

Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: February 27, 2007
To: Council Member Lisa Goodman, Community Development Committee

Subject: Juxtaposition Arts expansion acquisition loan

Recommendation: Authorize Acquisition Loan for Juxtaposition Arts expansion in the amount of \$165,000 at terms defined in this report direct the appropriate City officials to enter into loan agreement and approve the use of \$165,000 from the existing CDBG allocation for Community Economic Development Fund (CEDF).

Previous Directives: None.

Prepared by: Erik Hansen, Senior Project Coordinator 612-673-5022 Seitu Jones, CPED Artist-in-residence Approved by: Mike Christenson, Economic Development Director _____ Chuck Lutz, Deputy CPED Director _____ Presenter in Committee: Erik Hansen

Financial Impact

Action is within the Business Plan

Community Impact

Neighborhood Notification - Staff notified the Jordan Area Community Council of this action.

City Goals - Complies with Connected Communities and Enriched Environment Goals.

Sustainability Targets - N/A.

Comprehensive Plan - Business is consistent with the creation of retail choices on this commercial corridor.

Zoning Code - Use complies with zoning.

Living Wage/Business Subsidy Agreement Yes _____ No X

Job Linkage Yes _____ No X

Supporting Information

Juxtaposition Arts, a youth-focused arts organization at 2007 Emerson Avenue North, requested City support for its four-phased facility expansion into 1100, 1102, and 1104 West Broadway. Its request is for \$330,000 to fund part of the Stabilization phase of this project. The funds will be used to retire a contract for deed and perform structural improvements to the building. Proposed City sources for this project are \$165,000 from the Commercial Corridor Revitalization Program (CCRP) and \$165,000 from Empowerment Zone funds (EZ staff will present its portion for approval in March 2007). The \$165,000 in CCRP funds will be used for property acquisition. One-half of each loan will be subject to a forgiveness component that is described below. The total redevelopment cost for all phases is \$1,171,000 (see sources and uses below). City participation at this time will allow Juxtaposition Arts to take advantage of a rebate in the

original terms of the contract for deed of \$80,000, expand its operations and serve more Northsiders, and begin a redevelopment project identified in the Northside Economic Development Program (see Report to City Council August 22, 2006).

Project Details

The multi-phased redevelopment project will begin in 2007 and be completed in four years. Over this time, Juxtaposition will finalize its business plan to open a textile micro-enterprise anchor, complete pre-development activities and architectural design, finalize the development budget, and complete major rehabilitation construction of the entire structure. When the project is complete, the building will house a new textile arts retail facility, office/arts studio space, and improved retail space at the intersection of Emerson and West Broadway.

Phasing

Juxtaposition Arts will complete the project in four phases — feasibility, predevelopment, stabilization, and construction. The first three phases are focused on expansion of their space and the last is focused on improving other tenant space in the building. Juxtaposition is in the predevelopment phase and proposed City support will allow them to enter into the stabilization phase. In the stabilization phase, Juxtaposition will obtain fee title to the property through the retirement of an existing contract for deed. Under the terms of the contract of deed, the organization must make interest payments until 2011. In 2011, Juxtaposition must pay the entire sale price of \$200,000. The total obligation to the organization to retire the current contract for deed is estimated at \$230,000. The real estate that is subject to this contract for deed includes 1100 West Broadway and their current gallery and headquarters at 2007 Emerson. Juxtaposition Arts has the opportunity to reduce its obligation to the holder of the contract for deed by \$80,000 if it acts now.

After the organization gains fee title, it will complete two additional steps of the stabilization phase in 2007. First, Juxtaposition will complete structural and system repairs to stabilize the building. These repairs include updates to the electrical and HVAC systems, code improvements including replacing broken windows and other necessary facilities improvements. Second, Juxtaposition will open a youth-oriented custom textiles retail business. The total cost of this phase is \$430,000 (\$150,000 for acquisition, \$280,000 for soft costs, rehabilitation and loan restructuring).

After 2007, the organization will undertake the construction phase to complete a thorough rehabilitation of the remaining retail and second floor facilities. Juxtaposition Arts has proposed this approach to minimize impact to the organization's activities, to assure timely and needed cash flow, and to reduce overall risk to the organization. During this phase the organization will honor existing leases and as these expire will renovate each space into improved rental space. Juxtaposition will evaluate the market to determine the appropriate mix of tenants and tenant types. The tenant mix will focus on inspired enterprises that emerge from the people and cultures of the surrounding community. At the highly visible retail space at the intersection of Emerson and West Broadway, the organization will find a defining commercial enterprise concept. At this time the organization is developing this concept as a coffee shop/restaurant that will host performances and serve as a community gathering space.

Custom Textiles Retail Business

Juxtaposition Arts will revive its once profitable custom textiles and screen-printing retail business in the stabilization phase of this expansion project. Prior to moving into the Emerson location in 2003, Juxtaposition Arts ran a screen-printing business in its former location on Washington Avenue North. This business ran for more than five years when the organization made the strategic decision that it would stop operations. It made this decision because, due to operational space, it was not able to fill all requested orders, it was beginning a capital campaign for the new facility, and it knew the new space on Emerson would not accommodate this operation. When Juxtaposition expands into the West Broadway building, it will re-open the business and use it as an expansion of its mission to serve youth on the Northside.

The custom textiles business will include screen-printing, embroidery, airbrush and a custom shoe facility as well as a storefront boutique. Youth and young adults ages 14 to 22 will run the production shop and boutique and will be trained by and work under the mentorship of experienced adults. Skilled youth and young adults will learn computer design, screen-printing processes, marketing and promotion as well as all aspects of custom textile manufacturing. Juxtaposition has had preliminary conversations with area organizations for initial contracts.

Proven Track Record and Development Team

Juxtaposition Arts has a proven track record to complete similar scale redevelopment projects. In 2004, the organization successfully completed a \$600,000 capital campaign and major facility renovation to open the Northside's first public art gallery. To complete this project it was successful in securing funding from a number of local and national organizations including the McKnight, Ford, and Bush Foundations. The organization also received operational support from the Minneapolis Empowerment Zone.

For the expansion project, Juxtaposition has formed a strong team and is pursuing additional funding from local and national organizations. To assist in the expansion, its development team includes individuals from United Properties, Powderhorn Residents Group, Neighborhood Development Center, Pohlad Foundation, and Ford Foundation. The organization will secure remaining project costs from the Bush, McKnight, Pohlad, and Ford Foundations, Northway Community Trust, and the Local Initiative Support Corporation. Juxtaposition has secured \$156,000 of the needed \$841,000 from LISC, and Bush, McKnight and Ford foundations. Juxtaposition will apply for the remaining \$685,000 in 2007 and 2008.

Community Impact

Juxtaposition Arts has delivered a visible impact on the Northside. The proposed financing for its expansion will allow the organization to expand its mission and its impact on the community. As show in the attached *Juxtaposition Arts: Current Programs and Results* report, the organization has served the youth of the Northside. In FY2005 and FY2006, the organization had over 500 youth per year participate in over 20 free arts programs. It employed community artists, some graduates from its programs, and connected with higher education interns. Last year Juxtaposition installed 10 public artworks ranging from murals and sculptures on West Broadway to murals in the downtown Chambers Hotel. These installations had heavy involvement from its students in creation, development, and production. For some Northside youth,

Juxtaposition Arts was their only access to arts education due to reductions in arts education in the local public schools.

This project has other community impacts in addition to youth arts education and development. The rehabilitation of this building will enliven a building that is at the center of City led investments. The Emerson and West Broadway intersection is a primary area of focus for the West Broadway Alive! plan, the 1101 West Broadway redevelopment project, and the Public Works led Emerson/Fremont study. In conjunction with these activities, the redevelopment of the strategic building will multiply the over all impacts and contribute to the unique identity of West Broadway and the creation of it as a destination.

The role of art and community development

Artists contribute to the Minneapolis cultural landscape, but these contributions have more than cultural gains. The arts economy is generally measured by the business generated before or after a performance or gallery opening, by nearby stores, restaurants, nightclubs, and parking lots. This economic model does not acknowledge the direct impact that artists and art centers make on local and regional economies.

Art centers are the places where artists come together to work, share equipment, rehearse, perform, exhibit, share ideas, and teach. Artists are hired by art centers and artists pay art centers for the use of space and equipment. Art centers provide opportunities for meaningful exchanges between artists and community members.

There are art centers in Minneapolis organized around media, like the Northern Clay Center, the Loft and Minnesota Center for Photography. Some are organized around specific communities, like Intermedia Arts, Homewood Studios and The Heart of the Beast. There are art centers that are organized around a specific population, like Intertact Center for Performing Arts. A small number of art centers like Juxtaposition are not confined by the boundaries that define some and see themselves not only providing a set of artistic services to a community or neighborhood, but also placing themselves in the role of developing the neighborhood. An art center can be a community benefit and attract other development.

Sources and Uses/Pro forma for Expansion (All Phases)

Sources of Funds		
Entity	Amount	Status
CPED Commercial Corridors	\$165,000	Pending
Empowerment Zone	\$165,000	Pending
LISC	\$35,000	Committed
Bush	\$6,000	Committed
McKnight	\$100,000	Committed
Ford #1	\$15,000	Committed
Pohlad	\$300,000	Apply 2007
Ford #2	\$250,000	Apply 2007
New Source Not Identified	\$135,848	Apply 2008
Total Sources	\$1,171,848	
Uses of Funds		Cost
Feasibility Phase		
Appraisal (as-built & as complete)		\$4,200
Survey		\$800
Development Consultant (NDC)		\$3,500
<i>Total Feasibility Phase</i>		\$8,500
Predevelopment Phase		
Social Entrepreneurship Development		\$15,000
Arts Program Consultant (Borrupt)		\$3,000
Development Consultant (NDC)		\$10,000
Legal Counsel		\$5,000
Architectural (schematic)		\$10,000
Construction Estimation		\$2,500
Closing Fees		\$2,000
<i>Total Predevelopment Phase</i>		\$47,500
Stabilization Phase (City Participation)		
Soft Costs		\$15,000
Acquisition		\$150,000
Refinance of Prior Loans		\$130,848
Façade improvement and code work		\$135,000
<i>Total Stabilization Phase</i>		\$430,848
Construction Phase		
Rehab Costs		\$500,000
Architectural Fees		\$40,000
Furnishings & Equipment		\$100,000
Development Consultant Fees		\$15,000
Predevev Costs (repay LISC loan)		\$30,000
<i>Total Construction Phase</i>		\$685,000
TOTAL PROJECT COSTS		\$1,171,848

Stabilized Proforma					
Income	2010	2011	2012	2013	2014
Rent Receipts and Fees	75,764	78,792	81,949	85,240	88,672
Vacancy (15%)	(11,365)	(11,819)	(12,292)	(12,786)	(13,301)
Gross Income	64,400	66,974	69,657	72,454	75,371
Expenses					
Total Operating	35,953	37,212	38,514	39,862	41,257
Net Operating Income	28,446	29,762	31,143	32,592	34,114
Cumulative Cash Flow					
Replacement Reserves	2000	2000	2000	2000	2001
Debt Service					
CPED Commercial Corridors	(6,799)	(6,799)	(6,799)	(6,799)	(6,799)
Empowerment Zone	(6,799)	(6,799)	(6,799)	(6,799)	(6,799)
MN Nonprofit Assistance Fund	(10,000)	(10,000)	(13,249)	(13,249)	(13,249)
Total Debt Service	(23,598)	(23,598)	(26,847)	(26,847)	(26,847)
Net Profit (Loss)	2,848	4,164	2,296	3,746	5,266
DSCR (with Reserves)	(1.12)	(1.18)	(1.09)	(1.14)	(1.20)
DSCR (without Reserves)	(1.21)	(1.26)	(1.16)	(1.21)	(1.27)

Loan Terms

Juxtaposition Arts, Inc. requests a loan of \$165,000 in CCRP funds to finance acquisition related to its expansion project. It has applied for an additional \$165,000 in Empowerment Zone funding with identical terms.

The proposed loan has a twenty-year repayment schedule based on a twenty-year amortization with one-half of the principal eligible for retirement through a forgiveness clause. The loan will have a 4 percent interest rate, interest will accrue on half the loan immediately and payments will begin at project stabilization in 2010.

Loan Amount	\$165,000.00
Interest Rate	4.00%
Term (years)	20
Amortization Period (years)	20
Principal subject to forgiveness	\$82,500
Monthly Payment (240)	\$566.58
Annual Debt Service	\$6,798.95
Repayment Start Date	01/01/2010
Collateral	Real Estate Mortgage

Forgiveness Clause

As a public investment into Northside arts and youth development, staff is recommending Juxtaposition Arts be able to have up to half of the loan forgiven. In previous city participation on corridors such as Franklin Avenue and Lake Street financial structures included forgiveness or conversions to grants. To achieve additional community benefits staff recommends a performance based forgiveness structure for a portion of this loan. Forgiveness will depend on the organization hitting contractually defined targets of service to youth, creation of jobs, creation and installation of artworks, and other similar targets. Staff will work with the Empowerment Zone and Juxtaposition Arts to determine these benchmarks. The City will forgive 1/20th of the total principal amount (\$8,250) each year for ten years if Juxtaposition hits performance targets each year. The total forgivable amount for this loan is \$82,500.

Risk Assessment

- Strengths

Juxtaposition Arts has a proven track record of undertaking and completing development project of this size. It has assembled a team of experts that will assist in the management of the project including JoAnna Hicks of United Properties, Mike Temali of Neighborhood Development Center and David Rubedor of Powderhorn Residents Group. Each has extensive experience in urban redevelopment projects. Juxtaposition has established relationships with funders and success in capital campaigns. It has made strategic decisions not to proceed too quickly in order to minimize the risk to the organization. The organization has a project proforma that shows revenues available for debt service to provide a 1.12 (with reserves) and 1.21 (without reserves) debt service coverage ratio or better in each year after stabilization (if it hits its forgiveness targets). The assessed value of the real estate is \$523,000 yielding a 32 percent loan-to-assessed value rate for the commercial corridors loan and a 63 percent loan-to-assessed value rate for all proposed City funds. The organization can realize an \$80,000 savings on the building if it acts now. The organization has committed and invested in the community and has shown positive results.

- Weaknesses

The organization has to rely on philanthropic assistance to complete the project. Loss of these sources could delay the project. The tenant mix is not yet known and their textile business has been dormant for more that four years. The organization does not have sufficient cash flow to cover debt service if it does not hit forgiveness targets.

- Risks

External forces, such as crime rates and consumer patterns, can affect lease rates that could negatively impact the proforma.



CURRENT PROGRAMS AND RESULTS

Juxtaposition Arts is a North-Minneapolis based, youth focused, community visual art center, founded in 1995 by three Northside residents. Since 2004 following a \$600,000 capital campaign and major facility renovation, Juxtaposition opened the door to the Northside’s first public gallery and youth art studio. City of Minneapolis funding support from the Empowerment Zone helped to fund Juxtaposition’s programs and operations from 2004-2006. In turn, Juxtaposition Arts has delivered pronounced impact in the community by engaging youths, promoting entrepreneurship, leveraging higher education and national foundation resources, bringing the community together, and transforming physical spaces.

Last year more than 500 youth participated in Juxtaposition’s programs. We employed and provided professional development training for 30 young adult artists half of whom are graduates of our program. More than 2,400 patrons attended art openings and other public events last year. Thousands of people throughout the city benefit from the public artwork that Juxtaposition is best known for; youth designed and rendered murals, sculpture gardens, and other visual claims to public space that transform non-descript blighted surfaces into eye-catching destinations and reflections of the voice of the community.

CUMULATIVE IMPACT

	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>
Engaging Youth				
Youth served	572	600	300	286
Youth Programs	25	21	20	21
Entrepreneur and Economic Dev				
Contracted artists	32	14	14	5
Bringing Community Together				
Public event attendees	2400	1400	1000	975
Collaborative Partners	50	34	20	21
Exhibitions and other public events	30	22	15	15
Transforming Physical Spaces				
Redevelopment projects	0	0	1	0
Murals, Public Artworks & Commissions	10	4	4	5
Other				
Full-time staff	3	2	3	3
Part-time staff	1	0	0	0
Higher Education Interns & Volunteers	57	48	11	21

ENGAGING YOUTH

Youth Education

Juxtaposition Arts offers FREE studio, school residency and public art programs where young people work in small group settings with adult artists to study, create, interpret, exhibit, and sell their art. We begin by encouraging the natural creative abilities of youth and find ways to direct their positive energy toward making colorful contributions to the streets, neighborhoods and community life.



Juxtaposition Arts, Inc.

Attachment A

Juxtaposition's programs are not about arts for arts sake or simply focused on traditional arts education. Juxtaposition leverages the arts as a path to independent livelihood and independent thought! Kids in our program study non-traditional artists and mediums alongside the traditional masters. They learn about Picasso, Monet, John Biggers and Keith Haring side by side with studying and working with urban art masters like Lady Pink, Faith47, Crash and the TATS CRU. Juxtaposition's in-school residency programs provide access to the arts for K-8 students who do not have arts classes at school. (Most Northside K-8 public schools have cut arts classes over the past five to ten years.) Our roster of residency teachers includes visual artists (muralists, sculptors, photographers designers), architects and landscape architects and other professionals.

Juxta's goal is that at least 50% of the youth in its in-studio programs are from the Northside. In the two years in our new center enrollment has exceeded this goal. About 70% of current participants live within walking distance of Juxta. About 33% of the kids who participated in last year's programs were returning enrollees who have been involved with Juxta for more than one year. These students serve as mentors for their less experienced peers.

Kids in Juxtaposition's program tell us they participate because of the uniqueness of the organization meeting them where they're at, and helping them to grow from there. Juxtaposition's leaders value youth as assets in our community. We believe that youth are teachers, visionaries and catalysts that are largely untapped wellsprings of energy and creative genius!

The need for Juxtaposition's programs in North Minneapolis is demonstrated in the organizations service numbers since locating in a new space at West Broadway and Emerson Avenue North. Since 2003 there has been a 100% increase in the number of youth Juxtaposition reaches; from 300 youth served in 2003 to 600 youth served in 2005.

Best Practices Education

Juxtaposition conducts public art tours and slide shows for K-12 schools and universities. The three organization leaders are frequently requested to share their experiences and best practices by conducting educational symposiums to professionals in a cross discipline of fields such as health professionals, social workers, North Minneapolis non-profit leaders, architects, city park workers and philanthropists. In the past year, arts and community development colleagues from California, Chicago, Detroit, New York, Leeds U.K. and Christ Church New Zealand came to tour Juxtaposition's facility and learn about our work!

PROMOTING ENTREPRENEURSHIP & ECONOMIC DEVELOPMENT

Creative Entrepreneurship

In addition to being a safe space for youth to create Juxtaposition trains youth and emerging adults on the business of being an artist. One of the founding pillars of Juxtaposition's work is to provide opportunities for artists to experience the economic possibilities of creative expression so that they can better control their personal economies.



Juxtaposition Arts, Inc.

Attachment A

Juxtaposition provides youth and emerging adult artists with access to opportunities to make a living doing murals, customizing sneakers with individualized designs, airbrushing clothing, banners, backdrops and commercial advertisements and finding myriad ways for creativity and commerce to coexist.

Adult Artist Professional Development

Juxtaposition is a place where emerging adult artists can display their work, receive mentoring, make connections, learn about professional opportunities and share their experiences and knowledge with the next generation as instructors in our youth programs.

Juxtaposition identifies promising adult artist-teachers who have great potential but limited experience as teachers. We provide emerging artist-teachers with the opportunity to advance professionally through hands-on-in-classroom-experiences. Training artist teachers expands our human resource capacity. Juxtaposition contracted with 32 artists last year, approximately half of whom are graduates of the Juxtaposition youth programs.

BRINGING COMMUNITY TOGETHER

Community Access to the Arts

At the core of Juxtaposition’s work is increasing access to and value for the arts in North Minneapolis. Juxtaposition’s gallery is available for several community-initiated shows a year. In 2005 Juxtaposition graduates Ernest Bryant III and Josh Lemke had solo shows here. In 2006 Juxtaposition hosted a community exhibition titled *Trip Tick* a Juneteenth showing of work by Wisconsin artists at Homewood Studios, Juxtaposition Arts and Obsidian Arts. (These are just two of the fifty partners Juxtaposition presented programs with in 2006.) Juxtaposition’s gallery is becoming a North Minneapolis destination place with an average of 200 guests visiting the gallery each month.

Juxtaposition was one of the groups responsible for *Flow*, the first ever North Minneapolis art crawl, that took place in July 2006. *Flow* was a true collaborative undertaking involving the Northside Arts Collective, the PEACE Foundation, Homewood Studios, Cub Foods, the West Broadway Business Association to name a few. It brought hundreds of people onto the streets of North Minneapolis to see and participate in the arts as well as spend money with local merchants. Peter Scholtes from City Pages describes *Flow*:

[AN ART CRAWL ON THE NORTH SIDE? BELIEVE IT](#) *Flow*, the first-ever North Minneapolis art crawl, takes place Friday from 6:00 p.m. to 10:00 p.m. (more [here](#)) with music, dancing, and art along West Broadway--check out the full [map and schedule](#), and the [flyer](#), at [Citypeace.org](#). Highlights include live shows at the Cub Foods Stage (see below for all addresses), the [Capri Theatre](#), [Bean Scene](#), and [Tatta Bunna](#). But the center of activity will be [Juxtaposition Arts](#) (just off Broadway, at 2007 Emerson Ave. N.), where youth can join a collaborative art project created during the event, spraypainting garbage cans on West Broadway. These organizations are pretty much the surviving beacons of culture and hip-hop on the North Side amid [violence](#) and the recent closings of two neighborhood independent record stores. - City Pages, July 2006

TRANSFORMING PHYSICAL SPACES



Juxtaposition Arts, Inc.

Attachment A

Community Cultural Development

There is a growing body of evidence and recognition of the value of community-based cultural organizations to contribute to and leverage positive economic and social development.

Juxtaposition believes it has a unique opportunity and capacity to help transform both the image and physical aspects of its community, and to help neighbors and visitors alike gain hope and overcome fears.

Northsiders have consistently expressed a want for more art and culture as a galvanizing tool in the neighborhood. Residents say that they desire more green space, more public art, cleaner streets and more educational opportunities and jobs for youth. They say they want a Northside destination place. Juxtaposition is part of a growing citizenry that recognizes that the arts are a core value that groups in the area can rally around!



Juxtaposition Arts, Inc.

Attachment A

Last Spring dozens of neighborhood kids 8-17 years old participated in an after-school design program through which they were introduced to the field of urban design and architecture and crafted visions and concept models for physical improvements to their community. Partnerships with the University of Minnesota architecture and design programs brought additional expertise and resources to the project. Next, youth applied new skills to design an art pocket park and a two-dimensional mural for a railroad bridge at the east gateway area of West Broadway. The park installation began in May 2006. The site incorporates a 30-foot steel wall, life-size chessboard and chess pieces and a mosaic tile mural. An exuberant community dedication and celebration marked the park's completion on August 27, 2006.

Also, this summer, youth artists from Juxtaposition designed and hand-painted light post art banners that hang on West Broadway Avenue between Dupont and Fremont Avenues. The goal is to rotate the banners on a yearly basis and to eventually have art banners all along Broadway from the city limits to the River.

Juxtaposition makes important contributions to the broader Minneapolis community in addition to its work on the Northside. For example Ralph Burnet recently commissioned Juxtaposition artists to design and paint a 5-story mural in the stairwell of his new award winning art boutique hotel, The Chambers. Juxtaposition artists have the prestigious designation as the only local artists to be featured permanently in the art collection of the new five-star hotel located in downtown Minneapolis.

JUXTAPOSITION ARTS' SUCCESS STORIES

The proof of the power of the arts and Juxtaposition's work is best illustrated in the success stories of two of our long-term students. Nineteen-year-old Jonah who participated in Juxtaposition since he was twelve graduated from high school in 2006. He is now a freshman at Harvard University, where he will focus on his studies as well as continuing to run his t-shirt design company that he started with fellow Juxtaposition artist Alex last year.

Ernest who is now twenty-seven has been involved with Juxtaposition since he was sixteen; initially as a promising youth artist in our programs; then as a teaching assistant and role model to younger students; later as a Juxtaposition lead instructor. Last year Ernest graduated from the Minneapolis College of Art and Design. In 2006 he received the prestigious Jerome Visual Art Fellowship and the Bush Artist Fellowship to study with master artists in Greece, West Africa and Spain. Until he begins his travels in 2008, he will continue renting one of Juxtaposition's studio's at 1100 West Broadway and teaching youth workshops at Juxtaposition.