Making Space:
Developing and Sustaining Affordable Artists’ Studios and Creative Workspaces

July 2016
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Executive Summary

Context and purpose of the study

Over the past 30 years, there has been significant growth in the provision of studios, makerspaces and creative workspaces in the UK, particularly in London. These spaces have provided essential support to artists and makers and their developing careers, providing a home to this growing and vibrant creative sector. Such creative spaces and communities have also been shown to have a wider economic and social value, helping to regenerate areas by stimulating local business growth and attracting inward investment and infrastructure development without, in the main, disenfranchising local incumbent communities.¹

However, the sector is vulnerable. Models of “find a space and occupy” have especially supported regeneration activity – as artistic communities have occupied under-invested sites and supported the redevelopment cycle. Yet such development cycles leave many workspaces and communities as vulnerable – on short term leases, undesignated and exposed to the broader dynamics of the property development process. Currently, few artist studios are owner-occupied or permanently designated for the creative community. A 2010 survey by the National Federation of Artists’ Studio Providers (NFASP) found that, nationally, 79% of studio spaces were rented and 21% owned. Many buildings were on short-term leases, with 64% on leases of less than five years.²

Studios, makerspaces and the artists that occupy them face increasing pressures, such as the growing demands for similar workspace by other more lucrative sectors, increasing property values and the loosening of regulation around residential building and related large-scale capital development programmes. This means that studio developers often find themselves competing with large scale, well financed residential and/or commercial property developers when looking to secure new space or renewing leases on existing property or unable to access the financial support needed to take on development opportunities.³

These pressures are particularly severe in London which dominates the provision of UK studio buildings; a GLA survey in 2014 found that over 30% of current London studios would disappear within five years, affecting some 3,500 artists.⁴ There is growing anecdotal evidence of artistic brain drain. London’s loss is becoming a gain for other regions, as regional hubs such as Birmingham and Bristol compete to combine home grown talent with a new wave of creative arrivals looking to establish new places and spaces in which to live and work. Nevertheless, access to London as a gateway to innovation and markets remains a substantial requirement for artistic and commercial success – and London’s potential artistic brain drain is a concern in itself.

The aim of this study has been to investigate the UK’s existing creative workspace provision, documenting on-going challenges to sustainability and identifying the emergence of new forms of provision and potential funding models. The study’s specific objectives were to:

- Outline the current challenges to the sustainable provision of studio space, especially in London;
- Identify how such provision is adapting, including the development of new innovative solutions – including potential solutions from overseas;

² http://nfasp.org.uk/resources/information-statistics
Scope the emergent business models, funding structures and partnerships supporting development of, and opportunities for, workspace provision; and,

Through the evidence collected support stakeholders such as policymakers, funders, studio providers and other agencies in their development of action plans and feasibility studies targeted at the continued development of studio and maker spaces.

Study method

Following an initial literature review, the study undertook primary data collection, including around key emergent themes:

- **Literature review**: to analyse current provision, issues and challenges for the sector and past and emergent approaches to creative workspace support and development;

- **Stakeholder interviews and contributions**: interviewees included representatives from studio and workspace providers, property developers, local authorities, policymakers and education organisations. Topics covered included: issues and challenges; responses and adaptations; success achieved; future potential solutions. In addition, a Roundtable was held in December 2015 to explore the broader role of artists’ studios in driving urban regeneration;

- **Creative workspace examples**: drawn from the UK and overseas, a wide range are identified illustrating existing and potential approaches to provision and partnership;

- **Review of finance and funding options**: building on the initial data collection activity, a Roundtable was held on potential options for creative workspace provision in January 2016. Briefing Papers were further commissioned around two particularly interesting options identified during this process.

Creative workspaces: a diversity of business models

Many examples of provision exist and are provided within this Report, with growing examples of innovative responses to current challenges.

Provider business models share a key and common mission: that space remains affordable for artists – although this often leads to limited reserves and low levels of accessible capital. Increasingly providers are also demonstrating innovative and hybrid models, seeking to hold to mission through the exploitation of diversifying funding and income streams.

‘Pop-up’ and ‘meanwhile’ space offer short-term opportunities, profile and artistic pipeline – but are not a solution.

For emergent, newer and smaller providers, the challenges of future development, creating permanency and / or becoming more ambitious providers include a series of considerations around: activities, income generation, space costs, ownership forms and partnerships. These considerations reinforce an often constant tension within creative communities – the balance and relationship between the commercial and non-commercial.

In London, and amongst the generally larger and more established providers, the key issue is the ability to act rapidly on property opportunities in the face of usually intense competition from commercial developers and other uses. In essence, to be able to access and draw down suitable funds with speed and affordability.

Mutually beneficial examples of studio collaborations and ‘borrowed infrastructure’ are growing also; connecting growing artistic communities with studios outside of the capital and hubs across the country with the London gateway. Such collaborations, for example, can support high asset utilisation and access to markets and communities through temporary space opportunities (short term lets, artist hotels, studio exchange programmes, etc.).

Yet, more generally, whether in the traditional coming together of artist collectives or the opportunities of regional hubs and regeneration, providers are seeking support in finance and
business skills to build asset management skills, instigate and secure opportunities and retain control of their future development ambitions, possibilities and pathways.

**Developing and financing creative workspaces**

For many studios and creative workspace providers, property ownership is an important long-term ambition as this is the only way they can safeguard their futures. This could be done on their own or through co-investment in conjunction with property developers, local authorities, higher education institutions or others. These approaches offer possibilities to create long term security, financially benefit from their own positive effects on regeneration and retain stakeholder power.

However, the majority of these approaches still need access upfront to some form of capital investment or mortgage finance.

Given a focus on development and financing, Creative United has outlined three types of workspace provider structured by their stage in workspace development – **emerging** studio collectives, a **stabilisation** period for those creative workspaces that have an initial space and have been going for a year or two, and programmes designed for **established** providers.

The stages account for the differing skills needs as well as the creditworthiness of the providers at each stage but also ensure that there is a clearly defined path for studios to follow as they develop:

- **Emergent**: Many smaller emerging organisations are looking for support and signposting to opportunities which will allow them to set up in new spaces and become capable of accessing funds and protecting their own buildings. They are looking for access to skills, new partnerships, guidance and initial funding to help them maximise opportunities quickly as they arise;

- **Stabilisation**: Midscale providers are seeking skills, knowledge and the ability to strengthen business and financial models to enable growth. This predominantly involves finding the right company structure, defining aims and accessing funding to help stabilise and lay solid foundations for their futures; and,

- **Established**: Often larger providers predominantly looking for ‘fast access to cheap capital’ to enable them to compete with commercial developers when buying property, alongside undertaking high level partnerships and influencing public policy to ensure the right growth environment.

The models demonstrate pathways with the aim of enabling providers to access the finance and skills needed to compete in the market for key properties, and at an affordable rate (to enable them to keep the cost of rental as low as possible).

Such a process seeks to address a key prerequisite that prevents many providers from attracting funding through a straightforward mortgage / loans model; namely, that the perceived levels of risk (and perceived low ROI) associated with creative workspace organisational models are addressed in order to overcome major barriers for investors and lenders.

**A ‘Stabilisation Trust Fund’ for UK studio provision**

Given the key recognition that sector sustainability is inextricably linked with funding and finance for property ownership, the Report has further investigated the potential of two new forms of finance highlighted by stakeholders through a Roundtable process.

Based on San Francisco’s Community Arts Stabilization Trust (CAST) as the starting point, the Report provides a Briefing Paper on the potential of a ‘UK studio stabilisation fund’.

Prime Advocates develop an approach which outlines the use of an incubation model, and develops both a shared ownership model and a deposit fund approach which are aimed to
support studios during their stabilisation process and for those who are established. To enable these to happen a funding pot would be developed and managed by a trust, supported through a multi-agency donor approach.

One potential is for the trust to partner with an existing studio provider to support the skills and expertise development programme.

**A Peer-to-Peer funding approach for UK studio provision**

A Briefing Paper was commissioned into possible peer-to-peer lending schemes which could both generate incomes for the studio sector but also enable an investment pot for investors – targeting artists and creatives to enable the creation of future pensions and returns on earnings.

As a sector initiative based on an existing model currently used to support the building of environmentally sustainable properties, this could not only create a small pot to support sectoral growth and development but also provide a repository for artist pension development – a facility much needed in the sector.

In principle the approach could be combined with the stabilisation fund through, for example, the peer-to-peer lending pot feeding the trust fund, or for each to fund different parts of the incubation process.

*Their feasibility in the UK context are yet to be studied and tested to determine new solutions to overcome the development and finance barriers to studio provision.*

**Development through partnership**

As across all sectors of the economy where substantial funding sources include the public sector, funding cuts are driving (or forcing) innovative responses, new hybrid funding models and increased levels of collaboration and partnership. Increasing devolution of responsibilities and funding is adding further to the dynamic of partnership.

Such partnership implies the need for recognition of distinct organisational missions but also certain shared objectives – and the range of economic, social and cultural outcomes offered by creative workspace development opens up many such new and potential partnership opportunities. However, to take advantage of such opportunities will require additional support in business and legal skills to back studios and providers in these development relationships.

The Report identifies three particular partnership groups – developers, higher education institutes (HEI) and Local Authorities – and provides a number of illustrations of successful partnerships. In seeking to facilitate greater partnership:

- **Outside of London**, HEIs are increasingly becoming ‘the’ anchor institutions and drivers of development in cities and localities. Successful partnerships models exist, driven by the specific missions of individual HEIs, but many noted that they are seeking support in understanding and development of ‘the business case’ for creative workspaces, and subsequent support in developing and implementing proposals given existing good practice;

- **For commercial property developers** (particularly in London), charged with maximising shareholder returns, it was strongly stated by them that any major response to the issues facing creative workspaces would require substantial financial / legal / policy intervention - small, incremental changes will not suffice. In contrast, development potential has been demonstrated with developers with broader sets of shareholders and stakeholders; for example, third sector provision and affordable housing schemes. Either way, it was argued that succinct and robust impact evidence needs to be produced to support developers in demonstrating the financial (and broader) value of studio and workspace provision in new development schemes;
Local Authorities offer as strong a set of partnership opportunities as ever given the potential of creative workspace development to contribute to economic development, community wellbeing and place making. At a range of scales, there exist a number of potential policies and instruments that can be utilised in the LA realm in support of creative workspace provision – from strategies, plan making and zoning to planning legislation and gain, financial incentives and asset transfer. It was stressed that providers should be seeking strong engagement at the local level through the various routes available – from making the case for workspace development in strategy making to bringing forward proposals and actively promoting their expertise and readiness to collaborate - to ensure support through the various statutory mechanisms and ad hoc schemes.

**Recommendations**

Despite the economic, social and cultural value and benefits of the creative workspace and studio provider sector, recent changes in funding regimes and market developments continue to highlight the vulnerability of the sector and its long term sustainability.

These challenges are evident across the organisational breadth of the sector and various organisational ‘life stages’ (for example, emergent, stabilisation, established) and locations. The following Recommendations seek to respond to this breadth.

**Recommendation 1: Re-shape and launch a ‘Creative Workspace Unit’ to build national capacity in studio development and advocate for the broader sector.**

The Unit would:

- Build national and stakeholder awareness of, and engagement with, creative workspace development, including development of the evidence base for the sector, its impact and ‘business case’ – attuned to the diversity of ‘asks’ of partnership opportunities;
- Bring forward a business development programme for the sector, recognising the need to build capacity and capability around business skills, finance skills and organisational development. The programme might be expected to recognise a combination of both generic business development requirements and, specifically, those connected to organisational life stage, such as emergence and stabilisation;
- Create an Opportunities Team – an expert, flexible and fast moving capacity tasked with identifying opportunities, brokering partnerships and supporting the process requirements of ‘deal making’ as requested (including signposting, business case materials, standardised documentation, case studies, etc.); and,
- Act as a collaborative representative and voice for the sector in maintaining a policy and business environment enabling of creative workspace provision.

After an initial period of re-creation and launch, the expectation would be that the sector moves to support the sustainable provision of the activities of the Creative Workspace Unit.

**Recommendation 2: Commission feasibility studies and pilot programmes which test innovative new forms of funding and finance for creative workspace provision**

This Report provides two possible examples:

- A peer-to-peer funding model: based on a model already used by Abundance to fund environmentally sustainable capital projects, there is strong potential to test and model a similar scheme for the arts sector, which would have the added benefit of creating pension pots for artists and independent practitioners.
- **A Trust model:** via the creation of a bespoke fund for studios. Further studies and testing need to be undertaken with partners to look at both the constitution of a Fund and the way in which it could be used to either fund outright sales, or to leverage in other funding – in either a shared ownership or deposit advancement model.

**Recommendation 3: A Review of Borrowed Infrastructure Practices**

Identify and document for the sector new business model developments around studio collaboration and ‘borrowed infrastructure’. Connecting burgeoning artistic communities and hubs across the country and with the premier gateway of London, new digital and physical initiatives such as pop-ups, artist hotels, and studio exchange programmes are providing innovative more affordable channels to creative and commercial development.
Introduction

1.1 The future of creative workspaces

Over the past 30 years, there has been significant growth in the provision of studios, makerspaces and creative workspaces in the UK, particularly in London. These spaces have provided essential support to artists and makers and their developing careers, providing a home to this growing and vibrant creative sector. Such creative spaces and communities have also been shown to have a wider economic and social value, helping to regenerate areas by stimulating local business growth and attracting inward investment and infrastructure development without, in the main, disenfranchising local incumbent communities.\(^5\)

However, the sector is vulnerable. Currently, few artist studios are owner-occupied or permanently designated for the creative community. A 2010 survey by the National Federation of Artists’ Studio Providers (NFASP) found that, nationally, 79% of studio spaces were rented and 21% owned. Many buildings were on short-term leases, with 64% on leases of less than five years.\(^6\) These pressures are particularly severe in London which dominates the provision of UK studio buildings; a GLA survey in 2014 found that over 30% of current London studios would disappear within five years, affecting some 3,500 artists.\(^7\)

Studios and the artists that occupy them face increasing pressures, such as the growing demands for similar workspace by other more lucrative sectors, increasing property values and the loosening of regulation around residential building and related large-scale capital development programmes. This means that studio developers often find themselves competing with large scale, well financed residential and/or commercial property developers when looking to secure new space or renewing leases on existing property or unable to access the financial support needed to take on development opportunities themselves.

For some commentators the future sustainable provision of affordable studio space is in grave danger, whilst others are pointing to new, emergent and often partnership-based solutions to the challenges this specialist development sector faces.

1.2 Aim and objectives of the study

The aim of this study has been to investigate the UK’s existing creative workspace provision, documenting on-going challenges to sustainability and identifying the emergence of new forms of provision and potential funding models.

The study’s specific objectives were to:

- Outline the current challenges to the sustainable provision of creative workspace, especially in London;
- Identify how such provision is adapting, including the development of new innovative solutions – including potential solutions from overseas;
- Scope the emergent business models, funding structures and partnerships supporting development of, and opportunities for, workspace provision; and,
- Through the evidence collected support stakeholders such as policymakers, funders, studio providers and other agencies in their development of action plans.

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\(^6\) [http://nfasp.org.uk/resources/information-statistics](http://nfasp.org.uk/resources/information-statistics)

\(^7\) Artists’ workspace study: Report and Recommendations 2014. Mayor of London
and feasibility studies targeted at the continued development of creative workspaces.

1.3 Study terminology

The main focus of this Report is on strategies to maintain and develop affordable and sustainable artist studio complexes and creative workspaces that provide facilities for communities of artists. Some of the approaches also apply to the needs of wider creative businesses, and they were also consulted during the study. The Report does not consider mechanisms for assisting artists/makers at an individual level, although the needs of individuals are taken into account with regard to affordability and average earnings.

Additionally, focus has remained on opportunities for establishing mid- to long-term solutions rather than pop-ups and short-term “meanwhile” spaces. While we recognise that the availability of short-term spaces is important for creative communities, on the whole these opportunities address different needs. Importantly, they do not require the same level of infrastructure or resource to sustain, and are unable to deliver the long-term benefits for users and communities that more permanent spaces can provide.

Throughout the Report, the following terms are used to describe different types of working environment pertinent to the study:

- **Studios**: a centrally managed collection of spaces where an artist or designer/maker creates work; usually rented individually, but sometimes shared between two or three individuals;
- **Makerspace**: a communal studio space with shared technical/production facilities for artists and makers to make use of collectively; access to facilities may be charged at an hourly or daily rate; and,
- **Workspace**: usually a “clean” space (not involving raw materials or production facilities) used by creative industry enterprises for desk-based work;

While studios, makerspaces and workspaces each have distinct characteristics and user requirements, they also have much in common when considering business models and finance structures. In view of this, and specifically where proposed solutions might apply to more than one type of creative space, we have used the generic term “creative workspace”.

- **Creative workspace**: an inclusive term to describe studios, makerspaces and workspaces used by artists, craftsmen and enterprises operating across the wider creative industries; and,
- **Provider/s**: organisations that have been established for the purposes of managing and developing creative workspaces.

1.4 Study methodology

Following an initial literature review, the study undertook primary data collection including around key emergent themes:

- **Literature review**: to analyse current provision, issues and challenges for the sector and past and emergent approaches to creative workspace support and development. Appendix 1 provides a bibliography;
- **Stakeholder interviews and contributions**: interviewees included representatives from studio and workspace providers, property developers, local authorities, policymakers and education organisations. Topics covered included: issues and challenges; responses and adaptations; success achieved; future
potential solutions. In addition, a Roundtable was held in December 2015 to explore the broader role of artists’ studios in driving urban regeneration;

- **Creative workspace examples**: drawn from the UK and overseas, a wide range are identified illustrating existing and potential approaches to provision and partnership;

- **Review of finance and funding options**: building on the initial data collection activity, a Roundtable was held on potential options for creative workspace provision in January 2016. Briefing Papers were further commissioned around two particularly interesting options identified during this process (see Appendix 2).

Appendix 3 provides a list of contributors to the study and whose contribution we gratefully acknowledge.

1.5 **Structure of this report**

The Report continues in the following sections:

- **Section 2** – uses the recent literature to set out the scope of the creative workspaces arena and the issues and challenges currently being faced;

- **Section 3** – illustrates the range and diversity of business models to be found across creative workspace provider organisations;

- **Section 4** – outlines a framework of potential support, funding and finance routes to sustain the continued provision of creative workspace;

- **Section 5** – identifies the range of partnership activity in support of creative workspace provision; and,

- **Section 6** – draws conclusions and presents a set of Recommendations.
2 Sustaining creative workspaces: issues and challenges

This section draws on the small array of reports, briefing papers and literature to set out briefly the current context for creative workspace development.

2.1 Key findings

- Creative workspaces are a core infrastructure for the vibrant and dynamic creative economy and the arts and culture ecology and artistic communities which feed this vibrancy.
- Creative workspace developments deliver economic, social and cultural benefits combining the creative economy, community well-being and a sense of place.
- Such benefits have especially supported regeneration activity – as artistic communities have occupied under-invested sites and supported the redevelopment cycle.
- Such development cycles do leave many workspaces and communities as vulnerable – on short term leases, undesignated and exposed to the broader dynamics of the property development process.
- Vulnerability driven by property markets is especially acute in London, which dominates the national provision of creative workspaces and studios given its position as a global centre of the cultural and creative industries.
- London’s potential loss is becoming a gain for other regions, as regional hubs such as Birmingham and Bristol compete to combine home grown talent with a new wave of creative arrivals looking to establish new places and spaces in which to live and work – nevertheless, access to London as a gateway to innovation and markets remains a substantial requirement.
- As old models of “find a space and occupy” become increasingly impractical long term, new approaches and solutions are emerging around such aspects as permanent occupation and ownership, regional hub - London presence, and mixed partnerships.
- Such innovations and approaches need support to ensure maximisation of the economic, social and cultural benefits of creative workspace development for local and regional economies.

2.2 Understanding the development of creative workspaces

2.2.1 Context

The past 30 years has seen significant growth in the provision of studios, makerspaces and creative workspaces in the UK, particularly in London. In 2010, 44 groups and organisations managed 252 buildings, which provided 5,450 studios for 7,250 artists. At the time of the study, London had 24 per cent of the UK studio organisations in the UK (35), and 44 per cent of the studio buildings (112). By the time of the GLA’s 2014 survey, this number had grown to an estimated 298 separate studio buildings supporting 11,500 artists.\(^8\) There is a need for some caution to be exercised when comparing these studies as they have used differing parameters for inclusion of studios, but we still see a dramatic growth in provision.

The GLA’s research also showed that provision of affordable artists space is primarily met by charitable or not-for-profit organisations. More than 82% of artists’ workspace providers explicitly aim to supply affordable space, or provision through

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\(^8\) Artists’ workspace study: Report and Recommendations 2014. Mayor of London
charitable or not-for-profit endeavours. Only 5 organisations classed themselves as a ‘Commercial workspace providers or Developers’. The term ‘entrepreneurial’ would better articulate the approach these organisations take in providing affordable artists’ workspace. A fair characterisation of the lower 40% of provision would typically be insecure short term tenancy, single building operators.

Artists’ studios typically occupy existing buildings, rather than purpose built property. Occupation of existing buildings is the overwhelming norm according to the GLA research, including an ex cash’n’carry, council offices, department store, vicarage as well as ex-industrial buildings. Supplying purpose-built provision is an option rarely available to artists’ workspace providers, and new or purpose built artists’ workspace amounts to 6% of the overall offer of studios across London. Nearly all of the purpose-built artists’ workspace is delivered though mixed use development (including student accommodation and residential), but this currently only accounts for 186 artists’ studios (around 224 artists).  

The report also identifies a wide variety of models of provision for affordable artists’ workspace. Structures vary on an almost site-by-site basis and in a sector characterised by scarce resources, providers have developed a number of strategies in order to meet demand.

Whatever their exact nature, these spaces provide essential support to artists and their developing careers, giving a home to the creative sector.

2.2.2 Economic and social value

Such creative spaces and communities have also been shown to have a wider economic and social value, helping to regenerate areas by stimulating local business growth and attracting inward investment and infrastructure development, without (in the main) disenfranchising local incumbent communities. This in turn boosts local property markets by making surrounding neighbourhoods more desirable places in which to live, so attracting a broader community and creating a broader mix of people in these communities. This impact has been demonstrated in a recent publication produced by the Mayor’s office in which it cites SPACE studios The Triangle in Mare Street as a key player in the growth of hackney’s creative economy. The Triangle was acquired on a 25-year-lease in 2001. The long-term presence of the building on this prominent corner (in Hackney) has been a key pivot in the gentrification that has swept east London, evidenced by the breweries, bars, music venues, galleries, cafes and shops that have sprung up around London Fields in the last ten years. The building itself often attracts visitors, art collectors and members of the press. In front of the gallery entrance public realm improvements have been led by Hackney Council, all fuelling the development of this area.

2.2.3 Developing creative workspaces

The contribution of creative workspaces to broader regeneration and community development partly stems from its historical development model. Historically, renting was a sensible approach to creating and maintaining creative workspace. Artist communities were often opportunistic, taking advantage of cheap space in areas that lacked investment and where a large proportion of properties were standing empty. Artists have become accustomed to the cycle of moving into spaces in areas where there had been decades of low investment, then moving on as rising property

10 DCMS (2016) The Culture White Paper
11 Creating Artist’s Workspace 2014. Mayor of London
values made creative workspaces unaffordable. As a result, creative communities
have become nimble at finding new spaces in new areas as and when the
opportunities arise. In the case of Shoreditch, this process of transition from “run
down” to “desirable” took some 10 to 15 years, during which time artists had time to
build communities and networks, and to grow funds to accommodate change as and
when it arose.

What this has implied, however, is that few artist studios are owner-occupied or
permanently designated for the creative community. A 2010 survey by the National
Federation of Artists’ Studio Providers (NFASP) found that, nationally, 79% of studio
spaces were rented and 21% owned. Many buildings are on short-term leases, with
64% on leases of less than five years.\textsuperscript{12} The model, then, is highly vulnerable to the
broader dynamics of the property development process – both the development
process itself but also property related legislation and taxes such as land and
building classifications, building regulations, business rates and so on. Such supply
issues have also to be set against a set of users (‘artists’) whose income levels are
often below average and precarious; reportedly, for example, average income levels
for visual artists in the UK are around £10,000 a year and tend to be lower than
those of other practitioners working in the creative industries.\textsuperscript{13}

2.2.4 Burgeoning challenges to the sector

As the economy and related property markets have slowly come back on stream
following the global financial crisis and recession, so the creative workspace sector
has been subject to a range of structural and cyclical factors which are setting
substantial challenges to the sector.

Structurally, one issue is the increasingly mainstreaming demand for workspaces
which replicate many of the characteristics of creative workspaces – namely
collaborative, shared and fluid workspaces. Whether meeting the demands of the
new breed of ‘flat white economy’ freelancers, entrepreneurs or temporary project
animatuers or, for example, the expanding broader digital, creative and business
services sectors, a recent Deloitte (2015) report into shared workspace in 2014
reported a 67% increase in demand for this type of space over the past decade.\textsuperscript{14}

Another issue is, once again, the accelerating pace of change in city property
markets. This is leaving less time between occupation and redevelopment of an
area, and means that artists can only occupy spaces for two to three years before
leases become unaffordable and/or buildings are bought and further developed into
housing and commercial property. Each relocation involves significant set-up costs
and investment, especially as affordable space becomes ever scarcer. Thus the
cycle of relocation, regeneration and moving on becomes increasingly impractical
for creative individuals and organisations, particularly if they continue (as most do)
to use a leasing model.

Whilst the role played by the wider arts sector in the regeneration process is now
recognised by developers and local authorities, with now not uncommon provision
for “creative communities” in development plans, these opportunities to occupy
newly developed spaces do also come with a downside. This developer-led
approach has been noted to frequently deny artists the opportunity to dictate or even
influence the design, layout, location and costs of the scheme, placing the control in
the hands of investors and other agencies with priorities geared towards maximising

\textsuperscript{12} \url{http://nfasp.org.uk/resources/information-statistics}

\textsuperscript{13} \url{http://www.theguardian.com/culture-professionals-network/2015/jan/12/artists-low-income-international-issues}

\textsuperscript{14} The London Business Footprint: The Growth of Serviced Offices. A Deloitte Insight Report 2015
profits. In these circumstances, artists can no longer take the development lead as they once did.

A further series of more immediate developments have also added yet further pressures on the historical space for creative workspace development, including: easier change-of-use regulations hastening the conversion of property from business to residential use (making previously unappealing and inaccessible space more attractive to developers); changes in the way business rates are calculated and managed driving up operational costs as cash-strapped local authorities seek further revenue or cost savings; and on-going legislative changes around property such as environmental quality, access and health and safety requirements.

In summary, these market spaces and the artists that occupy them face increasing pressures, such as the growing demands for workspace by other more lucrative sectors, surging property values and the loosening of regulation around residential building and related large-scale capital development programmes. Thus studio developers are increasingly reporting finding themselves competing with large scale, well financed residential and/or commercial property developers when looking to secure new space or renewing leases on existing property or unable to access the financial support needed to take on such development opportunities themselves.

2.2.5 The particular importance, and challenge, of London

These pressures are particularly severe in London – in terms of the continued growth of the city economy, intense competition in property markets and the speed of the property development cycle. This is of critical importance given the dominance of London in the nation’s creative sectors and the creative workspace arena especially. According to a survey by the NFASP, for example, 44% of all studio buildings in the UK are located in the capital, and a GLA survey in 2014 found that over 30% of current London studios would disappear within five years, affecting some 3,500 artists.\textsuperscript{15} It is argued that the above changes have brought the continuation of affordable studio provision to a crisis.

Meanwhile, the cost of living in the capital is also a key hurdle for the current generation of mid-career artists looking to find homes in the city. London property prices have risen by 495% over the past 10 years\textsuperscript{16}, making the average price of a home purchase in the capital around £600,000. This means that although early-career artists are sometimes finding ways to stay in London, creating communities around workspaces as artists did fifteen or more years ago is significantly more difficult now. It is almost too late for an entire generation of artists to be able to live and work in London; a city renowned for its world class infrastructure of galleries, buyers, exhibiting spaces and peers, the centre of the contemporary art market, and whose creative sector is second only to the financial sector in its contribution to the city economy.

In sum, coupled with rising rents and the cost of living, artists are anecdotally being driven out of the areas that they have helped to regenerate. The possible migration of artistic communities away from the city centre threatens the future creative vibrancy that London and its thriving creative industry and arts sector has been built upon. Or put another way, work looking at ways of providing space in the capital will be seen as successful if it merely preserves current levels of provision and artistic communities and activity.

\textsuperscript{15} Artist' workspace study: Report and Recommendations 2014. Mayor’s Office

\textsuperscript{16} http://www.home.co.uk/guides/house_prices_report.htm?location=london&all=1
2.2.6 Regional hubs: rebalancing the economy?

Nevertheless, London’s potential loss is argued to be becoming a gain for other regions, as they compete to benefit from the regenerating effect of artistic/cultural capital by attracting displaced, young, engaged artists looking to establish new places and spaces in which to live and work. Whilst a creative migration has been noted to other European cities, UK urban hubs such as Birmingham, Bristol and Margate are seeking to fuse organic developments with a new wave of creative arrivals.\(^\text{17}\)

Recognising the needs of their expanding creative communities, such cities are developing the networks, support and affordable space that artists require. Additionally, however, these regional hubs have also been looking at new ways of developing relationships and partnerships with London’s visual arts infrastructure to enable artists to maintain London networking and profiling without London costs. Regional exhibition spaces, public galleries, art fairs and other sales initiatives raise the profiles of artists based regionally and allow them to grow their own profiles and networks and to create the infrastructure they need. We are, then, seeing a growth of studio provision in cities across the country – but that need access to a different set of skills and funding mechanisms to establish themselves nationally and internationally and crucially achieve access to the central London based art market.

Furthermore, with the effect of advancing digital technology on the production, presentation and consumption of creative content, this also creates new opportunities for artists to develop and grow in a much broader set of regions across the UK as long as the right ingredients – such as partnerships, networks, access to exhibiting, meeting and physical sales space and curated and respected digital platforms - are present.

Yet, here, too, such emergent hubs may also be vulnerable to development cycles. In Bristol – a popular hub for migrating artists – house prices increased by 6.7% in the past financial year\(^\text{18}\) and in Margate prices rose by 24% in 2015\(^\text{19}\). Studio space in these cities remains affordable but it is clear that regional hubs popular with creatives may start to reflect those issues already prevalent in London.

2.2.7 Emerging and innovative solutions

Creative workspace providers are responding.

While rising property costs, particularly in London, make old models of “find a space and occupy” increasingly impractical long term, new opportunities and approaches are available. Property developers and local authorities are acknowledging the value arts spaces can bring in terms of facilitating planning permission and providing amenities that can make property developments and their ‘sense of place’ more marketable. Accordingly, there is increasing integration of creative workspaces within new developments, giving rise to a different set and range of opportunities, and a diversity of potential partners and even co-investees.

Furthermore, surging property development is not just an issue for the visual arts. Building-based organisations across a range of other art forms, as well as community-led spaces, independent shops and small public houses, also face similar issues. In response, there are growing networks of organisations and initiatives across art forms and beyond developing their own strategies to deal with

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\(^{17}\) See Box 7 of this Report detailing developments in Kent and Leicester

\(^{18}\) http://www.bristolpost.co.uk/Good-news-homeowners-Bristol-property-prices/story-28562080-detail/story.html

\(^{19}\) http://www.theguardian.com/money/2015/dec/18/hottest-property-market-outside-london-margate-rightmove
the changing climate and tackling the same problems. These organisations present further opportunities for partnerships, including their combination with emergent and arguably more dispersed artist communities, and alongside further market and policy-based trends towards enhanced place making. The need, however, is for a centralised representative of the studio and workspace sector with which they can liaise.

This study reports on some of these developments to draw conclusions on how such emergent and innovative responses can be built upon to ensure a vibrant and sustainable creative workspace sector.

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20 See Box 5 on Theatre Trust working with developers and Box 7 and the work of the Music Venues Trust to influence local planning activity.
3 Creative workspaces: a diversity of business models

This sections draws on a range of interviews and contributions from across the stakeholders of creative workspace (see Appendix 3) alongside a range of examples of existing providers.

3.1 Key findings

- Provider business models share a key and common mission: that space remains affordable for artists – this can drain reserves and working capital.
- Historically, provision has often begun as the opportunism of informal collectives of artists. The challenges of future development, creating permanency and / or becoming more ambitious providers include a series of considerations around: activities, income generation, space costs, ownership forms and partnerships.
- These reinforce an often constant tension within creative communities – the balance and relationship between the commercial and non-commercial. There is evidence that stakeholders also struggle to understand this tension – for example, around issues of charitable status, eligibility for grant funding, forms of relief, etc.
- ‘Pop-up’ and ‘meanwhile’ space offer short-term opportunities, profile and artistic pipeline – but are not a solution.
- In London, and the generally larger and more established providers, the key issue is the ability to act on property opportunities in the face of invariably intense competition from commercial developers and other uses.
- More generally, providers are seeking support in finance and business skills to build asset management skills and retain control of future development ambitions, possibilities and pathways.
- Provider examples demonstrate increasingly innovative and hybrid models seeking to hold to mission through the exploitation of diversifying funding and income streams.
- Mutually beneficial examples of studio collaborations and ‘borrowed infrastructure’ are growing: for example, these can achieve high asset utilisation and access to markets and communities through temporary space opportunities (short term lets, artist hotels, studio exchange programmes, etc.).

3.2 Finding the right business model

Discussions were held with a range of small and larger scale providers across the UK and on a variety of business model approaches.

Most studios had begun as small informal collectives of artists opportunistically finding a space and adapting it to their needs. As they had grown in status and experience, the income generated grew to enable them to maintain the property, making basic repairs when needed, and occasionally accessing grant funding for bigger investments.

In determining their position as new providers or in considering future development paths, a number of common considerations were raised by interviewees:

- Do they want to work in partnership with other organisations?
- Do they want to generate income from the space – for example, to reinvest in the community in which they live and work, or to support an exhibition and engagement programme, or to generate a profit to support the long-term sustainability of the member/resident artists?
- Is their priority to keep the space for a long as possible or at the cheapest rate possible?
As organisations have grown, many generate income to support running costs and programmes through initiatives such as:

- private hire of additional space, creating bars and cafes;
- event hire and sharing space with other companies;
- selling shares in the space to resident artists; and,
- leveraging owned spaces against loans or mortgages to grow and expand premises.

Common challenges were identified, often related to clarity of understanding by different stakeholders around business models, their increasing hybridity, and the knock-on effects around perceptions of the provider, its mission and position in the market.

Being business-minded can bring its own problems for studios, such as the perception of a studio as a commercial venue, which in turn can cause problems with applications for grant funding, charitable status and reductions in business rates. Here, there is a need for policymakers to recognise that reduced public funding requires providers to find other forms of finance, and that doing so and such hybrid models should not negate access to any public funding still available.

In spaces catering for both commercial and non-commercial use, non-commercial artists can have difficulty competing with the higher rates paid by, for example, commercial organisations working in the creative industries. At the same time, there are positives in such a mix, one being that it can stimulate networking and allow access to a diverse range of skills, which can go on to generate successful projects.

Providers also do not have the same audience reach as public exhibiting organisations, another factor to be considered when developing any future programme.

Community development is important for many but not all studio spaces, mainly depending on the ethos, members and constitution of the provider.

Charitable status has been increasingly difficult to obtain for many providers. Those that have obtained it are seen as mainly educational charities, offering access to exhibitions and outreach programmes. Offering such services can open up alternative income streams to support the provision of spaces for creative individuals, but also entails significant delivery costs. Some providers may also see it as a distraction from their central purpose of supporting resident artists and their work.

3.3 Adaptation

Discussions explored the processes of adaptation in order to respond to changes in the economic environment:

- Within the London area, finding structures to tackle rising property prices were particularly important;
- London-based spaces acknowledged a need for long-term ownership (either via long leases or acquiring freeholds), which could enable long-term planning and more efficient management of income and assets. Most had ambitions to buy, while some acknowledged the value of temporary and pop-up spaces in building profile, offering short-term opportunities to grow finances and support a broader range of artists;
Regionally, primary concerns included the establishment and growth of spaces, forging key partnerships, understanding the outcomes each partner was looking to achieve, and how these affected providers’ delivery models;

Both regional and London providers placed a high priority on finding ways to ensure that studio rentals remained affordable for artists – but this often implied low reserves and little working capital for expansion and renovation; and,

Smaller studios and some Arts Council England’s national portfolio organisations (NPOs) discussed an urgent need for support in developing finance and business skills, both in how to manage building assets and how to identify, evaluate and use finance options to support provider’ ambitions. However, all stated they wanted more control to manage their business and assets in a way that suited their agreed future development.

3.4 Creative workspace providers: diversity, hybridity

Existing examples of creative workspace provision continue to illustrate what can be achieved in the current economic and social climate. Public funding and programmes remain of significance, increasingly if only in support of leveraging other funds. Such declining funding sits within an environment ever more characterised by hybrid funding models exploiting the potential diversity of funding and income streams offered by the invariably distinctive histories of individual providers seeking to hold to mission.

In areas where demand remains high, the spectrum includes established studios able to demonstrate continued strong income generating business models as the basis for broader provision of services and space to less commercial and not-for-profit activities.

BOX 1 A Diversity of Creative Workspace Providers in London

Acme Studios, London: Adopting housing trust status and working with developers
Acme Studios established itself in 1972 as a housing association rather than an educational trust, with a focus on relieving the financial hardship faced by artists as well as advancing the arts. It then delivered its charitable mission, with a capital programme launching in 2006. Since then, Acme has established a permanent portfolio of high-quality, affordable studios, created in partnership with social and commercial housing developers, including beyond London. Acme to become self-sustaining in 2016.
http://www.acme.org.uk

Bow Arts Trust, London: Workspaces embedded in community
Established in 2004, Bow Art's Trusts core purpose is to support community renewal in East London by delivering Arts and Creative Services through a financially sustainable social enterprise model. Income from space hire (both mixed use and studio space) from both leased and owned properties covers running costs and ensures affordable fees for resident artists. Income generated through trust and foundations alongside ACE funding enables Bow's extensive outreach and artist/ studio support programme. Recently Bow was successful in an application to the Arts Investment Fund for a reserve to enable the organisation to respond rapidly when suitable opportunities to purchase property arise.
http://www.bowarts.org/about/about-us

Cell Project Space and Studios; affordable workspace and exhibition platform
Established 2000. Cells studios generate a funding stream for Cells charitable arm, Cell Foundation, to fund and support its exhibition programme at one of its 7 buildings, which house 900+ artists and makers, at this time. Cell has been 100% self-sustaining and self-financing since start-up, although a 50% match funding GLA London Regeneration Fund was awarded in 2016 for the refurbishment of an additional building. Cell is on the verge of
making its first freehold premises purchase, to secure the organisation and affordable workspace in its portfolio permanently, and is also working with developers and local councils such as LLDC and LBH on section 106 agreements to secure affordable artists workspace within specific approved mixed use development projects within these boroughs. Cells exhibition programme funds and showcases young visual arts practitioners at a pivotal and emergent point in their careers.

www.cellprojects.org

Henry Krokatsis, London: The artist as entrepreneur, attracting investment to develop studio space
Artist Henry Krokatsis has set up his studio Queensrollahouse alongside the creation of 21 additional studios through selling shares in the studio company to a range of collectors, supporters and friends. The initial income allowed him to build the 11,500 sqft building in West London, providing him with a dedicated space that he owned, with income from the additional studios generating an income for the investors.

http://queensrollahouse.com/

The Mill Co. Project, London: Adopting approaches project by project for commercial and non-commercial artists
The Mill Co. Project is an example of a mixed-use provider. It curates each building it develops on a project-by-project basis to ensure a mixed set of rates more tailored to each tenant’s needs and situation. This means that, to some extent, the larger, more commercial tenants subsidise the less commercial tenants, but each contributes to the overall appeal of the shared space, creating an offering for a wider range of residencies.21 It’s most recent addition to its space portfolio, Green Rooms, was funded through a combination of their own funds (£100,000), Local Authority funding (Haringey Council, £40,000; GLA £140,000) and angel investment (socially minded impact investments by High Net Worth individuals) (£300,000).

http://www.themillcoproject.co.uk/

Occupation Studios, London: Co-operative, funded by artists approved for residence
Occupation Studios developed a model to achieve the lowest cost of space (approximately £7 per sqft) to support artists who define themselves as non-commercial and critically engaged. The provider bought a building via funds from each individual artist resident and set up a land trust to preserve the purpose and value of the space. By doing so Occupation can decide who becomes a member of the trust and retain the building for the long-term use of the artists initially investing.

http://nfasp.org.uk/occupation-studios

V22, London: Multirole provider combining space for working, exhibiting and selling art, and community engagement
V22 is a London-based arts organisation with a diverse three pronged structure that has also developed an art collection. It provides a place to exhibit, for artists to make work in affordable artist studios and a space for collectors to come and buy and look after their art, alongside a community engagement programme,
V22 Plc is listed on the Social Stock Exchange. Investors get access to yield from rental and art collection appreciation.
V22 London Ltd is a private company wholly owned by V22 plc which runs 7 studio buildings.
V22 Foundation is the studio’s not-for-profit arm which runs exhibitions, artist support initiatives and community projects.

http://www.v22collection.com/

21 See page 11 for further details of fundraising model
BOX 2 A Diversity of Creative Workspace Providers in the UK

Duke Studios, Leeds: Growing privately financed company
Established through loans from friends and family, Duke Studios operates a co-working model, providing a range of workspaces, creative services and facilities. Significant income is generated through its bar, restaurant and events programme which supports the business development of the company. [http://duke-studios.com/about-us](http://duke-studios.com/about-us)

East Street Arts, Leeds: National provider of spaces, working as a consortium
East Street Arts provides infrastructure and management support for spaces nationally alongside providing both permanent (through a mixture of leasehold and freehold spaces) and meanwhile space in Leeds. Funded through a combination of earned income and ACE funding, their model provides a range of developmental support and services to creative workspaces nationally. [http://eaststreetarts.org.uk/](http://eaststreetarts.org.uk/)

Make Liverpool: Small scale start up
Ninety Squared is a community interest company providing studio space to independent and start-up businesses. Established through small scale start up loans, a key to its success is its incremental growth and ability to work in partnership across a strong set of relationships in Liverpool, sharing resources and flagging developmental opportunities. [http://www.ninetysquared.com/](http://www.ninetysquared.com/)

Resort Studios, Margate: Regional regeneration programmes
Resort is a collective of creative professionals located in Margate, Kent. Founded in 2013 their vision was to create a space that encourages experimentation and collaboration and was funded through support from Margate Arts Culture Heritage programme, which funded arts organisations to occupy heritage buildings at risk. It also provides a series of workshops and engagement opportunities for the surrounding community. A key ambition was to encourage investment and infrastructure back in to an area that was seen as a transitory area with little long term community. Current plans include developing partnerships with regional and London-based organisations to enable greater income generation, opportunities for artists and sector specialisation. [http://www.resortstudios.co.uk/](http://www.resortstudios.co.uk/)

3.5 ‘Borrowed infrastructure’: The growth of studio collaborations

The common aim to provide a mixed programme, including, space, engagement and exhibition activity, has prompted the emergence of some organisations teaming up and sharing resources. For example, artists-run arts commissioner and producer Auto Italia have found a long-term home in Bethnal Green at the previous Acme Project Space. This arrangement offers them a low-cost exhibition space from which they can deliver their public programming while Acme fulfils further its charitable objective - to provide affordable spaces for artists.

The ‘migration of creatives’ away from (unaffordable) London is also seeing new collaborations and developments to overcome the disadvantages this entails given London’s pre-eminence in creative activities and markets. Resort Studios for example is looking to develop relationships with organisations nationally to support viable routes to market and models of exchange: including skills and knowledge exchanges, residencies at their Margate studios and affordable London accommodation.

The Green Rooms has recently built on this by developing affordable hotels for artists and creatives in London. This allows these individuals to live elsewhere but maintain contacts and work in the capital without increased studio overheads.
Other potential initiatives to enable artists to maintain infrastructures in the capital without being based there potentially include digital mechanisms, short term lets, artist hotels and studio exchange programmes.
4 Developing and financing creative workspaces

4.1 Key findings

The developmental and financing needs of providers of creative workspaces can usefully be structured by their ‘stage’ in the market: emergent, stabilisation, and established.

Table 4.1 summarises the Key Findings against each organisational type.

<table>
<thead>
<tr>
<th>Support Need</th>
<th>Emergent</th>
<th>Stabilisation</th>
<th>Established</th>
</tr>
</thead>
</table>
| Organisational | - Identify partners and spaces which allow access to free/low cost spaces – such as spare space in developments, historic/heritage spaces etc. This would require partnership with a sector specialist and produce a registry of available space  
- Use of pop-up and temporary space is useful in allowing the development of knowledge and experience – this is often available through partnership with developers, LAs and private landlords  
- Develop business management skills and identify future business models and legal structures  
- Liaise with existing property landlords and provide pro-forma documents to enable set up and rental  
- Understand the legal and commercial ramifications of borrowing against property (mortgage finance) and running a commercial letting business – financial modelling of rental yields, repair costs and overheads (rentals/mortgage costs) to plan for future development | - Develop a sense of their future legal set-ups  
- Develop key long term objectives  
- Decide on potential future relationships  
- Develop the skills needed to manage a growing business  
- Produce business plans to support growth strategy | - Looking to influence policy and work closely with Local authorities, Developers and Higher Education Institutions  
- Delivering a broad range of engagement programmes, artist development initiatives and commercial activities  
- Often issues around staffing capacity to deliver programmes and manage complicated financial structures |
- Develop skills and knowledge to enable them to source and let property out to third parties to generate income

Financial
- Identify grant funds to refurbish property
- Identify existing funds which may support establishment
- Identify opportunities to develop small pots of cash from alternative finance such as crowdfunding
- It is at this stage where particular difficulties arise as temporary property is no longer available, short-term leases are expiring and small pots of funding are no longer large enough to fund growth ambitions at the time when there is a need for larger and more permanent space.
- At this stage providers are looking for capital investment at low cost
- They also need quick access to capital to compete with commercial developers

Funding Source
- Public Works Loan Board
- Crowdfunding
- Angel Investors
- London Regeneration Fund
- Arts Council Capital Funding
- Impact Investment
- Commercial mortgage
- Arts impact fund
- HLF Heritage Enterprise Funding
- The Architectural Heritage Fund
4.2 Supporting creative workspace organisations

For many studio providers, property ownership is an important long-term ambition as this is the only way they can safeguard their futures. This could be done on their own or in conjunction with local authorities, higher education institutions or property developers. However, the majority of these approaches still need access upfront to some form of capital investment or mortgage finance.

Given a focus on development and financing, Creative United has outlined three types of workspace provider structured by their stage in studio development – **emerging** studio collectives, during a **stabilisation** period for those creative workspaces that have an initial space and have been going for a year or two, and programmes designed for **established** studio developers.

The stages account for the differing skills needs as well as the creditworthiness of the studios at each stage but also ensure that there is a clearly defined path for studios to follow as they develop:

- **Emergent**: Many smaller emerging organisations are looking for support and signposting to opportunities which will allow them to set up in new spaces and become capable of accessing funds and protecting their own buildings. They are looking for access to skills, new partnerships, guidance and initial funding to help them maximise opportunities quickly as they arise;

- **Stabilisation**: Midscale providers are seeking skills, knowledge and the ability to strengthen business and financial models to enable growth. This predominantly involves finding the right company structure, defining aims and accessing funding to help stabilise and lay solid foundations for their futures.

- **Established**: Often larger providers predominantly looking for ‘fast access to cheap capital’ to enable them to compete with commercial developers when buying property, alongside undertaking high level partnerships and influencing public policy to ensure the right growth environment.

Each ‘stage model’ is developed below. The models demonstrate ways to enable providers to access both the finance and skills needed quickly (to enable them to compete in the market for key properties) and at an affordable rate (to enable them to keep the cost of rental as low as possible).

This process attempts to address the perceived levels of risk (and low ROI) associated with creative workspace’s organisational models - which remain a major issue for investors/ lenders and prevents many studio developers from attracting funding through a straightforward mortgage / loans model.

4.2.1 Emergent

At this stage what is needed is a programme which supports emerging providers to:

4.2.1.1 Organisational

- Identify partners and spaces which allow access to free/ low cost spaces – such as spare space in developments, historic/ heritage spaces, etc. This would require partnership with a sector specialist and to produce a registry of available space;

- Use of pop-up and temporary space is useful in allowing the development of knowledge and experience – this is often available through partnership with developers, local authorities and private landlords;

- Develop business management skills and identify future business models and legal structures;
Liaise with existing property landlords and provide pro-forma documents to enable set up and rental;

Understand the legal and commercial ramifications of borrowing against property (mortgage finance) and running a commercial letting business – this would include financial modelling of rental yields, repair costs and overheads (rentals/mortgage costs) to plan for future development; and,

Develop skills and knowledge to enable the organisation to source and let property out to third parties to generate income.

4.2.1.2  Financial

- Identify grant funds to refurbish property;
- Identify existing funds which may support establishment; and,
- Identify opportunities to develop small pots of cash from alternative finance such as crowdfunding.

4.2.1.3  Potential sources of funding for emerging collectives

- **Public Works Loan Board** – The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. This method is only accessible through close partnership with local authority funders, but allows low cost borrowing to enable capital development.

  High House Production Park (HHPP) were able to access funding via the local authority to create studio space in partnership with ACME (see case study in Box 7: Working with Local Authorities outside London).

- **Crowdfunding** – Spacehive\(^{22}\) is an example of a website that uses a bespoke crowdfunding platform to help communities transform their local public spaces. They enable people to attract support for projects that make places distinctive, lively and loved by providing tools that help people to develop their project ideas, get noticed by crowds of people, companies, councils, and the media, and attract funding to make great projects happen. They are currently working on a funded programme with the GLA to regenerate High Streets, but the potential exists to create a studio specific portal that could support small scale fundraising campaigns for the studio sector.

- **Angel Investors** - are affluent individuals who provide capital for a business start-up, usually in exchange for convertible debt or ownership equity. Often found through agencies such as Clearly So\(^{23}\), investment is driven by an individual’s passion for the studio’s ambition or ethos alongside the knowledge of future returns on that investment. A small but increasing number of angel investors invest online through equity crowdfunding or organize themselves into angel groups or angel networks to share research and pool their investment capital, as well as to provide advice to their portfolio companies.

4.2.2  Stabilisation

At this stage what is needed is a programme which supports stabilising providers to:

4.2.2.1  Organisational

Creative workspaces that have been running for two to three years have a different set of issues to contend with. At this stage creative workspaces are:

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\(^{22}\) [www.spacehive.com](http://www.spacehive.com)

\(^{23}\) [www.clearlyso.com/services/businesses/](http://www.clearlyso.com/services/businesses/)
Developing a sense of their future legal set-ups;
Developing their key long term objectives;
Deciding on their potential future relationships; and,
Developing the skills needed to manage a growing business.

4.2.2.2 Financial

It is at this stage where particular difficulties arise as temporary property is no longer available, short-term leases are expiring and small pots of funding are no longer large enough to fund growth ambitions at the time when there is a need for larger and more permanent space.

4.2.2.3 Potential sources of funding for providers undergoing stabilisation:

- **London Regeneration Fund**: recently developed by the GLA it provides capital grant funding for 50% of total project value. The emphasis is on partnership working with other commercial organisation or local authorities. European funding (ERDF) can be used as match

- **Arts Council Capital Funding**: prioritises the consolidation and improvement of the existing arts infrastructure, with 65 – 86% of funding expected to be committed outside London. It is expected that funding will be secured from other sources as well with funding ranges set at: Small capital: £100,000 and £499,999; Large Capital: £500K - £5 million.

Both of these schemes are in high demand, with limited resource, despite the requirement for match funding.

For many creative workspaces – particularly in London where costs of property are especially high – the need to source (large amounts of) match funding is a substantial barrier. This is compounded by the stage in their development implying that significant reserves do not exist.

- **Impact Investment**: A growing number of ‘impact investors’ – who seek a blend of economic and social returns - are viewing creative workspaces as potential investment opportunities of some scale. This is particularly the case if they have social/ community development at the heart of their programme. Impact investing refers to investments "made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return”.

One investor in this arena is Clearly So which is seeking UK registered organisations with strong business models able to identify market opportunities to scale their social and / or environmental impact. Boards are expected to be highly active and committed supporting business teams with the relevant expertise, including the ability to demonstrate and report impact alongside financial reporting.

Currently, the associated capital raising requirements of Clearly So mean that the business must:
- be seeking investment capital of between £150k and £1.5m;
- have clarity on how funds will be used to scale the business operations; and,
- have established a timeframe for fundraising of no less than 3 months

The development of the Green Rooms exemplifies this approach (see The Mill Co. Project case study in Box 1).
Studios need support and business and legal skills however to be able to navigate this complex set of arrangements and many do not have the human resource.

4.2.3 Established
At this stage what is needed is a programme which supports stabilising providers to grow and build the required space, responding to increasing demand.

4.2.3.1 Financial
Studio providers can in principle already access a range of commercial loans and mortgages, but only established providers report that they are in a position to negotiate mortgages and loans to purchase property – but not without difficulty in getting approval. The time taken to negotiate terms is a key issue when the competition in strong property markets is likely to include cash-rich developers – deals are often lost.

The costs associated with repayments also remain a major barrier.

4.2.3.2 Potential sources of funding for established providers
A selection of current examples of lenders terms are detailed below:

<table>
<thead>
<tr>
<th></th>
<th>Ethical Bank A</th>
<th>Social Bank B</th>
<th>Cooparative Building Society C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan %</td>
<td>70% loan value</td>
<td>70% loan value</td>
<td>70% loan value</td>
</tr>
<tr>
<td>Loan value</td>
<td>£100,000- £1.5 million</td>
<td>£100,000 - £2.5 million</td>
<td>£250,000 - £4 million</td>
</tr>
<tr>
<td>Term Length</td>
<td>Up to 25 years</td>
<td>Up to 25 years</td>
<td>Up to 10 years</td>
</tr>
<tr>
<td>Rate</td>
<td>Base + 6%</td>
<td>Base + 2.5 – 5%</td>
<td>Base + 3- 9.5%</td>
</tr>
<tr>
<td>Fees</td>
<td>1% – 1.5%</td>
<td>1%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

A significant requirement is the need for a substantial deposit. Charity Bank and Unity Trust have arrangements with social lenders which in tandem provide 100% finance.

- **The Arts Impact Fund** is one such social lender. A key calculation is to ensure that the combined interest rates for each funder are achievable on the incomes generated by studio providers, who themselves still need to keep the cost of studio rental affordable for clients.

  The Arts Impact Fund offers repayable finance to arts organisations working in England that can show how they are sustainable, have great artistic ambitions and have a positive impact on society. Amounts range between £150,000 and £600,000, over a 3-5 years’ term, currently at 4-7 % per annum. Lending is unsecured and provides potential match funding for mortgages.

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24 The referenced lenders and commercial rates are provided for informational purposes only and do not reflect past or present commercial rates applicable to this Product/ financing of artists’ collectives Studio buildings. Correct as of January 2016
4.2.3.3 Building restoration

Given the key aim of property acquisition for established providers, the range of funds geared towards refurbishment and environmental concerns are of relevance given the impact of environmental legislation.

A resource for funding to undertake environmental refurbishments has been established by Julie’s bicycle [www.juliesbicycle.com/funding-watch](http://www.juliesbicycle.com/funding-watch).

Examples of current funds include:

- **HLF Heritage Enterprise Funding**: Funding to repair costs of historic properties with grants of £100,000 to £5 million. Applications for grants through the Heritage Enterprise programme are considered solely on the basis of the conservation deficit and not on the applicant’s inability to fund a commercially viable scheme.

- **The Architectural Heritage Fund**: gives advice, grants and loans to help you find new sustainable uses for the historic buildings in communities.

4.3 Financing creative workspaces: some potential examples

Roundtable, case study and interview activities generated interest in a number of potential models that might support financing of creative workspaces.

The Community Arts Stablization Trust (CAST) (see Box 1) was developed in San Francisco and is an international example of an interagency programme to sustain and develop stability in the provision of creative workspaces.

**BOX 3 San Francisco’s Community Arts Stabilization Trust (CAST)**

CAST is an international example of interagency support for studio development. The Community Arts Stabilization Trust (CAST) collaborates with local government agencies, businesses, civic leaders, funders and artists to celebrate, promote and preserve artistic and cultural traditions and innovations. It purchases and leases space for the exclusive use of non-profit arts organisations.

Launched in 2013 with an extraordinary gift of $5 million in seed funding from the Kenneth Rainin Foundation it is funded by a consortium of private and public organisations.

**CAST aims to:**

- stabilise rent for non-profit arts organisations by freezing real estate prices in an escalating market;
- increase the financial acumen of cultural organisations;
- use new market tax credits to bring new capital to arts facility projects;
- involve multiple partners in San Francisco, including the San Francisco Mayor’s Office of Economic and Workforce Development; and,
- assist arts organisations with their capitalisation by helping them gain a permanent asset without risking their operations and programmes.

**How it works**

- CAST acquires the property which is held in trust and leased to non-profit arts organisation on a “lease-to-own” basis;
- The expectation is that the arts organisation will take 7-10 years to assume full ownership of the property; and,
- Buildings are secured at market rate; the asset transfers to the arts non-profit over time.
CAST has a very aggressive fundraising goal - $30 million by 2018; they are more than halfway there. Investors benefit from tax credits equal to 39% of the investment paid out over 7 years (5% in each of the first three years, then 6% in the final four years).

4.3.1 A ‘Stabilisation Trust Fund’ for UK creative workspace provision

Creative United used CAST’s model as the starting point to commission a Briefing Paper which works towards similar ambitions as CAST but recognises that the demand for funding in the UK, and particularly in London, is much greater, with property costs much higher.

We commissioned Prime Advocates to develop an approach which combines the development of emerging studios with access to funds for both studios looking to stabilise their business models and established creative workspace providers to quickly access funds at affordable rates.

The full Briefing Paper is provided in Appendix 2.

The proposal outlines the use of an incubation model, and develops both a shared ownership model and a deposit fund approach which are aimed to support creative workspaces during their stabilisation process and those who are established. To enable these to happen a funding pot would be developed and managed by a trust, supported through a multi-agency donor approach.

One potential is for the Trust to partner with an existing creative workspace provider to support the skills and expertise development programme.

4.3.2 A Peer-to-Peer funding approach for UK creative workspace provision

A Briefing Paper was commissioned in to possible peer-to-peer lending schemes which could both generate incomes for the creative workspace sector but also enable an investment pot for investors – targeting artists and creatives to enable the creation of future pensions and returns on earnings.

As a sector lead initiative based on an existing model currently used to support the building of environmentally sustainable properties, this could not only create a small pot to support sectoral growth and development but also provide a repository for artist pension development – a facility much needed in the sector.

The full Briefing Paper is provided in Appendix 2.

It is also possible to combine the two approaches, with the peer-to-peer lending pot feeding the trust fund, or for them to fund different parts of the incubation process.

4.3.3 Summary

Almost all contacted workspace providers wanted greater financial stakes in and control of the businesses, communities and spaces they were developing.

In attaining such a position, the development and finance needs of providers can be structured around development stages. Each stage illustrates specific organisational and finance needs.

There exist successful international examples of funding support for creative workspace provision – such as CAST - and new and innovative potential schemes have been set out above.

Their feasibility in the UK context are yet to be studied and tested to determine new solutions to overcome the development and finance barriers to creative workspace provision.
5 Partnership models for the provision of creative workspaces

As across all sectors of the economy where substantial funding sources include the public sector, public sector cuts are driving (or forcing) innovative responses, new hybrid funding models and increased levels of collaboration and partnership. Increasing devolution of responsibilities and funding is adding further to the dynamic of partnership. Within this section, we look at the opportunities and challenges of working in partnership with stakeholders operating in other sectors.

5.1 Key findings

- In the ‘age of austerity’, there is a new era of partnership: the range of economic, social and cultural outcomes offered by creative workspace development opens up many new and potential partnership opportunities
- Such partnership implies recognition of distinct organisational missions and, crucially, certain shared objectives
- There is a need for additional support in business and legal skills to back studios and providers in these development relationships, especially where co-investment potential exists
- In the current climate, higher education institutions (HEIs) are increasingly becoming ‘the’ anchor institutions and drivers of development in cities and localities. Successful partnerships models exist – driven by the specific missions of individual HEIs
- HEIs are seeking support in understanding and development of ‘the business case’ for creative workspaces, and subsequent support in developing and implementing proposals given existing good practice
  - Developers are not a uniform group – and providers should recognise this:
  - For commercial property developers (particularly in London) charged with maximising shareholder returns any major response to the issues facing creative workspaces would require substantial financial/ legal/policy intervention - small, incremental changes will not suffice
  - In contrast, development potential has been demonstrated with developers with broader sets of shareholders and stakeholders; for example, third sector provision and affordable housing schemes
  - Succinct and robust impact evidence needs to be produced to support developers in demonstrating the financial (and broader) value of studio and workspace provision in new development schemes
- Local Authorities offer as strong as set of partnership opportunities as ever given the potential of creative workspace development to contribute to economic development, community wellbeing and place making. Providers should engage actively at the local and neighbourhood level, especially in statutory processes
- At a range of scales there exist a number of potential policies and instruments that can be utilised in the LA realm in support of creative workspace provision – from strategies and plan making to planning legislation and gain, financial incentives and asset transfer
- Nevertheless, awareness, evidence and knowledge across the LA sector of creative workspace provision – as an opportunity and solution - remains highly variable: there remains a clear need ‘to make the case’

5.2 Creative workspaces and the Higher Education sector

There are a number of examples and approaches that demonstrate how higher education has engaged in creative workspace provision and support of the artistic community. This has taken place across the country alongside the particular interest
of London based colleges and universities (generally reflecting their particular historical specialisation within arts and culture education and training).

The engagement of higher education in provision has to be set in the general context of higher education (changing funding regimes and tuition fees, student experience, enterprise and innovation, impact, etc.) and how these drivers are interpreted within the guiding philosophies and particular strategies of what are independent organisations. In effect, as comparatively well-funded major anchor institutions in society and the economy, and most often located in cities, they have the potential to provide strong partnerships for the provision of studio space – if they choose or are persuaded to do so.

In consideration of such a choice, one argument was that, in a digital world, higher education institutions (HEIs) and their students depend less on physical space because they can link up online and do not have to be in the same geographical locations. Similarly, some also saw provision of local, physical space becoming less important as higher education grows increasingly international and integrated with other aspects of life and work. Such a suggested trend merely added to the need to justify any allocation of physical space given strong financial pressures on its use, and widespread issues of meeting teaching space requirements given continued growth in, and expectations of, fee paying students.

For some HEIs it was suggested that providing physical space to support the development of projects and businesses from an HEI setting (incubation) would only be practicable for digital creative businesses or the preference would be for online/virtual incubation.

5.2.1 Some examples

**BOX 4 Banks Mill Case Study**

Banks Mill studios sits within Derby University's incubation and business support offer. The university bought the former mill in the 1990s and Banks Mill opened as a studio space in 1999. With a focus on "dirty" workspace for visual artists and makers, the facility provides 38 low-cost studios ranging from 65 sqft to 315 sqft.

Laura Williams joined as studio manager in 2004 and reports that demand for use has continually been high, with a waiting list for occupancies, demonstrating that studio development meets a need in the city. A baseline business support offer is available and the maximum stay is six years. Alongside this is an offer for new graduates to take up short-term workspace for test trading and development, reviewed after one year.

Organisationally, Banks Mill is part of the university's Business Services Department, under the direction of the Head of Commercial Business Engagement. Adding to the current team of engagement officers, this year (2016) the university is to recruit a creative industry sector specialist to engage with local business.

Financially, the university owns the property, the estate now covers long-term maintenance and no rent is paid. The rental income covers some staffing costs with the remainder covered centrally by the university. Additional ERDF funding has been secured over the years to augment the business support offer.

Where space has been allocated for postgraduate studios, such as Banks Mill, a challenge going forward will be maintaining the buy-in of senior management against the need to attract new students as the university expands.
HEI priorities tend towards income generation, brand development and student recruitment. There is therefore a need to balance delivering a high-quality student experience against dedicating resources to post-graduation services – such as access to studio space. Graham Ellard, Professor of Art, Central Saint Martins (CSM), noted that in London it was unfeasible to create many opportunities for graduates without significant financial support from external partners and, clearly, the issue of graduate retention was substantially different in nature to many other city and regional economies.

In Southampton, the University’s relationship with A-Space is using the studio’s success to demonstrate employability and career prospects for graduates (both to regulatory authorities and to potential future students).

At Goldsmiths, University of London, the focus is very much on the student experience, the way in which the art degrees work, responding to industry needs and supporting collaborative research. There are pockets of incubation, but most have an academic research focus and there are no formal incubation programmes for postgraduates that focus solely on business start-ups. Enterprise Manager Aidan Sheridan explained that Goldsmith’s’ approach is collaborative, open and focused on fostering a ‘community of practice’ underpinned by values such as autonomy; so the decision not to provide studio space is as much cultural as economic. He explained that affordable studio space alone would not be enough to affect graduate retention in London. He said: “The graduate community is well connected, but they will leave anyway due to the high living costs.” This reflects indications referred to earlier in this report that London has already lost a generation of artists.

**BOX 5 Working in partnership with higher education**

Successful models of partnerships between studio providers and HEIs include the collaboration between Central Saint Martins (CSM) and Acme Studios. This began in 2008 as a knowledge transfer partnership (KTP) between the Art Programme at CSM and Acme, with the aim of exploring the form, function and future of the artist studio.

Originally funded by Innovate UK (formerly the Technology Strategy Board) and the Arts and Humanities Research Council (AHRC), with additional support from ACE, the partnership continues.

As well as being instrumental in informing the brief for High House Artists’ Studios (see Box 8), the KTP and ongoing partnership has led to the development of the Associate Studio Programme. Acme’s team was interested in how the provider might broaden its user appeal in the light of changing artistic practice. Records also showed most Acme tenants had been trading for at least eight years, which posed the question: where were the recent graduates and how might partnership with CSM resolve this absence?

The Associate Studio Programme provides CSM graduates with access to studio space at half the usual Acme rate for a period of two years. The reduction in fee income is the same as the projected cost of partitioning the space into individual studios, so it works financially for Acme.

Working with an experienced provider enables CSM to make progress in the development and planning process. CSM provides a pre-defined group of tenants who have already signed up to the partnership’s values and commitment. CSM’s Graham Ellard said the partnership “also serves as a recruitment tool because we have identified a problem, we care and have done something about it”. Most important, the model is sustainable in that it

25A community of practice is a group of people who share a craft and/or a profession. The concept was first proposed by cognitive anthropologists Jean Lave and Elienne Wenger in 1991.
5.2.2 Identified needs

In the course of our conversations, a number of identified needs for the development of higher education partnerships with the creative workspaces sector were noted. These principally entailed supporting their understanding and development of ‘the business case’ for creative workspaces and subsequent support in developing and implementing any proposals given existing good practice, in particular:

- HEI-based studio facilities need support to measure and monitor their impact, and to produce data to make the case for provision internally;
- There is a need for HEIs to get access to best practice in terms of lease agreements, etc.;
- Network development across HEI facilities would aid their growth and development alongside the sharing of knowledge; and,
- There is a need to consider funding to support the development of schemes across London HEIs.

5.3 Creative workspaces and property developers

Discussions with property developers revealed important differences between their respective business objectives and key performance indicators (KPIs). They are not a uniform group and dependent on objectives and location and objectives this influenced how property developers worked with providers and the type of relationships that emerged in the process of planning joint programmes. For entirely commercial developers the focus is on quick project turnarounds and maximising profits. For developers on projects that include elements such as affordable housing, preserving historic buildings or accommodating the interests of incumbent business communities, priorities could include building or conserving community identity and a much stronger sense of place development.

Feedback from commercial property developers indicated that for them to consider responding seriously to the issues facing creative workspaces it would require financial incentives, economic impact evidence and accompanying policy from key decision-makers and legislative/executive bodies such as national and local government. Small, incremental changes will not suffice. This strongly relates to the responsibilities of commercial developers to maximise shareholder returns and this potential conflict with the creative, cultural and social aims of creative workspace providers. Without a significant evidence base, new legislation or establishing new incentives to promote creative workspace provision, commercial developers that tried to accommodate such space in their projects argued they would lose out to developers that excluded creative workspaces in favour of more profitable allocation, such as upmarket residential or retail space.

Changes to promote desired workspace developments would entail financial/legal/policy intervention and could include new financial mechanisms – such as preferential financing for creative workspace providers to allow them to become equal stakeholders or tax incentives for developers. New planning regulations could allow local authorities to ensure the provision of creative workspaces/cultural use is included in submissions for planning permission.

In the area of planning regulation, to generate revenue while meeting planning requirements for provision of space for shops and non-retail businesses, one approach that developers currently use is to build residential accommodation and
sell ground floors to consortia, often investment or pension funds. To generate income, the consortia install high-street retail units supplying well-known brands of goods and services that also attract aspirational consumers. This approach meets basic planning requirements imposed by local authorities but there is much more that could be done to support both studio and other cultural development. Both developers and local authorities are beginning to see the benefits of culturally led place-making, responding to the needs of existing and future communities. At the heart of this is stepping away from the identikit development approach and devising bespoke, curated approaches to use of space. In this regard, the development of partnerships between developers and smaller studio providers could help to achieve projects with vibrant and productive balances of creative, entertainment, retail and cultural space and strong community identities; and providers of spaces for artists and other creatives could be much more active in promoting and informing the agenda for such opportunities.

A further approach could be to develop new building category definitions for studios and workspaces. As discussed in Section 2, the demand for such space is increasing significantly, yet it is not protected under current building regulations. A longer-term approach could be to lobby for recognition of a separate protected building class for this type of space, which would allow a more targeted approach by both developers and local authorities. This has been mooted in the establishment of enterprise zones, where space would be ring-fenced for particular industries and allotted certain benefits as a result.

However, ultimately, to make a convincing financial case for the value that creative workspaces can add to property developments, providers must first gather quantified information showing correlations between the presence of creative spaces, and increases in property prices and demand in specific areas. For now, it was noted in interviews that information supporting the value of creative workspaces is unquantified, based on relatively unstructured observation and largely anecdotal. There was a strong call from the developer sector for short and succinct evidence to allow them to make the case strongly to their investors.

5.3.1 Some examples

The following provides some examples of the range of partnership schemes with developers.

**BOX 6 Working in partnership with developers**

**Collaborations with smaller providers**

Examples of direct partnerships exist between developers and smaller cultural/creative providers. In one project, up to the start of development works, the developer gave space to 14 start-up companies that occupied the space before redevelopment began. This approach qualified for rate relief for the developer and benefited the local authority by enabling the use of space that was otherwise temporarily inactive. It also allowed the developer to invest the rate relief in supporting the start-up costs of the occupying creative organisations. When the building programme began, several of the supported organisations were offered space and the chance to grow in the new development, as well as input into its design.

In another example, where the area had strong links with the music industry, key small creative partners included recording studios, as well as bars and restaurants with rehearsal and recording space. The outlook was that these small enterprises helped to generate an ambience that would appeal to an important prospective tenant (in this case a large music company). Here networking and growth opportunities were generated through the clustering of different but interrelated businesses open to collaboration and partnership.
Larger collaborations with major studio providers

In its Fish Island development in Hackney Wick, Peabody is working with a major studio and workspace provider to develop a joint initiative to create workspace and housing in a mixed scheme. They have seen this as a way of retaining character and a sense of place in a development which was also driven by local authority planning laws which were designed to protect the creative industries in this area. Peabody have agreed favourable terms for rental (gradually rising over 15 years) and funded internal works (fit-out) on the new properties. Usually commercial tenancies exclude fit-out costs, representing substantial outlays for tenants. On this scheme the developer is covering glazing and significant internal work, considerably reducing start-up costs for each business. These costs have been accounted for in the business modelling (included in rental costs spread out over the rental period) with a forecast to move into profit within the 16-year lease. Fish Island offers a vision of how commerce, community and creativity could cooperate to mutual benefit.

An important issue in the Fish Island development is housing and the classification of ‘key worker’ and whether, in this instance, artists would also be able to access subsidised residential space as well as workspace. As identified earlier, living costs are a key factor in supporting artists and their communities in major cities (and especially London). Long term, both elements are needed to enable artists to continue working in the city – and this project could demonstrate how that could be achieved.

Similar mixed use schemes have been brought forward by other large studio providers such as Acme, Bow Arts Trust and Space studios – though, inevitably, each have their own set of bespoke requirements and financial deals. What was emphasised by these experienced providers was the need to enter into relationships with an open mind, including removing pre-conceptions of how a developer may think or act (against your own interests).

Outside of the studio sector

Across other art sectors, working with property developers has also been the focus of development programmes. The Theatre’s Trust conference last year outlined the models and projects where theatres have gained from using this approach and the lessons learnt (see Theatres Trust (2015) Valuing Theatres Conference 15 Report).

5.3.2 Identified needs

During our conversations, a number of identified needs for the development of developer partnerships with the creative workspaces sector were noted. These recognise that developers are open to partnership but that any such partnerships will be framed by the economic context, market drivers and determinants, and developer objectives. In particular:

- Real change in the sector requires both financial incentives and accompanying policy from key decision-makers and legislative/executive bodies such as national and local government. Coordination of key parties will be required to ensure high level conversations that could support this ambition;
- Bespoke economic impact evidence needs to be produced to support developers in demonstrating the financial value of studio and workspace provision in new development schemes;
- Consideration needs to be given to the development of new building category definitions for studios and workspaces;
- Models to support preferential financing for studio providers would allow them to become equal stakeholders in developments;
Programmes supporting the creation of affordable housing and third sector property developers provide interesting models that could be adapted to support the studio sector if activity is coordinated; Studios should enter relationships with developers with an open mind and remove pre-conceptions of how a developer may think or act against their own interests; and, That said, there is a need for additional support in business and legal skills to support studios in these relationships.

5.4 Creative workspaces and Local Authorities

For many Local Authorities (LA) tasked with the responsibilities of economic development, community wellbeing and place making, creative workspace provision and artistic communities have been identified as an attractive potential solution. On a range of scales there exist also a number of potential policies and instruments that can be utilised in support of creative workspace provision. Nevertheless, as with the other potential partnership groups already discussed, the context for LA activity and their strategic objectives need to be recognised and understood.

For LAs, as planning authorities and place makers, the long term principle of sustainable development embedded in the National Planning Policy Framework (NPPF) remains, including “cultural wellbeing” as a core principle, and which can be seen as supportive of such possibilities as the creation / preservation of studio space. Furthermore, the broader drivers of devolution and decentralisation, and specific attempts to create greater flexibility in the planning system towards development, suggest greater local opportunities for action.

Against this must be set often long-run opposition to ‘development’ (often shorthanded as ‘Nimbyism’) or, at the very least, competing perspectives as to what is the right form of neighbourhood development. Furthermore, given continued, sustained and substantial reductions in local authority budgets, authorities are under intense pressure to find new ways to generate revenues from assets and services, including the realisation of the (full) value of assets.

The examples set out further below do, however, give an understanding of what is possible – and in some cases these are well understood instruments. Community Interest Levy / Section 106 funding remain a key opportunity well understood by developers and LAs alike, whilst compulsory purchase orders (particularly used when looking at re-animating high streets) are increasing. So, too, is the sale of council owned property assets bringing new buildings to market. Whilst the need for realisation of full commercial market value has sharpened, further new provisions and schemes around community benefit, social value, asset locking and so on do provide some frameworks for wider interpretation of value and mixed schemes supporting a range of development objectives. Another example here would be on-going decisions around the definition of key workers when developing new housing schemes to ensure cities are affordable to live in as well as work in.

What was stressed, however, is that sitting behind these possibilities and mechanisms for studio development there needs to be within the LA some ambition for, and understanding of, arts and creative workspaces development, possibly articulated in some form of cultural strategy which can act to support internal and external multi-department and agency working. In particular, this has been demonstrated at times in London where the possibility to integrate culture in planning and regeneration around large development sites has been realised such as in Hackney Wick’s Fish Island and Olympic Legacy development - and useful
Insight and lessons learnt drawn together in documents such as The Mayor of London's A-Z of Planning Culture. Immediate issues with previous supportive mechanisms were also raised. Business rate relief models for developers used to allow cheap temporary occupancy of buildings during the process of refurbishment, so offering artists affordable spaces before development works began. Charitable status also backed this up – reducing costs to 80% of commercial rates for the period of occupation by the arts organisations. Changes to business rate calculations and the future transference of responsibility to local authorities are making temporary occupancy and the building of new spaces much more difficult by charging business rates from the moment of purchase rather than the moment building work is complete and the property is occupied. Further, a new definition of “repair” disallows temporary occupancy, instead requiring the building to be “uninhabitable” for it not to incur rates. This is proving most problematic for the ‘pop up and meanwhile space’ sector, which though not the focus of this study often acts as the pipeline for future studio and arts collectives.

In another instance, the opportunities of ‘loosening’ planning controls are double-edged, development rights present difficulties for authorities in preventing private landlords from changing the use of buildings such as artists’ studios or workspaces to residential housing. However, through Article 4 Directions of the Town and Country Planning Act, authorities can control building use subject to government review, and which does provide an avenue for safeguarding established studio spaces.

5.4.1 Some examples

The following Boxes provides some examples of the substantial range of partnership schemes that have been developed working in partnership with Local Authorities.

**BOX 7 Working in partnership with Local Authorities in London**

Section 106: provision to meet planning conditions – Southwark/ Hackney

 Authorities have various opportunities to integrate culture in local planning frameworks, one being Section 106 funding. The Galleria in Peckham represents the first affordable studio building secured in this way. Southwark Council worked with partners Acme and the developer Barratt Homes to realise the project, partly funded by an ACE capital grant.

Matchmakers Wharf, near Hackney Wick in London, is an example of how Hackney Council’s commitment to work with developers secured capital for the project. Here, Section 106 ensured provision for affordable studio space. The result is 49 purpose-built artists’ studios. This provision was designed according to specification by Acme, which continues to manage the studios.

Developers stated a keenness to use Section 106 funds for the development of studios, as they also recognised the impact of their investment both on community creation and on the increased value of the associated commercial or residential property.

Building provision into an individual planning policy – Wandsworth/ Kent County Council

Wandsworth Council has used the development at Nine Elms to introduce culture throughout the borough’s planning policy. Following the adoption of an opportunity area planning framework (OAPF) for the development, the council revised its supplementary planning documents for Planning Obligations to require any scheme over 100 units or

26 www.london.gov.uk/sites/default/files/an_a-z_of_planning_and_culture.pdf
10,000 square metres to provide a cultural action plan, agreed with Wandsworth’s Arts and Planning teams. Susie Gray, Arts Partnerships Manager at Wandsworth, explained that while this represented a significant achievement, the team often lacked the expertise to assess action plans effectively in relation to artist studio and workspace provision, and would benefit from consulting with experienced studio providers.

**Barking and Dagenham**

In 2015 Barking and Dagenham Council announced the formation of a Growth Commission – an independent panel of experts to help the authority address the challenges of austerity and generate growth across the borough. The Commission includes representatives from the cultural and creative community to ensure provision of workspace, among other things, remains on the agenda.

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**BOX 8 Working in partnership with Local Authorities outside London**

**Building provision into an individual planning policy – Kent County Council**

By including “We will grow Kent’s creative economy by being welcoming and cooperative hosts to the creative workforce” as the first intention of Kent County Council’s cultural strategy, Kent have created an environment which has allowed them to invest in a host of supportive programmes to enable the preservation and creation of studio spaces. By investing in MACH (Margate Arts Culture Heritage alongside ACE and English Heritage) which identified empty heritage properties and brought them back in to cultural use, commissioning reports on current provision, needs and the location of sector clusters and investigating ways in which they can transfer their property assets to the cultural sector in lieu of funding they have used the strategy to create the best environment in which the creative workspace sector can grow and flourish. All with the prime objective of developing “fit for purpose workspaces to attract and retain our creative workforce”.  

**Provision as part of a “cultural quarter” – Leicester case study**

Another model that local authorities have taken is studio and workspace provision within a wider cultural-quarter scheme. In 2001, Leicester City Council (LCC) created a designated cultural quarter in the city and embarked on an ambitious regeneration programme, launched with culturally led capital developments initiated by LCC. In 2004 the LCB Depot opened – a workspace for the cultural and creative industries. The refurbished former bus depot catered for both start-ups and more established creative businesses, as well as providing a gallery and café space. LCB Depot reached break even within 18 months at 80% occupation, and has been full ever since. It is owned by LCC and sits within the wider cultural quarter, which now includes three centres (LCB Depot, Phoenix Square Workspace and Makers Yard), housing 150 creative businesses.

Public funding fully financed each of the buildings. Over the years, finance has come from LCC, the Regional Development Agency (when it existed), the Arts Council and European Regional Development Fund (ERDF). Additional LCC and ERDF funds have underwritten the early revenue deficit, and support elements of the business development programmes. Now, trading (rental income for studio space, events hire and café space licensing) generates all income.

LCC has approached provision of space from both the demand perspective – which remains buoyant – and the supply side. Peter Chandler, LCC’s Creative Workspace Development Manager, has encouraged landlords to make further buildings available for creative and cultural uses. He said: “The wheels need oiling a little to incentivise landlords to bring property to the market for creative workspace use.”
New models of support being developed, that involve the local authority acting in an enabling role include:

- **The Carron Building**: LCC helped the local owner develop the design brief to refurbish this property for creative workspace, providing advice on briefs, procurement support and project management, and offering a small development grant to part-fund project development and architectural fees.

- **Echo Factory**: LCC worked with the owner of an empty building and a specialist developer to develop a music education centre for Echo Factory. The Council offered to part-fund refurbishment costs, with the scheme developed and managed by the private sector. This represented no risk to LCC (no head lease) but resulted in bringing an empty building back into productive use for the creative sector.

- **Leicester Print Workshop (LPW)**: has just opened a new facility in the cultural quarter, having relocated from a residential area in the city. Now an NPO, LCC sold the freehold on one of the buildings to LPW for £1 on condition that the group would raise the capital to complete the refurbishment. The arrangement has proved successful and the building has now opened. The new space will offer printmaking facilities, studios and public access space for workshops and exhibitions. A more detailed case study can be found here – http://www.artscouncil.org.uk/news/arts-council-news/leicester-print-workshop-launch-new-flagship-artis/

Leicester’s Cultural Quarter has also benefitted from the commitment of the city’s elected City Mayor Peter Soulsby and further financial incentives for private sector investors and businesses, including a discretionary business rates scheme and a new investment loan fund. The city is also looking to build on its proximity to London: with travel by train between the two cities only taking one hour, LCC views the displacement of artists and other freelance creative individuals from the capital as an opportunity.

**A less-formal approach: Hereford County Council**

In comparison with cities that have managed to prioritise culture and the development of creative space through cultural strategies, smaller towns and cities have to rely on council officers who can look across departments and schemes to identify possible approaches. But even if there is no overall local authority strategy there are still opportunities for determined studio providers. Though Hereford County Council has no formal cultural strategy, there were clear ways the council could help, from providing finance to return rundown buildings to use, to rate relief for a limited period and negotiation opportunities with private landlords. If the provider can show studio space will have a positive effect on an area, work with the local community and, within a couple of years, become a sustainable business then support is still available.

Similarly, in related sectors, the **Music Venue Trust** has had great successes in lobbying for changes in planning law and issuing guidance on how venues can register as community assets in an attempt to protect existing facilities.

**Cooperation on a larger scale: Thurrock and South East LEP**

Like local partnerships, regional partnerships can achieve results. One example of this is High House Production Park (HHPP). This charity is the result of long-term collaboration between the Royal Opera House, Creative & Cultural Skills, Acme Studios, Thurrock Council, ACE, and the departments of Business Innovation and Skills, Communities and Local Government and their agencies. Following initial developments in 2010, HHPP transferred from the public to the charitable sector in 2011 and is now led by a board of trustees and a small executive team.

Working at a local enterprise partnership (LEP) level, the approach was to gather evidence about the size of the creative economy and to identify barriers to future growth. There was a consensus that providing workspace was essential, and its development was considered as part of the wider planning policy for the South East region, rather than in terms of
infrastructure. Both the creative sector and local government agreed that workspace planning needed to happen at a LEP level. Because of the interface with London-based bodies, partners also recognised the need to consider workplace planning between London and surrounding LEPs.

Andrea Stark, chief executive of HHPP explained that it works “on the reasonable assumption that the creative sector generates benefits in a way that other sectors don’t”. Given this, affordable workspace becomes a priority.

**BOX 9 International workspace development programmes**

Internationally local authorities have taken the lead on new initiatives to create studio and workspace. The Oxford Street Creative Spaces Program in Sydney, Australia outlined key steps to bring a run-down area of the city back to life and provide space for the growing number of creatives and artists in the city. The project meets two council objectives:

1. to activate Oxford Street (contribute to the revitalisation of the area by generating street-level activity and support the diversification of the area’s business mix);
2. to provide affordable work, exhibition and office space for the creative sector (supporting incubation and collaboration opportunities for creative practitioners, entrepreneurs and start-ups).

In 2012, the city called for expressions of interest from artists and creative enterprises in taking up six-month leases, and 16 creative tenants began occupation of three (now four) retail spaces and 13 office spaces (now 14) representing a varied business mix of start-up and non-profit creative enterprises.

It was important that the creative enterprises did not compete with existing tenants in the area and that practices represented in the properties were diverse: they included design, film, transmedia, visual arts, screenwriting and digital production.

Following the initial six-month lease term, tenants were offered an additional six months, increased for a further two-year term, then there was an additional year to transition the first round of tenants out of the programme.

Another expression of interest in 2015 sought new creative tenants following the council’s approval for the programme to continue for a further three years. The expression of interest sought creative tenants for fourteen offices and six retail properties at affordable rental rates for a maximum three years, starting in 2016.

Following the expression of interest process, properties will be offered to successful applicants under a lease agreement, which includes general performance criteria applicable to all participants in the project (including, for example, adhering to minimum hours of operation as well as participation in open studio days) and KPIs that address tenants’ specific projects.

**Financial and business model – set up and continuation**

The Oxford Street Creative Spaces Program model complements the support provided by the city through other subsidised accommodation programmes.

An independent, external, expert valuer determines market rental property valuations, as is standard practice for property valuations across all the city-owned properties. Annual rent is then determined based on the tenant categories in the above table. Each applicant is asked to select a category and provide a rationale for that selection.

**Outcomes and key areas of success**
Of the original 18 tenants in the Oxford Street Creative Spaces Program, four have successfully "graduated" from the project and three so far have moved to other properties in the city's local government area, paying full commercial rents. A number of the micro-businesses and start-ups accessing co-share spaces in the project have established companies and produced award-winning work across a variety of media.

- Since the start of the Oxford Street Creative Spaces Program in 2012, the total estimated spend by tenants is A$1,816,000 (£977,000).
- Total estimated spend by tenants in the Oxford Street Creative Spaces Program during the period January-July was reported as A$347,000 (£187,000).
- For the Oxford Street Creative Spaces Program specifically, an average of 203 people per quarter developed their businesses or delivered their programmes from the spaces, with 30% of these working 30 hours or more.
- Co-share office spaces within the Oxford Street Creative Spaces Program hosted an average of 72 micro businesses and start-ups per quarter. Of these, an average of 32 micro-businesses and start-ups (44%) had not previously worked from commercial, professional premises, demonstrating that the programmes are playing a significant role in initiating creative workers into professional practice.
- Since the Oxford Street Creative Spaces Program started in 2012, there have been 877 connections / collaborations within the local area and 1,307 in the broader community.

**Areas of development**

The Oxford Street Creative Spaces Program has recently undergone changes. Experience from the pilot period ensured consideration for the significant economic and cultural impact of the initiative to date (as part of the Oxford Street Activation Project), the development of a best-practice model for transitioning existing tenants into new spaces (city and non-city owned) – specifically regarding maximum tenure (three years), refinement of the management model for future Oxford Street creative tenancies to maximise programme success (city and participants) and scaled rental rates that provide a reasonable financial return in city-owned commercial properties.

The revised 2015 model reflects the city's continued support of the programme. The introduction of the three-year lease will provide new tenants with affordable, secure tenure enabling them to pursue the development of their creative enterprises.

**Internationally** schemes are also being developed in conjunction with property developers, accompanied by legislation from local government and financial incentives.

For example, New York City's recently announced approach is based on an affordable housing model. Working closely with developers, the city's Mayor's Office is guaranteeing the creation of 200,000 affordable living spaces and 500 workspaces by 2024. This would mean a sustained building programme creating 150 units a year for the next 10 years. The new live-work units will be built with capital funding through the city's Department of Housing Preservation and Development, along with a $3 million annual commitment from the Department of Cultural Affairs and an additional $3 million from private foundations.

Details of the scheme are currently unavailable, but the recently announced programme by the Mayor of London's Office and Outset/Create – Studiomaker – could in some way replicate these relationships.

**Artscape, Toronto: Non-profit clustering of creative individuals meeting multiple public, private and community needs**

Artscape is a non-profit urban development organisation that makes space for creativity and transforms communities. The model involves clustering creative people in real-estate projects that serve the needs of the arts and cultural community and advance multiple
public policy objectives, private development interests, community and neighbourhood aspirations and philanthropic missions.

Artscape buys and/or builds new spaces, renting out a proportion at affordable rates to artists and arts providers. Funds raised from public and private sources are leveraged to make the one-time capital investment required to open a new project’s doors to the public. http://www.torontoartscape.org/

5.4.2 Identified issues and needs

- Local Authorities:
  - Local Authorities need to ensure the creative industries are included in cultural strategies and work across departments to join up relevant policies to create an enabling framework for subsequent development of creative workspace through the planning process;
  - Lack of knowledge as to where existing studio spaces are: local authorities aren’t always aware of existing provision, what it entails, and the potential it offers;
  - Given financial pressures, the financial case needs to be strong and, currently, accompanied by evidence of job creation, evidence of contribution to business rates and demonstrate a long-term sustainable business model. It also means that in many circumstances studio providers will still need to find initial funds to refurbish or partner in a scheme;
  - Where regeneration is a priority – particularly re-invigoration of the high street, opportunities to incentivise landlords to release unused space could be used;
  - An array of regulations and controls are about to be handed to local authorities. Local authorities need support in using current planning systems to protect current provision and create new space through designation of use. This could be through the development of a sector-wide consultancy offer for local authorities to help assess cultural action plans in relation to artist studio and workspace provision, or through relationships with (the expertise of) established providers;
  - A set of standardized documents to support local authorities to work in tandem with studios and workspaces to register as community assets, create special planning areas (SPAs) and other recently used instruments would be hugely beneficial;
  - The Mayor of London’s A-Z of Planning Culture should be promoted more widely across the local authority given the learning it contains for many of the common challenges faced.

- For creative workspace providers:
  - Local authorities noted their lack of understanding regarding creative workspace provision and noted the benefit from that could be gained from consulting with providers – a clear opportunity for engagement for the sector and an opportunity to ‘insert’ the sector to inform future strategies, planning frameworks and decisions. Such instances and their subsequent benefit already exist;
  - More specifically, a key action for existing studios is to ensure they have a relationship with their LA and, potentially, that they are registered on their community asset register. This gives some protection to spaces if the
property is sold by the landlord and gives time for them to look at alternate partnerships and possible ways of purchasing or leasing the property;

– Similarly, studios should make relationships with local forums and find neighbourhood and local plans and equivalent as these bodies carry statutory force;

– Outside of London, LAs noted that they were on the constant search for developers and scheme partners; and,

– Overall, creative workspaces can provide a ‘solution’ across the range of objectives and outcomes sought by LAs – if they are aware of the solution.
6 Conclusions and Recommendations

6.1 A vulnerable sector

Creative workspaces are a core infrastructure of the vibrant and dynamic creative economy, the arts and culture ecology and the artistic communities which feed this vibrancy. Their development delivers a broad range of benefits given their combination of the creative economy, community well-being and a sense of place.

Old models of “find a space and occupy” have especially supported regeneration activity – as artistic communities have occupied under-invested sites and supported the redevelopment cycle. Yet such development cycles leave many workspaces and communities as vulnerable – on short term leases, undesignated and exposed to the broader dynamics of the property development process.

This vulnerability is hitting home, with increasing concerns about the future sustainability of creative workspace provision. Such concerns are particularly acute in London, historically the dominant location for studio development and a global player in the creative economy.

London’s loss is becoming a gain for other regions, as regional hubs such as Birmingham and Bristol compete to combine home grown talent with a new wave of creative arrivals looking to establish new places and spaces in which to live and work. Nevertheless, access to London as a gateway to innovation and markets remains a substantial requirement for artistic and commercial success – and London’s artistic brain drain is a concern in itself.

6.2 The sustainable provision of creative workspace

Many examples of existing provision exist and have been provided within this Report, with growing examples of innovative responses to current challenges.

Provider business models share a key and common mission: that space remains affordable for artists – although this often leads to limited reserves and negligible working capital. Increasingly providers are also demonstrating innovative and hybrid models, seeking to hold to mission through the exploitation of diversifying funding and income streams.

‘Pop-up’ and ‘meanwhile’ space offer short-term opportunities, profile and artistic pipeline – but are not a solution.

For emergent, newer and smaller providers, the challenges of future development, creating permanency and / or becoming more ambitious providers include a series of considerations around: activities, income generation, space costs, ownership forms and partnerships. These considerations reinforce an often constant tension within creative communities – the balance and relationship between the commercial and non-commercial.

In London, and amongst the generally larger and more established providers, the key issue is the ability to act rapidly on property opportunities in the face of usually intense competition from commercial developers and other uses. In essence, to be able to access and draw down suitable funds with speed and affordability.

Mutually beneficial examples of studio collaborations and ‘borrowed infrastructure’ are growing also, connecting artistic communities and hubs across the country and with the London gateway. Such collaborations, for example, can support high asset utilisation and access to markets and communities through temporary space opportunities (short term lets, artist hotels, studio exchange programmes, etc.).
Yet, more generally, whether in the traditional coming together of artist collectives or the opportunities of regional hubs and regeneration, providers are seeking support in finance and business skills to build asset management skills, instigate and secure opportunities and retain control of their future development ambitions, possibilities and pathways.

6.3 Developing and financing creative workspace provision

For many studio and creative workspace providers, property ownership is an important long-term ambition as this is the only way they can safeguard their futures. This could be done on their own or through co-investment in conjunction with property developers, local authorities, higher education institutions or others. These approaches offer possibilities to create long term security, financially benefit from their own positive effects on regeneration and retain stakeholder power.

However, the majority of these approaches still need access upfront to some form of capital investment or mortgage finance.

Given a focus on development and financing, Creative United has outlined three types of workspace provider structured by their stage in workspace development – emerging studio collectives, a stabilisation period for those creative workspaces that have an initial space and have been going for a year or two, and programmes designed for established developers.

The stages account for the differing skills needs as well as the creditworthiness of the providers at each stage but also ensure that there is a clearly defined path for studios to follow as they develop:

- **Emergent:** Many smaller emerging organisations are looking for support and signposting to opportunities which will allow them to set up in new spaces and become capable of accessing funds and protecting their own buildings. They are looking for access to skills, new partnerships, guidance and initial funding to help them maximise opportunities quickly as they arise;

- **Stabilisation:** Midscale providers are seeking skills, knowledge and the ability to strengthen business and financial models to enable growth. This predominantly involves finding the right company structure, defining aims and accessing funding to help stabilise and lay solid foundations for their futures.

- **Established:** Often larger providers predominantly looking for ‘fast access to cheap capital’ to enable them to compete with commercial developers when buying property, alongside undertaking high level partnerships and influencing public policy to ensure the right growth environment.

The models demonstrate pathways with the aim of enabling providers to access the finance and skills needed to compete in the market for key properties, and at an affordable rate (to enable them to keep the cost of rental as low as possible).

Such a process seeks to address a key prerequisite that prevents many providers from attracting funding through a straight forward mortgage / loans model; namely, that the perceived levels of risk (and low ROI) associated with creative workspace’s organisational models are addressed and which remain a major barrier for investors and lenders.

6.3.1 A ‘Stabilisation Trust Fund’ for UK creative workspace provision

Given the key recognition that sector sustainability is inextricably linked with funding and finance for property ownership, the Report has further investigated the potential of two new forms of finance highlighted by stakeholders through a Roundtable process.
Based on San Francisco’s Community Arts Stabilization Trust (CAST) as the starting point, the Report provides a Briefing Paper on the potential of a ‘UK stabilisation fund’.

Prime Advocates develop an approach which outlines the use of an incubation model, and develops both a shared ownership model and a deposit fund approach which are aimed to support creative workspaces during their stabilisation process and for those who are established. To enable these to happen a funding pot would be developed and managed by a trust, supported through a multi-agency donor approach.

One potential is for the trust to partner with an existing creative workspace provider to support the skills and expertise development programme.

6.3.2 A Peer-to-Peer funding approach for UK creative workspace provision

A Briefing Paper was commissioned in to possible peer-to-peer lending schemes which could both generate incomes for the creative workspace sector but also enable an investment pot for investors – targeting artists and creatives to enable the creation of future pensions and returns on earnings.

As a sector lead initiative based on an existing model currently used to support the building of environmentally sustainable properties, this could not only create a small pot to support sectoral growth and development but also provide a repository for artist pension development – a facility much needed in the sector.

In principle the approach could be combined with the stabilisation fund through, for example, the peer-to-peer lending pot feeding the trust fund, or for each to fund different parts of the incubation process.

Their feasibility in the UK context are yet to be studied and tested to determine new solutions to overcome the development and finance barriers to creative workspace provision.

6.4 Partnership pathways to sustainability

As across all sectors of the economy where substantial funding sources include the public sector, the age of austerity is driving (or forcing) innovative responses, new hybrid funding models and increased levels of collaboration and partnership.

Increasing devolution of responsibilities and funding is adding further to the dynamic of partnership.

Such partnership implies the need for recognition of distinct organisational missions but also certain shared objectives – and the range of economic, social and cultural outcomes offered by creative workspace development opens up many such new and potential partnership opportunities. However, to take advantage of such opportunities will require additional support in business and legal skills to back studios and providers in these development relationships.

The Report identifies three particular partnership groups – developers, higher education institutes (HEI) and local Authorities – and provides a number of illustrations of successful partnerships. In seeking to facilitate greater partnership:

- Higher education institutions are increasingly becoming ‘the’ anchor institutions and drivers of development in cities and localities. Successful partnerships models exist, driven by the specific missions of individual HEIs, but many noted that they are seeking support in understanding and development of ‘the business case’ for creative workspaces, and subsequent support in developing and implementing proposals given existing good practice.
For commercial property developers (particularly in London), charged with maximising shareholder returns, it was strongly stated that any major response to the issues facing creative workspaces would require substantial financial/legal/policy intervention - small, incremental changes will not suffice. In contrast, development potential has been demonstrated with developers with broader sets of shareholders and stakeholders; for example, third sector provision and affordable housing schemes. Either way, it was argued that succinct and robust impact evidence needs to be produced to support developers in demonstrating the financial (and broader) value of studio and workspace provision in new development schemes.

Local Authorities offer as strong a set of partnership opportunities as ever given the potential of creative workspace development to contribute to economic development, community wellbeing and place making. At a range of scales, there exist a number of potential policies and instruments that can be utilised in the LA realm in support of creative workspace provision – from strategies and plan making to planning legislation and gain, financial incentives and asset transfer. It was stressed that providers should be seeking strong engagement at the local level through the various routes available – from making the case for workspace development in strategy making to bringing forward proposals and actively promoting their expertise and readiness to collaborate to ensuring support through the various statutory mechanisms and ad hoc schemes.

6.5 Recommendations

Despite the economic, social and cultural value and benefits of the creative workspace and studio provider sector, recent changes in funding regimes and market developments continue to highlight the vulnerability of the sector and its long term sustainability.

These challenges are evident across the organisational breadth of the sector and various organisational ‘life stages’ (for example, emergent, stabilisation, established) and locations. The following Recommendations seek to respond to this breadth.

Recommendation 1: Re-shape and launch a ‘Creative Workspace Unit’ to build national capacity in creative workspace development

The Unit would:

- Build national and stakeholder awareness of, and engagement with, creative workspace development, including development of the evidence base for the sector, its impact and ‘business case’ – attuned to the diversity of ‘asks’ of partnership opportunities;
- Bring forward a business development programme for the sector, recognising the need to build capacity and capability around business, finance skills and organisational development. The programme might be expected to recognise a combination of both generic business development requirements and, specifically, those connected to organisational life stage, such as emergence and stabilisation;
- Create an Opportunities Team – an expert, flexible and fast moving capacity tasked with identifying opportunities, brokering partnerships and supporting the process requirements of ‘deal making’ as requested (including signposting, business case materials, standardised documentation, case studies, etc.); and,
- Act as a collaborative representative and voice for the sector in maintaining a policy and business environment enabling of creative workspace provision.

After an initial period of re-creation and launch, the expectation would be that the sector moves to support the sustainable provision of the activities of the Creative Workspace Unit.
Recommendation 2: Commission feasibility studies and pilot programmes which test innovative new forms of funding and finance for creative workspace provision

This report provides two possible examples:

- A peer-to-peer funding model: Based on a model already used by Abundance to fund environmentally sustainable capital projects, there is strong potential to test and model a similar scheme for the arts sector, which would have the added benefit of creating pension pots for artists and independent practitioners.

- A trust model: Via the creation of a bespoke fund for studios and workspaces, further studies and testing need to be undertaken with partners to look at both the constitution of a Fund and the way in which it could be used to either fund outright sales, or to leverage in other funding – in either a shared ownership or deposit advancement model.

Recommendation 3: A Review of Borrowed Infrastructure Practices

Identify and document for the sector new business model developments around studio collaboration and ‘borrowed infrastructure’. Connecting burgeoning artistic communities and hubs across the country and with the premier gateway of London, new digital and physical initiatives such as pop-ups, artist hotels, and studio exchange programmes are providing innovative more affordable channels to creative and commercial development.
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Appendix 2 Selected Potential Funding Proposal Models

Peer-to-peer funding for the provision of artists’ studios
by Douglas Thackway

Introduction
This article looks specifically at the Abundance Investment, peer-to-peer (P2P) lending model for borrowers to raise funds. The aim of the research is to address the following questions:

1. Is P2P a viable fundraising tool for the provision of affordable artist studios?
2. Could the platform’s option to turn investments into personal, financial products such as self-invested personal pensions (SIPPs) and innovative finance ISAs (IFISAs), provide artists with better financial stability?

The premise of the second point is that most artists are sole traders (self-employed). Assuming they are typical of the rest of the community of sole traders in the UK (4.5 million and growing), 82% do not have pension provision.

If both the studio funding and pension aspects are workable, it could create a virtuous circle:

- P2P requires a market or crowd of investors, and artists and other creatives could constitute a significant, self-interested part of that crowd.
- With the entry level for investment set at £5 upwards, the platform is accessible to a very wide range of investors, including many artists.
- Their collective investment will drive the development of more affordable studios, contributing to improved sustainability of art practice.
- At the same time, their investment would provide a good financial return (considerably higher than current ISAs or bank deposit accounts) with income used for additional general income or future pension provision.

Based on conversations with dozens of artists while I was a Director at SPACE Studios, there is a great deal of interest in this model. Most said that financial products were either confusing to them or not trusted (due to pension and mis-selling scandals). However, they would be interested in putting any surplus funding into a trusted product that provided studios. Having witnessed how studios operate, many artists feel that they are a safe investment, with significant potential to consistently increase in value due to the relationship of studios to the regeneration process in cities. They would be more willing to put any spare money into a mechanism that both supported their practices through better infrastructure provision and gave them a good return on their investments.

Research into the Abundance model was conducted by email and phone interview with founder, Louise Wilson, in November and December 2015.

How does P2P lending work?
P2P lending is a form of crowdfunding. The model uses innovative digital tools to present investment opportunities to a “crowd” (the market). The crowd then lends to the project,

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27 Studios are usually created in “pre-regeneration” areas; as gentrification catches up with them, values increase.

28 P2P lending is a form of crowdfunding in that it requires a “crowd” (a market) of investors to take up an offer. Digital tools are used to create an easy-to-use marketplace for inexperienced and experienced investors. The difference between P2P and other forms of crowdfunding (such as Kickstarter and Indigogo) is that P2P is always a commercially agreed loan transaction, in which investors are repaid in full, with interest over the term of the loan. Other forms of crowdfunding usually involve repayment in kind (for example, with advance copies of a new product or incentive rewards with a perceived value rather than a monetary value) or, occasionally, with equity in the organisation.
receiving interest payments on the investment and, after usually a fixed-term (five to 10 years is common), the original investment is repaid in full. While P2P funding is generally more expensive than current bank lending, many borrowers see the market as more flexible, simple to access and less restrictive than banks.

The sector has been growing in size and sophistication for over 10 years with Zopa, one of the market leaders, launching in 2005. For borrowers, P2P fills the funding gap between lower-cost but more risk-averse mainstream lenders such as banks (more risk-averse after the financial crash in 2008) and more flexible but expensive lenders such as credit cards. P2P also makes it easier for new investors to engage with investment opportunities than more traditional and seemingly complex markets such as stock exchanges.

The sector is now fully regulated by the Financial Conduct Authority, has received substantial government and European banking support29, and there is increasing interest from mainstream lenders in channelling funding to borrowers. With revenues estimated at £4 billion in 2015, some estimates are that the incoming IFISA (launching in April 2016) will swell the sector to around £50 billion by 2017.

The growth of the market has been so significant that its maturity is expected to be reflected in a series of takeovers and mergers, consolidating the position of the most successful platforms. Such a successful lending market could help in providing affordable studios.

What’s different about abundance?
Abundance is a platform that has identified a specific focus in sustainability infrastructure development projects. It has raised over £14 million to invest in 16 projects since it launched in 2012. It espouses a more ethical stance than many lenders, with its goals of “creating investment products that offer both a bank beating, long term income and a positive legacy for the environment and society”.30

This commercial success, with a more social focus, potentially aligns it better with the ethos of artists and studio providers than other P2P platforms. This could be key to successfully engaging the creative community and encouraging artists to invest.

How the Abundance P2P model works
Abundance, like all P2P platforms, offers the opportunity for all – individuals, companies, novices and experts – to invest. They can invest from £5 to millions of pounds. Investment returns are typically an annual 6% to 9% (different platforms offer different rates of return; and, as with all investments, there is an element of risk). P2P investment terms are typically five years, but Abundance projects are more likely to be 10 to 15 years or more – though investments can be sold via the debentures31 market. At the end of the term, the loan will be repaid in full to investors.

Abundance works with selected and vetted “developers” in the sustainable infrastructure sector. Borrowers are vetted for eligibility and risk. Once borrowers have reached an agreement with Abundance, their projects are promoted on the Abundance website for

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29 In 2014 the UK government’s British Business Bank supported leading provider Funding Circle with £40 million and, in Autumn 2015, the European Investment Bank investment was £100 million.

30 https://citizenergy.eu/citizenenergy/site/view-platform?e=e1s1&i=7

31 Debenture: a long-term security yielding a fixed rate of interest, issued by a company and secured against assets
investors to consider. Investors can also put their money into debentures through the debentures “bulletin board” (with no selling fees).

The fundraising process varies from platform to platform, ranging from several days to several months. In the case of Abundance, fundraising may take several weeks to months due to the nature of the investment opportunities. The cost of borrowing varies, depending on investors' perception of the risk in funding the project. In other words, a riskier project will require higher returns for investors. Once a project is fully funded, Abundance will charge the borrower a one-off 5% fee for the funds raised. Annually Abundance will charge borrowers 1.5% for ongoing management of the investment. Lenders receive interest on their loans of typically 6% to 9% (taxable). For borrowers, this may be a higher rate than, for example, a commercial mortgage. However, rates are fixed and can be used to make up any funding gap and may be better than no loan at all.

**How could this model be applied to artists' studios?**

Where studio providers can’t access lower-cost bank finance, P2P may offer a solution. Particularly as some lenders, such as Funding Circle, now even offer commercial mortgages. P2P funding may still be untenable for the provision of studios, however, due to three key issues outlined below:

1. Studio operators may have limited security and collateral that they can offer, therefore increasing the risk and cost of the loan, making them unaffordable for studio providers.
2. The fundraising period may be too long for the studio provider and prevent it from confirming funding for site purchases in the time the seller demands (purchase might require completion in weeks while fundraising could take several months).
3. Revenue yields from renting studios to artists may be too low to offer an attractive return to P2P investors.

Potential solutions to these challenges might include the following:

1. To address investor caution over security issues, the market could be developed incrementally with some more established studio operators. Abundance developed the market for P2P investment in sustainable infrastructure and this is similar. Existing providers’ freehold portfolios could be offered as investment case studies to some larger investors working with Abundance, and possibly some successful artists to demonstrate their investment potential. If funding can then be secured for one investment, the market will start to mature and more investors will enter. Providers will need to see the benefits of securing finance this way. Providers with existing freeholds may consider P2P funding too expensive. However, P2P funding could free up existing debt finance for further purchases or be used to make up a shortfall in funding for a project, for example for fit-out capital. This will benefit providers who can avoid using reserves for purchase or fit-out or be able to replenish them more quickly. P2P can also be used to secure a building quickly and then the project can be refinanced with lower-cost borrowing before the term ends.
2. To ensure quick purchase and at the same time provide investment confidence, a purchase funding “pool” could be set up to offer time-limited, repayable, ultra-low / no-cost loans\(^\text{32}\). Funds might be raised from government, quasi-government or social investment sources, such as GLA in London, the British Business Bank, Wolfson

\(^{32}\) See next paper
Foundation\textsuperscript{33} or Triodos Bank. Studio providers would be vetted for use of the funds. Once purchased and operational, the project would be added to the Abundance site and refinanced. This would provide investor confidence with demonstrable calculation of investment returns.

3. Yields will vary across providers, with some less able to service debt repayments than others. One leading provider can demonstrate freehold yields ranging from 6% to 6.5%. This closely matches typical P2P investment costs and is significantly better than investors would gain from bank deposits or ISAs. Many Abundance investors have higher social return investment profiles than financial return profiles, and therefore may still be interested in investing in the model, albeit with slightly lower returns than other P2P investments.

**How could this work for artists?**

Several points are of potentially key interest for artists – **Low entry point**: as investments can begin at £5, artists with relatively low disposable incomes can take part. **Flexibility**: Abundance allows investors to access their investments, if required, before the full term of the loan is completed, by selling their investment “debentures” on a fee-free, open market on the Abundance platform. **Adaptability**: investors can use their investment as part of their personal financial planning – via SIPP\textsuperscript{33}s and, from Autumn 2016, IFISAs.

Artists with possibly fluctuating incomes can invest less or more, when they are able. If they have lump-sum payments, for example from the sale of work, they can easily invest any surpluses in new Abundance projects. If these sums are more than £4,000 in any year, they can be invested in an Abundance SIPP.

Hypothetically, if this scheme can be marketed to the many thousands of artists and creatives, it would only require 1,000 investors to invest £4,000 per year to create a £4 million (before fees) annual fund for affordable studios. If the scheme were marketed effectively to 4.5 million sole traders, a 1% conversion rate would equate to 45,000 investors at £4,000 per year, creating a £180 million (before fees) investment fund.

Abundance could thus offer artists some exciting options for future financial stability. Artists could become occasional investors of small amounts of money that will bring direct and indirect benefits. Or those artists could become regular, higher-value investors, creating more stable pension plans and helping to create more, urgently required, affordable studios.

If the model works it could generate effective sums towards the purchase or fit-out of a large studio building, even with low levels of artist engagement. Taking London as an example, there are 11,500 artists using affordable workspace\textsuperscript{34}. If 82% of them don’t have pensions (in line with other sole traders), there are 9,430 artists without pensions in the capital. Converting just 1% of them to investing in an Abundance SIPP could generate nearly £400,000 per year (before fees) towards studio development.

**Recommendations**

- Detailed examination of the potential model is required with key parties such as Abundance, CU, GLA, studio providers, other funders.
- A fast-purchase funding pool should be considered with funders approached.

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\textsuperscript{33} Wolfson Foundation has an investment return target of RPI +4%; currently investment in Abundance would outperform this.

\textsuperscript{34} Mayor of London’s, 2014, Artist Workspace Report.
- One or more established studio providers should be engaged to consider in detail how an existing or a new freehold can be financed via the model, and to create a demonstration case study.

- A survey of investment appetite with artists and/or campaign to engage them as investors and to take out pension provision should be considered. Even without the studio model, many artists may be unaware of how P2P could help them make better plans for their personal finances.

- An independent survey of various providers should be conducted and a request for proposals should be put out to open tender for independent consideration.

Douglas Thackway was Operations Director of SPACE, a charity that provides studio space and supports artists and other creatives, from 2010 to 2015.
A Trust Fund approach to funding the provision of artists’ studios

By Anthony Murphy, Prime Advocates

Introduction

This summary paper looks at two viable financial structures, which may facilitate “access to affordable studio space for artists in the UK” and ensure the ongoing artistic use of urban properties.

Here studios means “a centrally managed collection of private work environments where an artist or designer/ maker creates work; usually rented individually, but sometimes shared between two or three individuals (who often have sporadic incomes)”.

We are not as focused on “workspaces”, which are here clean desk space locations for which there are more options available (not necessarily specific to artists) in a co-work generation boom (in the Etsy/freelancer generation and growing image/creative industry in workspace sector).

The solution sought is to protect low-rent, low-overhead studio space to retain a culture of artists within urban built environments (for example, retaining studios within central London and other traditionally creative areas of England where artists are increasingly being priced out).

Why not individual studios?

An aggregation of artists with the same low-cost studio needs (an “artists’ studios”) enables the collective to borrow amounts (based on the aggregate income of the collective pertaining to rental yield) that would not be accessible to individual artists.

1. Artists’ studios, by definition, are actively managed and mission spaces. The artists’ collective (if relocating from existing property) will have a track record of managing commercial rental property (and yield information). By definition, the artistic mission is at the heart of the collective. Please see details below on Creative United’s incubation solution for new artists’ collectives, which do not have property-letting track records or income data from rental. The incubation process prepares the new artists’ collective to become loan-ready so that mortgage lenders will lend to it.

2. Artists’ collectives offer mortgage lenders an aggregated and diversified borrowing pool. Although lending is efficiently made to one legal counterparty versus a singular property, the yield exposure (that is income that the property can generate to repay the mortgage loan and its interest) is based upon rental income from multiple artists’ studios within that property. Therefore, the credit quality of the artists’ collective is much higher than individual and variable artist studio lets.

3. Access to funding is indirectly advanced to multiple artists with low incomes and affordable studio needs. Property capital prices and the costs of borrowing are such that individual artists could not acquire property fit for studio purpose. However, an artists’ collective structure makes large property acquisition possible, with individual artists benefitting from the economies of scale applied to such large structures.
Generic borrower eligibility criteria

Some core investment criteria, which may be applicable and ensure that the social and financial goals of the initiative are protected:

a) Products (described below) are applicable only to eligible artists’ collective.

b) Legal nature of the artists’ collective is irrelevant. Artists’ collectives can operate as: limited companies\(^{35}\), community interest companies (CICs), charitable foundations (that is, companies limited by shares/guarantee or charitable incorporated organisations), co-operatives or friends provident etc. The core concern is that the mission of access to affordable studio space for artists is enshrined in the constitution of the artists’ collective. Also, the below structures are applied to protect the users, not notional investors or managers seeking profit.

c) What is an affordable rate applied to the artists? Each building is different. Creative United assesses this question on a project-by-project basis. (Creative United creates a benchmark price per square foot (sqft) (£13.80 per sqft rental price). Application of some form of rent control (a precondition for getting the access deposit support, described below). The agreed rental price per sqft for the artists’ collective shall be determined in accordance with benchmark criteria set by Creative United. Creative United shall undertake a rent review and retain the ability (via contract, acting for the “access deposit giver” – identified below) to inhibit the artists’ collective’s ability to increase the rent (by no more than 5%-10% per calendar year). Rental increases above this sum would be viewed as a breach of contract and a deposit loan default trigger (if applied to the access fund (defined below) approach).

d) Geographic location requirement for eligible artists’ collectives. The Mayor of London and Arts Council England (ACE) shall require that there is a focus on London, where the problem for artists’ studios is most acute as a result of astronomical property prices. However, it is recognised that this solution shall be optionally applied on a national level, subject to the first commercial banks lenders’ conditions and viewpoint.

e) The solutions identified below (under the Products for artists’ collective studios section) seek matched funding (acting as the deposit component or risk capital). This funding would come in the form of grants or loans from European Bank for Reconstruction and Development (EBRD) or ACE or the GLA.

Incubation process – Creative United

Irrespective of the loan-to-value and deposit requirements, commercial lenders require that an artists’ collective has a solid track record of rental yield generation, before they will advance commercial property mortgages. For a new artists’ collective which does not have a history managing an existing property (which it has rented), Creative United can incubate the artists’ collective’s investment readiness, preparing products for each stage of development (referred to in the above paper as “stabilisation”):

- Prepare the artists’ collective for business management and running a studio rental space;
- Existing property landlords or funds like the Cheyne Social Property Impact Fund\(^{36}\) or CAN Invest\(^{37}\) can be further encouraged to work with artists’ collectives and Creative United to acquire/build or refurbish property and lease it to an artists’ collective to secure its social purpose at an affordable rate;
- Educate the artists’ studios to understand the legal and commercial ramifications of

\(^{35}\) Please look at the V22 model, which has at least 50% artist ownership and the residual enabled commercial investor investment. Investors get access to yield from rental and art collection appreciation.

\(^{36}\) https://www.cheynecapital.com/strategies/social-property/

\(^{37}\) http://can-invest.org.uk/
borrowing against property (mortgage finance) and running a commercial letting business. This would include financial modelling of rental yields, repair costs and overheads (rentals/mortgage costs); and,

- Assist the artists’ collective to source and let (manage) operation of a studio collective, prior to the application of the Access Fund model (see below). This increases business viability and the likelihood of successful repayment. This process will facilitate the artists’ collective’s generation of at least 18 months of yield track record enabling the artists’ collective to gather clients and become investable (encourage banks to lend to it).

**Incubation trust fund – bridge financing** (please see table below)

If a collective pool of money is obtained from ACE, GLA, the UK government, private companies and donors, it is anticipated that this money shall be matched by various sources including the EBRD. This pool of money would be used to incubate the artists’ collective so as to give it access to the investment mechanisms detailed below (the trust fund). The construction of how this money is deployed depends on donor or investor requirements. 38 Such monies could be applied via the following common legal structures:

- A charitable trust (which has tax benefits for the recipients of funds and donors alike);
- A classic LP (limited partnership) – this is most applicable for commercial investors in the trust fund, seeking a market rate of return (this has significant set-up and running administrative costs);
- Limited company/account mechanism – this is fundamentally a joint venture with contractual rights being applied, with assets being held by a nominee on behalf of the beneficiaries (being the investors in the trust);
- Co-mingled funds – a theoretical fund structure for investment on debt or equity, in which the impact investors take the first loss for the commercial backers. For more details see here 39.

**Additional characteristics:**

- The trust fund continues to own the property in view.
- Creative United and a housing association/large scale studio provider (as a joint venture) work to choose the property, manage the property for the trust fund and incubate the artists’ collective as the tenant (supporting their management of multiple studio spaces, commercial operations and interest payments to the trust fund).
- The artists’ collective is given an assured shorthold lease agreement (or lease agreement with rolling short terms renewed each year – Creative United works with the artists’ collective toward refinancing and ownership of the studios building by year 6).

**Trust fund’s deployment “purpose”:**

- The trust fund’s assets/monies could be applied to the pure incubation model (which is administered by Creative United and requires a new artists’ collective to rent a third-party building to develop studios so as to establish yield and develop a commercial rental track record for a number of years); or
- In collaboration with a new artists’ collective, the trust fund acquires a suitable building and leases it in the short-term investment cycle of two to six years to the

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38 Please consult further for analysis as to the pros and cons of applicable fund or capital pool structures.

The investment, which is direct, without mortgage finance, requires repayment via refinancing or sale of the property. Upon completion of this six-year incubation investment cycle, the new artists’ collective is no longer new and can access shared ownership or Access Fund financing streams (identified below) of matched commercial finance. (Please refer to the section on Products for artists’ collective studios below).

Important: Please note that the artists’ collective can move to an “ownership model” as soon as it can demonstrate an appropriate track record of yield. Therefore, upon this trigger (for example, before year six) the incubation trust fund refinances the building, selling it to the artists’ collective via shared ownership or the Access Fund mechanism below. The trust fund is repaid its capital and the artists’ collective retains certain mortgage and repayment obligations. This appears to be, in our opinion, a highly viable commercial scaling option for new artists’ collectives (more viable than fund models or financing models where, on day one, the property is acquired for the artists’ collective and it repays loans toward full freehold ownership over 25 years). This appears to give new artists’ collectives the best chance of success as they have enough time to develop.

Products for established studios

1) Shared Ownership Model (please see table below) – restrictive covenants and artistic property use criteria are enshrined in the leasehold agreement with the artists’ collective. The shared ownership fund or the pooled capital advances 25%-75% of the property’s loan-to-value. The buyer pays rent on this amount and raises a mortgage to purchase the remainder value in the property. Therefore, the central entity (which could be the Trust Fund operating in a new form or with an additional mandate) advances the 25%-75% for the purchase price (which is a significant outlay of capital to effect the initial property purchase) and manages the property (establishes letting and property management infrastructure). How a shared ownership fund can raise this capital economically is a key question. The trust fund could create a specific sub-fund (or allocation) in partnership with a leading commercial property housing association (see notes below) to raise a mixture of philanthropic and commercial investors to invest in such a fund. To avoid “mission drift” (where the properties are not used for studio space for artists), this structure would prevent 100% ownership by the artists’ collective so property use could not be changed, is monitored and enforced. Furthermore, leaseholder restrictions could be applied to inhibit the artists’ collective from changing the purpose/use of the property. The artists’ collective shall be permitted to undertake “staircasing” – the borrowers are able to purchase more of the property over time (in the form of 10% increments – for the reasons above 100% borrower ownership shall be inhibited).

Notes:
- Shared ownership portion – rented to artists’ collective
- Artists’ collective pays service charges
- Artists collective ownership portion mortgaged (repayment to commercial banks)
- Management collaboration with a leading housing association (for example Peabody Trust very successfully manages commercial property and it subsidises its social activities)

40 The Cheyne Social Property Impact Fund operates in similar way acquiring property or building property which is let affordably for social purposes. The difference is the Trust Fund is not an open ended fund with pressure to generate market return and can afford initial interest holidays and below market rates.

41 This fund could operate like the Resonance and St Mungo’s National Homelessness Property Fund
2) **Access Fund (deposit advancement)** (please see table below) – the example below provides a mechanism whereby artists’ collectives can utilise deposit funds as a first-loss lender, enabling the risk-adjusted application of private commercial finance (commercial lender) to lend the residual majority percentage of the property value (in the form of a secured mortgage). **Generally, a “mortgage” involves the transfer of title of an asset (property) by way of security for a particular obligation (in this case lending) on the express (or implied) condition that such an asset will be transferred to the borrower when the secured obligations are discharged.** The deposit percentage acts as a type of guarantee product, making commercial finance accessible to artists’ collectives; that is, as applied in residential home context via the Affordable Home Buyers Scheme.

- Can pure philanthropic money act as the deposit and/or the core mortgage capital? Creative United have suggested that it has proved difficult to obtain charitable money from NESTA and other philanthropic funders. Furthermore, Creative United views that Limited and targeted sums applied by ACE or GLA to leverage commercial lenders (which may include ethical banks like Green Bank, Cooperative Bank, Triodos etc) may be the best course of action.

- Unsecured deposit investment loans\(^\text{42}\) from ACE or GLA leave the first priority security interest free for the primary lender to advance mortgage loans for the majority of the residual mortgage.

**Notes:**

- Interest-free deposit loan options to be explored
- Matched funding from EBRD and the EU to be explored.

**Example Lenders (to be approached in relation to Artists’ Collectives)\(^\text{43}\):**

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<thead>
<tr>
<th></th>
<th>Ethical Bank A</th>
<th>Social Bank B</th>
<th>Co-operative Building Society C</th>
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<tbody>
<tr>
<td><strong>Loan %</strong></td>
<td>70% loan value</td>
<td>70% loan value</td>
<td>70% loan value</td>
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<td><strong>Loan value</strong></td>
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<td>£100,000 - £2.5 million</td>
<td>£250,000 - £4 million</td>
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<td><strong>Length of term</strong></td>
<td>Up to 25 years</td>
<td>Up to 25 years</td>
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<tr>
<td><strong>Rate</strong></td>
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<td>Base + 2.5 – 5%</td>
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<td><strong>Fees</strong></td>
<td>1% – 1.5%</td>
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</tbody>
</table>

**Anthony Murphy** is the founder and managing director of Prime Advocates a “not-for-profit” social finance/impact investing focused consultancy and legal service, with particular expertise in the financial services, equity finance and financial regulatory legal arena.

www.primeadvocates.com

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\(^\text{42}\) This operates in a manner similar (in principal) to the Resonance Ltd – The Affordable Homes Rental Fund (advance loans to Community Land Trust to undertake affordable housing projects).

\(^\text{43}\) the referenced lenders and commercial rates are provided for informational purposes only and do not reflect past or present commercial rates applicable to this Product/ financing of artists’ collectives Studio buildings. Correct as of January 2016
## Appendix 3 Contributors to the Study

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Name</th>
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</thead>
<tbody>
<tr>
<td>ACME, London</td>
<td>Jonathan Harvey</td>
</tr>
<tr>
<td>Antlers Gallery, Bristol</td>
<td>Jack Gibbons</td>
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<tr>
<td>A-Space, Southampton</td>
<td>Dan Crow</td>
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<td>Autoitalia, London</td>
<td>Kate Cooper</td>
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<td>Bold Tendencies, London</td>
<td>Hannah Barrie</td>
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<td>Bow Arts Trust, London</td>
<td>Marcel Baettig</td>
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<td>Cell Projects, London</td>
<td>Richard Priestley</td>
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<td>Cockpit Arts, London</td>
<td>Vanessa Swan</td>
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<td>Creative Foundation, Folkestone</td>
<td>Alistair Upton</td>
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<tr>
<td>Dukes Studios, Leeds</td>
<td>James Abbot-Donnelly</td>
</tr>
<tr>
<td>East Street Arts, Leeds</td>
<td>Karen Watson</td>
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<tr>
<td>Make Liverpool</td>
<td>Alex and Liam Kelly</td>
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<tr>
<td>Goodshout Studio, London</td>
<td>Charlotte Webster</td>
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<tr>
<td>Krowji, Cornwall</td>
<td>Ross Williams</td>
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<tr>
<td>LCB Depot, Leicester</td>
<td>Peter Chandler</td>
</tr>
<tr>
<td>Leicester Print Workshop, Leicester</td>
<td>Lucy Phillips</td>
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<td>The Mill Co. Project, London</td>
<td>Nick Hartwright</td>
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<td>Occupation Studios, London</td>
<td>Naomi Dines</td>
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<td>Pangea, London</td>
<td>Sven Muender</td>
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<td>Resort Studios, Margate</td>
<td>Dan Chilcott</td>
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<td>Secondfloor Studios, London</td>
<td>Nichole Herbert</td>
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<td>Somerset House, London</td>
<td>Marie McPartlin</td>
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<td>Anna Harding</td>
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<td>Spike Island, Bristol</td>
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<td>Theatre Delicatessen, London</td>
<td>Roland Smith</td>
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<td>Toronto Artscape, Toronto</td>
<td>Pru Robey</td>
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<td>Turner Contemporary, Margate</td>
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<td>Two Queens, London</td>
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<td>V22, London</td>
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<td>Wordscapes</td>
<td>Andrew Beattie, Fiona Shaw</td>
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<tr>
<td>Arts Council England</td>
<td>Jane Tarr; Sabine Unamun; Peter Heslip; Chris Rawcliffe;</td>
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<td>Community Arts Stabilisation Trust (San Francisco)</td>
<td>Moy Eng</td>
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<td>Crafts Council</td>
<td>Julia Bennett</td>
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<td>Creative Industries Federation</td>
<td>Eliza Easton; Harriet Finney</td>
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<td>Mark Waugh</td>
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<td>Institute for Public Policy Research</td>
<td>Carys Robert</td>
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<td>Julie’s Bicycle</td>
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<td>Legatum Institute</td>
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<td>Prince’s Foundation for Building Community</td>
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<td>Rimbaud &amp; Verlaine Foundation</td>
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<td>Sound Diplomacy</td>
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<td>Anna Rose</td>
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<td>Arts and Culture City of Toronto</td>
<td>Lori Martin</td>
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<tr>
<td>City of Copenhagen</td>
<td>Araf Ahmadali</td>
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<td>City of Sydney</td>
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<td>Finance Innovation Lab (formerly)</td>
<td>Jen Morgan</td>
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<td>Fundsurfer</td>
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<td>Prime Advocates</td>
<td>Anthony Murphy</td>
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<td>Property Developers</td>
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<td>Grosvenor</td>
<td>Will Bax</td>
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<td>U+I</td>
<td>Martyn Evans</td>
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