

# Investing in Creative Communities

## FINANCING ARTISTS' STUDIOS

A Guide for Local Authorities, Planning & Regeneration Professionals and Developers



**nfasp**



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## FINANCING ARTISTS' STUDIOS

### A Guide for Local Authorities, Planning & Regeneration Professionals and Developers

This purpose of this guide is to introduce the reader to the key financial dimensions of the development and management of artists' studios. The guide seeks to identify the main financial factors for any studio development, thereby demystifying the sector for funders and potential funders, partners, and promoters of artists' studios. A primary objective is to make the case that investing in artists' studios can be a sound commercial decision and an effective use of public funds.

It has been produced by the **National Federation of Artists' Studios Providers** (NFASP), the professional body which supports, connects and

Yorkshire Artspace, Sheffield, artist Fin Lucas in his studio.  
Photo: Yorkshire Artspace.

represents all those who manage and develop affordable studio space for visual artists.

The guide forms part of an advocacy project sponsored by Arts Council England's 'Grants for the Arts' programme. It is one of five documents in a suite of guidance notes for local authorities, planning and regeneration professionals, housing specialists and developers. The other titles are:

- Artists' Studios and the Housing Sector
- Renovating Buildings for Artists' Studios
- Work/Live Space for Artists as Facilitators of Creative Communities
- The Provision of Affordable Artists' Studios: A Role for Spatial Planning

**More information, advice and case study examples, developed by NFASP, may be found at [www.nfasp.org.uk](http://www.nfasp.org.uk)**

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ACAVA, Hadleigh Old Fire Station, collaboration with local authority, regeneration agency and the London Organising Committee of the Olympic Games. Photo: Duncan Smith.

## The economic basis for artists' studios: recent history

The majority of today's artists' studios were established over four decades since the late 1960s. Long established providers such as SPACE studios, ACME and ACAA in London, and Digswell Arts Trust in Cambridge have all thrived over a

number of decades. In the mid post-war period, it often made economic sense to landlords to give long leases on commercial, industrial and older public buildings. Studios offered scalable, reliable means of occupying and making a return on space made redundant by economic decline and social change. The public sector spending climate and a young generation of councillors sympathetic to community arts organisations in the 1970s and 1980s made it possible for some to benefit from substantial public grants, enabling them to create an asset base. Today, that group benefits from being able to leverage their assets, using them as security for further commercial loans to fund new developments.

In the 1990s, declining public funding and a changed policy climate required greater accountability for grants that were available. Both existing and newer organisations adopted greater professionalism, awareness of legal responsibilities and an orientation towards being businesslike. Spike Island in Bristol, Bow Arts in London, ASC and others reflect the zeitgeist of this period as the sector sought to link the development of studios to the delivery of social policy outcomes.

At the start of the new century, regional and national economic policy has focused on the role of creative industries in driving the growth of the UK's more dynamic, knowledge-rich, economic sectors. Further and Higher Education schools have spawned a growing wave of artists; the link between pure artistic production and creative enterprise became blurred. Independent galleries have flourished, reflecting changing consumption patterns, a new cultural sensibility, and a trend towards using culture to 'brand' neighbourhoods. Art and culture became central to putting local place, regional economy and nation on the world stage.

The presence of artists helps stimulate local economic growth. Between 2006 and 2010, the artists' studio sector increased nationally by over 50%. In that period, an estimated 7,000 artists across the UK each spent an average of £2,500 annually on renting their studio space alone. Alongside this, studio providers frequently set up and run enterprises. Artists themselves take on jobs or run small businesses to cross-subsidise their creative endeavours. The studios help make local areas attractive to other entrepreneurs.

## **Diversity of purpose and structures across the sector**

Artists' studios provide affordable space for practising artists. However, beyond this core aim, studios around the UK serve a wide range of purposes, reflected in different company structures and multiple financial profiles and prospects. Artists' studio organisations have established structures and operations to fit their purposes: studios are run by small voluntary groups, charities, trading companies, social enterprises, community interest companies, housing associations and so on. Costs, income, earning potential and investment prospects need to be understood in relation to these individual circumstances.

So, there is no universal financial template for an artist's studio. This guide should be read in that spirit: it seeks to illustrate a range of opportunities and draw attention to recurring issues; it aims to embolden partners who may be considering whether to invest, sponsor, trade with, and benefit from artists' studios.

## How does the organisational form impact on financial considerations?

Within the diverse forms of organisation adopted by artists' studio providers, there are some common approaches with linked financial characteristics. The categories illustrated below are not mutually exclusive.

Creating a not-for-profit body is, at least on the surface, a simple way to establish an organisation. This general category is widely applicable across the sector, and can be a first step towards becoming a charity or a trading organisation. The essence of this approach is that it exists to deliver a set of functions and services; it does not exist to generate profits. The constitution sets out how the agency is governed. This does not necessarily mean that the governance arrangements are straightforward; there may be a sophisticated set of inter-relationships between individuals, stakeholders and the wider public.

Within the general 'not-for-profit' category, a variety of potential fundraising models may pertain. Funding may be raised from individual, charitable, public or corporate grants and

donations. Fees for services may be raised (letting of space; running a café or delivering fee generating educational or community activities). Crowdsourcing (asking many people to donate to the project, either locally or more universally via the internet), generating contributions from within the artist community (forming a club to fund premises improvements), or using voluntary labour: all these means can be used to generate income and support from a linked community.



Tannery Arts, Bermondsey, London, artist's studio.  
Photo: Andrew Bick.

### **Company Limited by Guarantee**

Most artists' studio providers have established themselves in this way. A company limited by guarantee is a common means to create a formal, legal 'identity'. The form lends itself to the activity of taking on the ownership of assets, trading, including the trade of leasing and managing property, raising income from letting space to artists, and engaging in other trading activities such as delivering income-generating services, as well as bidding for and securing funds. Company law allows multiple classes of membership with different voting rights; artists' studios are able to establish boards, wider memberships including artists themselves, and wider stakeholders who may be usefully engaged. Limited companies do not issue share capital to their members.

Many 'not-for-profit' studios are also registered charities. Securing charitable status brings significant financial benefits; many not-for-profit artists' studios have adopted this model. Charities exist for the primary purpose of delivering charitable objectives, linked to, for example, the advancement of education, provision of leisure activities and other purposes beneficial to the community. Charities must deliver public

benefit as defined by the Charity Commission. Being a charity also generates liabilities and limitations. Trustees of a charity must not be paid and must fulfill clear obligations. Objectives and activities must be limited to those that are charitable in law. Trading activities must be strictly subsidiary to the main charitable purposes of the organization. Charities may campaign where relevant to charitable objectives, but otherwise must not have political objectives. An annual return of accounts to the Inland Revenue must be made to retain charitable status.

Benefits can be considerable. Charities are exempt from paying tax on income received and pay reduced rates. They are able to make applications to grant making charitable trusts, some of which restrict their grants to registered charities. Charitable status is a benefit in making public appeals for funding.

### **Community Interest Company (CIC)**

Introduced by legislation in 2004, this new form of company is specifically designed for social enterprises: organisations that seek to generate profits and develop an asset base, but that seek to use these for the public good rather than

for private gain. The legislation sought to make it easy to establish companies that operate both as profit generating companies and as organisations that deliver social and community benefits. The general category of CIC can cover a wide variety of types, including cooperatives,

limited companies, and various forms of enterprise. Creating a CIC is an alternative to securing charitable status as a means to create a company with social aims; the CIC allows delivering social benefit to co-exist, in principle if not in practice, with making profits.

**Ocean Studios** is a Community Interest Company whose aim is to provide affordable studios for over 100 artists within the Royal William Yard, Plymouth in spring 2015. By creating specialist provision in the form of a uniquely managed workspace, Ocean Studios seeks to boost creative enterprise in the city and engage local people with the arts. In addition to the 33 individual studios there will also be two open plan studios for new graduates. Added to this will be well-equipped workshops, which include printmaking, photography, warm glass, small-scale metals and ceramics. An education space used for hosting

workshops, seminars and conferences complements this offer, as does the exhibition space that will host an exciting and varied programme. A retail space will provide opportunities for artists to sell their work.

**Wash Arts** is a Community Interest Company based in Ilkeston, Derbyshire. Wash Arts is a not-for-profit company that develops and co-ordinates creative and cultural opportunities in the borough of Erewash and surrounding areas. The group has established a modest suite of affordable artists' studio spaces on the first floor of its venue in Ilkeston.

**Claremont Studios** in Hastings is another example of a Community Interest Company. Managed and run by three Directors, it supports artists in commercial, non-commercial and experimental arts projects, creating a 'space' for critical debate and opportunities for collaboration. The company has been formed to create a supportive network for established and developing artists. It aims to give artists the confidence to experiment within their practice and freedom to grow creatively, whilst also developing their professional and project management skills.



## Building an asset base: getting started

Artists' studios frequently get started by taking over redundant or under-used space on a short-term basis. By making interim use of such space, they are able to take over public or commercially owned property and turn an obligation into an asset. Empty or unoccupied buildings are a financial and management liability to their owners, in terms of security, maintenance and responsibilities to neighbours. Interim occupation removes the management liability and begins to rebuild confidence in the building as an asset. Even without any investment, the artists or their contractors will make sufficient repairs to bring buildings back into use, and thereby restore its reputation in the neighbourhood and potentially, over the medium to long term, in the property market.

The studio managers will need to calculate the costs and benefits of an interim arrangement. It is normal for the building owners to insist on a short lease or license, and to build into the agreement the right to redeem the property at short notice.

While in some circumstances it is possible to make use of premises on the basis of short-term licences, the proposition usually begins to make economic and operational sense for a studio provider on the basis of a lease for a minimum of five years. The studios normally seek the premises at a peppercorn rent. It is standard practice to seek a rent-free period in lieu of works to upgrade the property to a habitable standard.

### Longer leases

In other instances, studio providers pay a commercial rent, insofar as the length of lease and other terms are favourable.

From a studio provider's point of view, leases of 10/15 years make viability much easier to achieve; this level of security also makes it possible to invest more significantly in the quality of the building, to increase the rents charged to occupiers or to offer benefits in terms of community services. A longer-term lease increases the prospect of the studio provider being able to secure funding from grants or loans.



Flameworks, Plymouth, studios with metalworking facilities for artists and makers. Photo: Duncan Smith.

## **Taking a lease on a property - some considerations**

Artists' studio providers have leased properties on a wide variety of terms, from those established on the basis of rent-free or sub market leases to those established on the basis of commercial rents. The latter scenario is more typical in areas experiencing market failure in which commercial rents have collapsed or are low. Alternatively,

commercial values may be achieved where studio providers are able to attract good returns from creative companies in knowledge-rich sectors such as digital technology and the media industries, particularly in London and the south east of England.

Artists' studios seeking to negotiate favourable lease terms will consider a number of factors:

- In general, paying a low rent for the longest possible time releases funds to invest in property improvements and to deliver public goods in the form of benefits to artists or local community services.
- Regular rent reviews should be linked to clarity about terms. For example, linking to RPI might make sense in some areas, but in others, the market rate will be lower than RPI. A good knowledge of the local area is necessary to set rates at the right level and to review rents in the right way.
- A good schedule of works for renovations is necessary to enable agreements to be struck around time and costs, linked, for example, to a rent-free period.
- Structural surveys should be done for old properties.

- Costs of moving in/moving out and dilapidation costs need to be factored in, particularly for shorter lease periods.

## **Towards freehold**

In general, more mature artists' studio organisations aspire to, and in some instances succeed, in becoming owners of freehold property. This brings financial security and with it greater freedoms and flexibilities: to create a broader mix of studio types and tenancy arrangements; to raise loans and mortgages and thereby further extend the asset base; to cross-subsidise less profitable but desirable uses of space for activities such as galleries and community services. Converting leasehold property into freehold by buying out the freehold while in occupation is one route towards becoming a freeholder.

## **Raising capital finance**

In the past, when public sector spending and charitable finance was less constrained, a number of long established artists' studios secured capital funding from Arts Council England (ACE), or from local and regional authorities, using this to

purchase and improve properties. In turn, owning property made it more possible to generate a surplus, raise a loan, or take on a mortgage to extend the asset base. Such long established, asset-owning organisations have also benefited from the historic rise in property values. These avenues are less commonly available, though artists' studio providers will continue to prepare for opportunities to bid for public grants finance, if and when funding streams return.



ACAVA, Kensington, London, purpose-built studios, project spaces and offices, with regeneration, local authority, trust and Arts Council England funding. Photo: Duncan Smith.

However, the recession has generated properties that are abandoned, or underused, or not capable of being let commercially in the current market conditions. Artists' studios offer a tangible means of bringing such premises back into use, provided the studio provider can generate capital finance.

Common sources of capital funding, in today's conditions are:

- Reserves built up through careful management of operating surpluses.
- Bank loans.
- Charitable loans - Charity Bank.
- Charitable donations.
- Planning gain through Section 106 or Community Infrastructure Levy arrangements.

Here are some examples of how artists' studios have secured the finance for capital schemes:

- **ACME** raised 50% loan finance for its Galleria development. This illustrates how an established organisation has been able to grow its asset base and use this to securitise loan finance.

- **ACAVA** gained the freehold of two buildings in 1983 on a ten year mortgage, and since this was paid off has been able to secure business loans to develop many other studio buildings.
- **ASC** also has a well established track record and lending history, so finds it relatively easy to secure loans. It used some of its own funds to purchase property in Kingston upon Thames, and also raised a loan from the Charity Bank.
- **A Space** secured capital funding from Southampton City Council and South East England Development Agency (£110k over 4 years) to fund the conversion of arches into studio spaces. They also received a small ACE grant (around £8k) for decorating, broadband installation and light refurbishment for a development at Tower House.
- **Bow Arts** raised £55,000 from the Charity Bank and used it to convert ground floor space in a mixed-use housing development, creating 12 artists' studios, thereby making space for 24 artists. Bow Arts manages the





Bow Arts, Bow Road main site, offices, gallery, cafe and 120 artists' studios. Photo: Bow Arts.

day-to-day running of the studios for artists who pay an affordable inclusive rent. 25% of rental income from the studios is invested in an education programme delivered in local schools. This arrangement helps meet the planning conditions on the development under a Section 106 agreement.

- **East Street Arts:** Having secured charitable status, East Street started to attract Arts Council England and Leeds City Council funds. The organisation accessed £1.6m from

multiple sources: the ACE capital fund, Leeds City Council (regeneration funding), ERDF (job creation focus) to buy and renovate a building - Patrick Studios in Leeds which has a project space and 30 permanent studio spaces. East Street Arts have also occupied and brought other buildings into use with government funding from the Local Enterprise Growth Initiative, working in partnership with a local housing association. This has created, overall, over 70 artists' studio spaces in Leeds.

- **Green Close Studios,** a small rural studio, bought a property at low cost. The group raised £48,000 for capital works to improve the building and create studios, from a combination of 50% European, 25% Rural Development Commission and 25% personal finance. It took the best part of 3 years to assemble all the funds.
- **Krowji - Cornwall Arts Centre Trust (ACT)** bought the freehold of a former grammar school building in 2005, using a mortgage from the Charity Bank. It has a long term strategy to replace some of the buildings



Pete Flowers studio at Green Close Studios, Melling, Lancashire.  
Photo: Duncan Smith.

with new purpose-built workspace, with Phase 1 involving a new access road and 60 new studios. ACT has financed this from European funding plus a Triodos Bank mortgage of about £1m – raising the bank mortgage has been the most difficult part.

- **Platform Arts** in Middlesbrough were supported by the Council, which had a strong vision for arts & culture. The group identified

a building in Middlesbrough station, taking four years to gather funding and fit out the building for purpose-built artists' studios. Funding of £600,000 was secured from the Heritage Lottery Fund, ONE (the Regional Development Agency), and Railway Heritage Fund.

## The core income stream: lettings to artists

Artists' studios typically offer affordable rents to artists, though there is a significant diversity in terms. The following are illustrative examples of the types of lease and terms:

- Artist Studio Company (ASC) uses a standard lease agreement (based on the Landlord & Tenant Act). They offer a 5-year lease, with a monthly notice period. Electricity is metered within each unit. They are able to rent space at less than 50% of local full market rates. On this basis, they achieve high rates of occupancy, and stable tenancies, with some seasonal fluctuations reflecting college and university graduations. Some movement internally tends

to occur at the beginning of tenancies as people work out what their requirements are.

- Cambridge Art Salon charges rents, using a licence arrangement. The license period is for a minimum 6 months - 1 year. The project is exempt from business rates, based on the discretionary decision of the local authority. Artists are asked to contribute towards utilities at a fixed rate contribution or for usage if using specialist equipment such as a kiln.
- Trewarveneth, Porthmeor, and Anchor studios in Cornwall all offer leases of nominally 7 years, but with some studios on 3-12 month tenancies to encourage project work and residencies.
- Krowji, an arts cluster established in a former grammar school in Redruth, offers tenancies on the basis of an annual licence. The premises currently accommodate about 110 people, with turnover of roughly one outgoing artist per month. Space is filled quickly from a waiting list. The availability of flexible short leases is a major selling point for recent graduates and others unable or unwilling to enter into long agreements. Krowji's large space delivers

diversity, responding to the needs of a wide range of creative practitioners, with sizes from 50 - 1,000 square feet and from messy studios to smart offices.

## Business planning: lessons from practice

In this section, a series of case studies is used to illustrate important factors for the financial management of artists' studios. The cases establish how, in general, studios are efficient at driving down running costs and lowering spending on refurbishment.

Major running costs are:

- Staffing and maintenance.
- Business rates (in some boroughs where local discretion to waive has not been taken).
- Public liability and other insurances.
- Heating and energy costs (rising costs make individual metering more common).

Refurbishments, particularly in smaller start-up studios, are frequently carried out by artists themselves, in return for rent holidays.

## The cases

**A Space** took over Tower House, an unused property owned by Southampton Council, which was costing £10,000 per annum to maintain. A Space took on a rent-free lease, removing the liability from the Council. A Space has been able to generate sufficient rental income to cover the immediate building running costs and also to build up a sufficient surplus to cover larger maintenance costs.

**Elysium Gallery** is steadily expanding its portfolio. It operates a system of 'self funded renovations'. Tenants are offered a free rental period (usually 6 months) in return for 'making the building better', during which renovations are financed and completed. Tenants make an initial payment, equivalent to 3 months rent, to fund renovations, but then receive a 3 month rent-free period.

**Green Close Studios** bought a property in rural Lancashire at low cost. In addition to letting studio space, income is earned from renting out space to schools and community groups, for activities such as training for teachers, mentoring sessions, and hosting international residencies.

### **Hot Bed Press (Print Workshop & Studios)**

stress the importance of studios identifying their core strength and focus on this (i.e. studio provision), but in parallel, identify gaps and key skills and carve a niche. Hot Bed's own successes have included weekend and evening art courses, knowledge transfer programmes and courses in partnership with the Higher Education sector. In 2013 Hot Bed Press initiated year-long courses on a par with delivery of courses at Higher Education level, (although not accredited). These have been a huge success doubling the annual income overnight and adding value and quality to their services. Memberships, workshop usage, exhibition fees and sales of work make up the rest of the organisation's income.

**Cornwall Arts Centre Trust/Krowji:** Krowji, based in Redruth, is Cornwall's largest creative cluster location. It is run as a wholly owned subsidiary/trading company of the Cornwall Arts Centre Trust, providing studio space for approximately 110 creative practitioners. The initial refurbishment and improvements of approximately £100,000 were funded by reserves and local Council grant in 2005.





Krowji, Redruth, Cornwall. Photo: Laurence Sutherland Photography.

A registered charity, ACT/Krowji runs various programmes including Rural Touring Programme, Creative Skills (ESF funded training), Community Arts and Interreg (ERDF funded) projects. The scheme generates rental income of £100k with annual maintenance costs of £30-£40k. Importantly,

the project shares its salary and running costs with its parent organisation. This pooling arrangement makes the revenue finances viable. The project took about 5 years to build to 95% occupancy. There is a regular turnover of tenants - as much of the catchment comprises young graduates from Falmouth University, who move on, and then are replaced by the next cohort.

**Mother Studios** is a small self-funded project, started with borrowed money from the owner's parents' bank. The owner then took out loans, repaying each over a 5 year period, 7 years in all. One loan was on low interest, not from the bank but from a not-for-profit business start-up organization, the East London Small Business Centre.

In 1995 **Phoenix Brighton** was formed by a group of artists who got together and formed a legal entity (eventually the group registered as a charity). Phoenix received funding from the Single Regeneration Budget (SRB) to work in partnership with a Housing Association to buy the former office building in the city centre; the Housing Association bought adjacent land for a housing development. Phoenix Brighton

is now home to 100 + artists' studios, an education programme and a gallery showing an independent programme of contemporary art. Phoenix also works in partnership with a number of organisations to provide workspace, such as The University of Brighton, and also makes some income from venue hire.

**WASPS Studios** was established in 1997. One of the largest providers in the UK, it owns 20 sites around Scotland, mostly in urban areas, but also some rural locations including property on Shetland. 9 buildings constitute a £5m asset base: £15m has been invested in renovations, extensions and developments. The project is moving towards achieving 100% of its revenue income from trading activities, thereby removing its reliance on grant funding. The project has secured bank borrowing for purchasing buildings and grant funding has come from various sources including Creative Scotland, Lottery, Economic Development agencies, heritage bodies and grant giving trusts. The group is currently considering:

- Bringing in more creative industry tenants - thus raising rental income and cross subsidizing affordable studios.



Wasps, The Briggait, Merchant City, Glasgow, redevelopment of historic building to create artists' studios, creative and cultural business offices, exhibition and public space. Photo: Andrew Lee.

- Capitalising on the skills and assets of the organisation - offering property services to other cultural organisations.
- Identifying opportunities to increase partnership working on arts programming and curatorial projects.

## Further help and advice

Guidance on charitable status can be found here:

[www.charitycommission.gov.uk/Charity\\_requirements\\_guidance/](http://www.charitycommission.gov.uk/Charity_requirements_guidance/)

NFASP is the professional membership body for all those engaged in developing and managing affordable studios for artists in the UK. For further help and advice, visit the National Federation of Artists' Studio Providers (NFASP) website:

[www.nfasp.org.uk](http://www.nfasp.org.uk)

On the website, you will be able to access the following help:

- Perform a site search related to your enquiry.
- Access an extensive library of resource and guidance documents.
- Review the Frequently Asked Questions section.
- Join NFASP and access tailored support for members.
- Use the members' pages to ask a question online, or secure advice via the local and national networks.



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[www.nfasp.org.uk](http://www.nfasp.org.uk)

Cover:  
WASPS, Glasgow, artists' studios, creative  
business and social enterprise office space.  
Photo: Gillian Hayes at Dapple Photography.