Momentary visitors being pushed from that space into nearby galleries, and saw it as a “quick way to cultivate an art collector class.”



Former Head Start building and lot

An arts facility development on this site could include the adaptive reuse of the larger “bus barn” sections of the buildings as working studios, galleries, or a performance venue. The large volume of space, with vaulted 30 foot ceilings and concrete floors, would lay a wonderful foundation for various types of creative commercial space.

We did not rank this site in the top three potential sites because we understand that Rope Swing has ideas for this site already under consideration. If those concepts do not materialize, this site could be reevaluated as a potential candidate.

### 2. Lutheran Church

406 W Central Street

The 12,000-square-foot church, constructed in 1969, is situated on .68 acres and includes a parking lot. Owned by the Lutheran Church, it has a high asking price – \$1,950,000 – but the Core Group felt it could be a unique property to redevelop into a cool community arts venue with education and/or performing arts space. Artspace feels the best reuse option for the Church would be as a small performance venue for multiple music and theater groups as well as a community kitchen to promote and encourage startups that create small-batch homemade products. The church is across the street from a school and bordered by residential neighborhoods.



### 3. Former Head Start Building and Lot

802 Northwest A Street

This former Head Start building and 1.55-acre lot is owned by Affordable Arkansas Homes, LLC. Just blocks from the downtown Square, the lot is also near bike trails that link to Crystal Bridges and the broader region. It is surrounded by single family homes, but many are being torn down. The Core Group saw lots of potential in this site, particularly for a mixed-use live/work housing project.

The size of the lot is suitable for a mixed-use housing project for 40-50 artists and their families, with ground floor community and working studio space. However, any zoning changes to allow for this use would have to be approved by the Planning Commission. Its location is walkable and in an area that would encourage higher density and attainable living—a much needed commodity in Bentonville.

### 4. Lot Adjacent to Momentary

SE 8th 1/2 SE E Street

This 2.63-acre lot is close to the Momentary and part of the Market District. As such, there is great synergy with other things happening nearby, including 8th Street Market, Walmart's new headquarters, new multi-family condominiums, and more to come. This site would create a dynamic hub for the arts, but could also get overshadowed by the intensity of redevelopment in the immediate area.

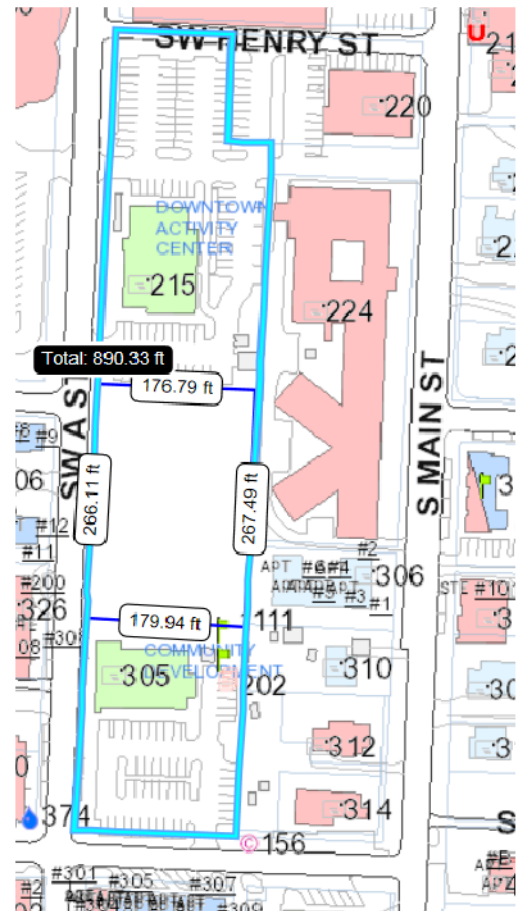
The site is large enough to do multiple things, and could include great connectivity to the trails and the Momentary, in particular.

### 5. Lot Adjacent to Community Development Building

SW 4th and Henry Street

The City owns a 3.62-acre property from SW 4th Street to SW Henry Street to the north by a parking lot and the Downtown Activity Center (215 SW A Street) and to the south by the Community Development Building (305 SW A Street). In between these buildings is a potential site on an approximately 1-acre vacant parcel.

This site's proximity to downtown makes it an excellent candidate, as it lends itself to expansion of downtown's retail/commercial opportunities with a focus on the arts. City-owned sites are also typically preferred over privately held sites. Local governments often play a partnership role with bringing large community-led projects to fruition, and can contribute to the project through site acquisition if the project aligns with their goals. This site is well-suited for a mixed-use facility with commercial space for creative businesses and community space on the ground floor, and housing on upper floors.



## COMPARING THE TOP SITES

Of the sites toured, the top three are compared below. These findings are preliminary and based on currently available information; much can and will likely change between the writing of this report and site selection. Final site selection would take place in a predevelopment stage of work (see Appendix II, "Path of an Artspace Project"). These sites mentioned should be prioritized as conversations progress and the type of project is narrowed down.

NAME	LOT ADJACENT TO MOMENTARY	HEAD START SITE AND LOT	LOT ADJACENT TO COMMUNITY DEVELOPMENT BUILDING
<b>LOCATION</b>	<p><b>EXCELLENT:</b> Adjacent to future creative space and the Market District. A project on this lot could create a campus feel and is walkable/ bikeable to downtown.</p>	<p><b>EXCELLENT:</b> Close to trail to Crystal Bridges, walkable/ bikeable to downtown. Its neighborhood location, surrounded by single family homes, make it better suited for residential and working studio spaces. It does not work as well for creative commercial spaces.</p>	<p><b>GOOD:</b> Close to the heart of downtown. Has the potential to encourage more residential and commercial development downtown. Location in the middle of the block between two civic-oriented buildings may not be best reuse.</p>
<b>SIZE</b>	<p><b>EXCELLENT:</b> This 2.63-acre lot has great flexibility to be combined with other arts projects, and outdoor activity/event space or industrial arts.</p>	<p><b>EXCELLENT:</b> This 1.55-acre site is large enough for a 40-50 unit live/work project with additional creative workspace.</p>	<p><b>GOOD:</b> This 1-acre parcel is part of a larger 3.63-acre site that includes the City's Community Development building and Downtown Activity Center.</p>
<b>ACQUISITION</b>	<p><b>GOOD:</b> The lot is owned by Walmart Corporation, who may be willing to sell or provide the land for the right project.</p>	<p><b>UNKNOWN:</b> The site is owned by Affordable Arkansas Homes, LLC who may want to sell the building and the surrounding land.</p>	<p><b>GOOD:</b> The site is owned by the City.</p>
<b>SUMMARY</b>	<p>Large site where multiple kinds of spaces could be created for artists and entrepreneurs. Great synergistic potential with the Momentary, Market District, Brightwater, and new Walmart HQ. Development here would not be as catalytic as developments on the other two sites.</p>	<p>Large enough site for live/work housing, plus community and artist studio space. Tucked into a residential neighborhood. Could be a demonstration project for high quality, multi-family development.</p>	<p>Adjacent to downtown. Great connectivity to the commercial core which could be expanded to this block and include first floor spaces for creative businesses. Adjacency to municipal buildings could be less desirable for artists.</p>

## ALIGNMENT WITH BROADER COMMUNITY GOALS

Successful arts buildings serve not only their residents and tenants, but also the surrounding community. Development projects can accomplish this by aligning with as many complementary goals as possible. When multiple goals can be addressed with the initiative, it has the potential to foster long-term, sustainable impact. The Preliminary Feasibility Study gathers information about community goals by reviewing existing reports prior to the visit, and engaging stakeholders for their feedback during focus groups and meetings.

Throughout Artspace's visit, the team was asked by numerous people on multiple occasions: "If you build it, do the artists come? Or is it built on behalf of artists who are already here?" One Core Group member translated that question into a general concern that the local artists would be lost amid new progress. He succinctly summarized: "Local artists need a victory. They need a win."

The 2014 Bentonville Blueprint reiterates what the Artspace team heard—that there has been rapid change in a short period of time. It states: "Bentonville has transformed dramatically over the lifetimes of many of its residents – how much, depends on how long the observer has lived or worked in Bentonville ... From the work ethic of its original citizens, to the early growth of Walmart, to the arrival of the 1,500 vendors and culminating with the opening of Crystal Bridges and associated amenities downtown, Bentonville has evolved into something truly exceptional, with exceptional opportunities for its future. How Bentonville responds to this potential is the thrust of this Blueprint ... Bentonville is no longer a stand-alone municipality, but an integral part of a regional economy. It is important to note that Bentonville must and will continue to play a vital and collaborative role within the regional economic development context, but it is equally important for the regional economy for Bentonville to strive to develop its own infrastructure, assets and amenities ... Although this perspective should challenge many of the assumptions previously made in the community, it does enable Bentonville to maintain the 'small town feel' of a neighborhood that many interviewees stated is important."



Hubert Neal Jr.'s studio space  
in the visual poets society

The Blueprint recognizes Arts and Culture as an asset, with an entire section devoted to the field. The key priority is: "Continue to be exceptional in and further develop the arts/cultural environment in Bentonville." Ten strategies are identified to move this priority forward:

1. Continue to support the arts and market district development
2. Continue to support development of high-density housing in the downtown area
3. Create an artist relocation program
4. Form a Bentonville Arts Alliance
5. Consider a partnership with Artspace for development of affordable artist lofts
6. Continue to support the location of a performing arts center to Bentonville
7. Create a downtown Bentonville arts, culinary, and music festival modeled on the South by Southwest Festival in Austin
8. Provide access to arts education
9. Support presence and future expansion of food trucks as part of the culinary environment
10. Create an exceptional film production environment
11. The fifth goal is evidence that these ideas have been considered for years, prior to Artspace's engagement, and stem from ideas the community had organically

During focus groups, participants shared their ideas about broader community goals and how a new arts facility can help accomplish them. Based on a list of common community goals, they identified several primary priorities that could be addressed by a creative space facility:

1. **Supporting Creative Businesses and Nonprofits**
2. **Maintaining Affordability**
3. **Anchoring an Arts District**

Affordability was the main topic of many focus groups conversations. When asked to circle priority community goals, one Civic Leaders Focus Group participant said that she could not select “maintaining” affordability, because “we don’t have affordability at all.” Rather than “maintain,” she thought “create” or “become” were more appropriate words linking Bentonville and affordability. We heard about a participant’s Au Pair who only goes out in Fayetteville because Bentonville is too expensive. Others shared that there are no long-standing local bars with character, which makes sense, as we also heard that Benton County was a dry county until recently. The authentic, local feel of downtown Bentonville has been replaced with a more upscale urban shopping and dining experience. This may be advantageous to Walmart in attracting executives from around the world but may not be the best petri dish to foster “homegrown” arts and art experiences.

The Funding and Finance Focus Group also spent time discussing community goals, including their pride in the local culture and the welcoming spirit in Bentonville across demographics. A hot topic was density, which, as one participant stated, many in Bentonville see as “a four-letter word.” Some in the group perceived that their neighbors thought that density would generate more traffic, higher crime, and attract poorer populations. One woman of color shared her negative experience when a community member linked density with race and poverty. Most participants agreed that higher density was a positive thing that would increase commerce for the downtown restaurants and retail. Someone else referenced studies that show that density lowers infrastructure maintenance costs, comparing the price of plowing roads and picking up trash for 500 people in a two-block area compared to 30 families living in those same two blocks in single family homes. Another chimed in that they had “all seen really bad two units per acre, and really good four bedrooms per acre.” This group’s consensus was that some degree of education on the benefits of higher density living would help spur healthy development. Indeed, resistance to density is often due to unfamiliarity with this more urban style of living which promotes walkability, bikeability and proximity to amenities.

Throughout this process, articulating project goals and how they may align with other community goals helps establish the vision for the initiative and a roadmap for future decisions, partnerships, and outreach. Artspace can help facilitate these conversations but the local drive and talent needed to boost a project can never substituted.

## RECOMMENDATIONS

Bentonville is well-positioned to pursue a project or projects that have spaces for artists and creative businesses. Affordability is an increasing challenge for artists in Bentonville. A mixed-use live/work project could be considered a “demonstration” project to provide a high-quality example of multi-family living in the core of Bentonville. We believe this could then become a catalyst for other developers to follow suit with more market rate and affordable options in the region.

The regional **Arts Market Study, the next step in this process, will give Artspace and the community the data necessary to understand if a mixed-use live/work concept aligns with what the artist community also desires.** The survey will quantify the need for creative live/work, working studio, and other kinds of production and exhibition spaces. This data informs the site selection, size, and amenities of a project. It also provides reliable information to others whose support is necessary for a successful project, including bankers, funders, and prospective LIHTC

## CORE GOALS

At the heart of every Artspace development and consulting project, are these goals:

- Meet the creative sector’s space needs
- Plan for sustainable operations that do not require ongoing fundraising
- Ensure long-term affordability
- Reflect the unique culture and character of the community
- Exemplify ecological and efficient design

investors. Resulting data may also be shared with private developers and policy makers to help encourage further infrastructure investment in the creative economy.

Based on findings from the study, we believe Bentonville can support 40-50 units of artist housing in addition to other types of non-residential spaces that support the creative industries. These qualitative findings alone are not a sufficient reason for bankers and funders to offer a mortgage loan; the statistical evidence of market demand can only be provided through an Arts Market Study.

## TAKING A MEASURE OF CREATIVE PLACEMAKING

This report summarizes the findings from two studies, "How Artist Space Matters" and "How Art Spaces Matter II," which examine the long-term impact and sustainability of five Artspace projects: the Northern Warehouse Artists' Cooperative, the Tilsner Artists' Cooperative, the Traffic Zone Center for Visual Art (all in MN), the Tashiro Kaplan Artist Lofts (Seattle, WA), and the Riverside Artist Lofts (Reno, NV). These studies found that creative spaces benefit communities by:

- Animating deteriorated historic structures and/or underutilized spaces.
- Bringing vacant and/or underutilized spaces back on the tax rolls and boosting area property values.
- Fostering the safety and livability of neighborhoods without evidence of gentrification-led displacement.
- Anchoring arts districts and expanding public access to the art.
- Attracting additional artists, arts businesses, organizations, and supporting non-arts businesses to the area.

Read the full report at: <http://www.artspace.org/ideas-insights/artspace-publications/taking-measure-creative-placemaking>



## NEXT STEPS

- **Begin preparing for the Arts Market Study.** Coordinate with Artspace to confirm the scope of work and discuss timeline. To further preparations, gather a diverse group of leaders to serve as an advisory committee to the survey process. This group is critical to the Arts Market Study, and can be reengaged for future activities related to the project such as advocacy and marketing.
- **Connect with potential private sector funders who could also be helpful in future stages of this initiative.** The cultivation process can be a lengthy one, and it is never too early to start.
- **Check in with the Arkansas Finance Development Authority** to discuss the types of support that could come from various state programs for predevelopment and development, and the likely timing. Artspace has already initiated these conversations. It is important at this early stage to understand the nuances of the State's Qualified Allocation Plan for the LIHTC program to know if this resource can be used for the kinds of multi-family projects discussed in this report.
- **Consider ways for the local arts and creative community to organize and connect.** An arts association, guild, council, or other type of group would help create a unified voice. In this dynamic community, increased connectivity, communication, and advocacy would go a long way to ignite the creative sector and ensure that the artist perspective has a seat at the table.

After completing the Arts Market Study, the next step toward an Artspace project would involve entering into a predevelopment agreement. See "The Path of an Artspace Project" (Appendix II), which provides an overview of the steps involved in advancing a successful project.

In summary, Artspace believes Bentonville's creative sector is at risk of being further displaced due to the rising cost of living. Therefore, an intervention that includes permanently affordable space to live, work, exhibit, and perform is critical in this stage of Bentonville's rapid growth and development.

Artspace greatly appreciates the opportunity to work with the Bentonville Core Group, and learn from its residents and leaders. Artspace came away with a strong sense of possibility. Insights and recommendations in this report are solely intended to guide a project to the next phase of development, and set Bentonville on the path to further supporting its creative sector through stable and attainable creative spaces.



Bicycle Revolution poster



Art on view at 21c Museum Hotel

# APPENDIX I

## ABOUT ARTSPACE



### ARTISTS AT WORK

With affordable space to live and work, our resident artists can unleash their creativity



### LIVELY NEIGHBORHOODS

Our projects spur economic activity and dynamic street life in the area.



### SUSTAINABLE SOLUTIONS

Our projects provide long-term affordable space without ongoing fundraising.

Established in 1979 to serve as an advocate for artists' space needs, Artspace effectively fulfilled that mission for nearly a decade. By the late 1980s, however, it was clear that the problem required a more proactive approach, and Artspace made the leap from advocate to developer. Since then, the scope of Artspace's activities has grown dramatically. Artspace is now a national leader in the field of developing affordable space that meets the needs of artists through the adaptive reuse of historic buildings and new construction.

Artspace's first three live/work projects were in Saint Paul: the Northern Warehouse Artists' Cooperative (1990), 653 Artist Lofts (formerly Frogtown Family Lofts) (1992), and Tilsner Artists' Cooperative (1993). In the mid-1990s, Artspace broadened its mission to include non-residential projects. The first of these, The Traffic Zone Center for Visual Art (1995), transformed an historic bakery in the Minneapolis Warehouse district into 24 studios for mid-career artists.

Since then, Artspace has expanded its range of activities to include projects in operation or development in more than 20 states across the nation. In all, these projects represent nearly 2,000 live/work units and millions of square feet of non-residential community and commercial space. Artspace has evolved from a Minnesota organization with a few national projects into a truly national organization based in the Twin Cities, with offices in Denver, New Orleans, New York, Seattle, and Washington D.C.

Artspace programs fall in three broad categories: Property Development, Asset Management, and Consulting Services.



## PROPERTY DEVELOPMENT

Development projects, which typically involve the adaptive reuse of older buildings, but can also involve new construction, are the most visible of Artspace's activities. To date, we have completed more than 50 major projects. A dozen more are under construction or in the development pipeline. Artspace live/work projects are operating from coast to coast.

## ASSET MANAGEMENT

Artspace owns or co-owns all of the buildings it develops; our portfolio now comprises more than \$600 million worth of property. We strive to manage our properties so that they will be well-maintained, yet remain affordable to the low-and moderate-income artists for whom they were developed in the first place. Revenues in excess of expenses are set aside for preventive maintenance, commons area improvements and building upgrades.



## CONSULTING SERVICES

In addition to its roles as developer, owner, and manager, Artspace acts as a consultant to communities, organizations, and individuals seeking information and advice about developing affordable housing and work space for artists, performing arts centers, and cultural districts, often within the context of historic preservation.



# APPENDIX II

## PATH OF AN ARTSPACE PROJECT



Rome wasn't built in a day, and neither is an Artspace project. In fact, a typical Artspace live/work project takes from four to seven years to complete. Although no two projects are precisely 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 first inquiries through preliminary feasibility studies, an arts market survey, predevelopment, and development to completion and occupancy. Please note that this is not an exhaustive list of every activity that goes into an Artspace project, and that some actions may occur in a different order.

STEP 1: PRELIMINARY FEASIBILITY VISIT	
<b>OVERVIEW</b>	<ul style="list-style-type: none"> <li>Information Gathering and Outreach</li> </ul>
<b>PRIMARY ACTIVITIES</b>	<ul style="list-style-type: none"> <li>Meet with artists, local funders, businesses, civic leaders, and other stakeholders</li> <li>Conduct a public meeting to introduce Artspace and solicit community feedback</li> <li>Tour candidate buildings and/or sites</li> <li>Extend outreach as needed to ensure that people from underrepresented communities are included in the process</li> </ul>
<b>DELIVERABLES</b>	<ul style="list-style-type: none"> <li>Written report with recommendations for next steps</li> </ul>
<b>PREREQUISITES FOR MOVING FORWARD</b>	<ul style="list-style-type: none"> <li>Demonstrated support from local leadership</li> <li>Critical mass of artists and arts organizations with space needs</li> <li>Established base of financial support</li> </ul>
<b>TIME FRAME</b>	<ul style="list-style-type: none"> <li>Completed April 2018</li> </ul>

## STEP 2: ARTS MARKET STUDY

<b>OVERVIEW</b>	<ul style="list-style-type: none"><li>• Assessing the Market</li></ul>
<b>PRIMARY ACTIVITIES</b>	<ul style="list-style-type: none"><li>• Three phases to the study: survey preparation, data collection, and analysis/reporting</li><li>• Quantify the overall demand for arts and creative spaces</li><li>• Identify the types of spaces, amenities and features that artists want/need</li><li>• Inform site selection, design, and programmatic decisions</li><li>• Maintain community involvement throughout the project</li><li>• Help build support and secure funding</li></ul>
<b>DELIVERABLES</b>	<ul style="list-style-type: none"><li>• Written recommendations and technical report of survey findings</li></ul>
<b>PREREQUISITES FOR MOVING FORWARD</b>	<ul style="list-style-type: none"><li>• Sufficient number of responses from eligible, interested artists to support an Artspace live/work project</li></ul>
<b>TIME FRAME</b>	<ul style="list-style-type: none"><li>• Starting Summer 2018</li></ul>

## STEP 3: PREDEVELOPMENT I

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

## STEP 4: PREDEVELOPMENT II

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

## STEP 5: PREDEVELOPMENT III

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

## STEP 6: CONSTRUCTION

<b>OVERVIEW</b>	<ul style="list-style-type: none"> <li>• Construction and Lease-up</li> </ul>
<b>PRIMARY ACTIVITIES</b>	<ul style="list-style-type: none"> <li>• Oversee project construction</li> <li>• Engage property management company</li> <li>• Identify commercial tenants and sign lease agreements</li> <li>• Reach out to potential artist tenants, providing education on the application process</li> <li>• Conduct residential tenant selection process</li> </ul>
<b>DELIVERABLES</b>	<ul style="list-style-type: none"> <li>• Completed project ready for occupancy</li> </ul>
<b>TIME FRAME</b>	<ul style="list-style-type: none"> <li>• 6-10 months</li> </ul>