

Zero-Commute Futures: Opportunities for Live/Work Housing in North Saint Paul

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Opportunities for Live/Work Housing in North Saint Paul

Introduction

The City of North Saint Paul applied for a Metropolitan Council Livable Communities grant in 2011. During this process, the City created a redevelopment plan toward the vision of being “an extraordinary small town in the cities” (City of North Saint Paul, 2014).¹ As a part of this greater redevelopment plan, new approaches to land uses and opportunities for economic growth were explored. The City of North Saint Paul seeks to maximize use of space to its highest and best use, leading to higher job creation and retention rates and increasing the tax base of the community. This report provides a summary of live/work housing as an opportunity for creation of the mix of housing choices in demand in the community and to expand the economic base of North Saint Paul through job creation. It will highlight relevant national case studies, necessary considerations for proper zoning and policy to support live/work housing, and specific sites in the community recommended for this kind of development. It takes into account public documents, academic analyses, and interviews with local developers of live/work housing to provide well-informed recommendations to the City Council.

Setting

North Saint Paul is situated in the North-Eastern corner of the Minneapolis-Saint Paul MSA. It spans approximately 3.1 square miles (2.85 square miles of land) and contains a 6-block Central Business District where a mix of commercial and business activities are focused. As a former industrial village, North Saint Paul is a suburb that holds to its small-town aesthetic while also being integrated into the greater MSA region.

Based on the Official Zoning map provided by the city of North Saint Paul, the community is primarily made up of single-family homes (two Single Family Residence Districts) with lot sizes ranging between 7,800 square feet to 10,000 square feet. The next largest district is the Diversified District, which is located directly to the East and West of the Central Business District.²

According to the US Census Bureau in 2010, the population of North Saint Paul was 11,460 people, with 4,615 households. The population density overall was 4,021.1 persons per square mile. In 2010, 81.2 percent of the population was white, 7.0 percent was black, 6.6 percent was Asian, 4.9 percent was Hispanic, 2.9 percent was more than one race, 0.1 percent was Pacific Islander, and 0.06 percent was American Indian. Of the 4,615 households recorded in 2010, 30.7 percent included children under the age of 18. The average household size was 2.47 people, and the median resident age was 38.5 years. The median household income 2008-2012 was around \$52,073—below the state median of \$59,126.

In 2010, the housing stock density of North Saint Paul was 1,691.9 housing units per square mile. The homeownership rate in North Saint Paul is significantly lower than the state as a whole, at 66.9 percent. In 2010, 27.7 percent of North Saint Paul’s housing units were in multifamily structures. In 2007, there were 804 firms located in North Saint Paul. The average person traveled approximately 23 minutes per day to work in each direction in 2010, which is an increase since 2000.³

² City of North Saint Paul Website. 2013. “Welcome to North Saint Paul.” *City of North Saint Paul*. <http://www.ci.north-saint-paul.mn.us>. Accessed March 30th, 2014.

³ US Census Bureau. 2010. <http://quickfacts.census.gov/qfd/states/27/2747221.html> Accessed April 5th, 2014.

¹ City of North Saint Paul Website. 2013. “Welcome to North Saint Paul.” *City of North Saint Paul*. <http://www.ci.north-saint-paul.mn.us>. Accessed March 30th, 2014.

The 2011 Downtown North Saint Paul Housing Study identifies the need and growing demand for rental housing targeted at people making under \$60,000 per year as a primary growth area for the market. 90% of that demand will be in apartments of two-bedrooms and smaller and half of that demand will be in one-bedroom apartments under 1,000 square feet. With the proximity to the downtown commercial zone, on-site amenities may be of less significance but the need to differentiate developments in a competitive market is still crucial. Promoting live/work units and the vibrant and economically diversified communities they bring could set North Saint Paul apart in the competitive rental sector.

A Profile of Live/Work Housing

Across the nation, urban planning and design has seen a marked shift back to walkable communities. As early as 1980, examples of intentional live/work housing and business designs were formulated in some of the highest-commute cities in the nation. live/work housing (sometimes referred to as zero-commute living) is any structure which provides both residential and work space in a single property. Residents or non-resident employees may work on site. It exists as a form of land use which is neither commercial nor residential alone, but a combination of the two. According to Dolan (2012), most residents of live/work housing will work within a quarter mile of where they live. Research shows that

“The average US resident has a 25.4 minute commute in each direction.”

the past 25 years have seen a 70% increase in self-employment.⁴ Similarly, at the national level, an average of 4% of all MSA residents work from home. In the Minneapolis-Saint Paul MSA, the percentage of people working from home has steadily increased over the past 10 years from 3.7% to 5% in 2010.⁵

⁴ Moss, M L, & Moss. 1997. “Reinventing the central city as a place to live and work.” *Housing Policy Debate*, 8(2): 471-490.

⁵ Data analyzed from the 2000 Census, 2005 1-Year American Community Survey, and 2010 1-Year American Community Survey

This population which increasingly works from home tends to be “better educated and more affluent than those who commute to a conventional workplace every day.”⁶ Despite being difficult to quantify, the market for live/work housing is certainly greater than the current number of live/work residences would suggest and is likely to grow

at www.census.gov.

⁶ Dolan, Thomas, Laurie Volk, and Todd Zimmerman. 2012. “The Amazing Flexhouse.” *ArchitectureWeek*. http://www.architectureweek.com/2012/0620/culture_1-2.html. Accessed March 20th, 2014.



The new North Saint Paul Town Hall as photographed by the Hoisington Koegler Group for the Redevelopment Master Plan (2012).

as U.S. communities reurbanize. Live/work real estate developers and municipalities simply need to respond appropriately to match the development potential. Live/work design is inextricably linked to Greenfield New Urbanist ideas and “complete neighborhoods,” where most—if not all—of a household’s necessities exist within a 15-minute walking distance. Therefore, when discussing live/work housing as a model for construction, it is important to consider the neighborhood features and design surrounding the development to successfully integrate the ideals of the model.

Live/work housing has become increasingly popular among consumers over the past 40 years for a number of important reasons:

1. **It is affordable.** By eliminating the rent payment of an office space, the resident theoretically saves on the rent of a workspace. Additionally, they save money devoted to transportation costs by eliminating their daily commute. Businesses benefit as well. With the increased web access and technological tools which make face-to-face interaction less necessary in business and education, more companies are choosing to save on office rental space and offer telecommute options to their employees. Developers also benefit from cost savings by creating live/work housing, as they are generally designed for flexibility of use and don't require certain design features—such as ceiling paneling or additional walls.

2. **It saves time.** According to the U.S. Census Bureau, the average U.S. resident has a 25.4 minute commute each direction.⁷ In North Saint Paul zip code 55109, according to 2010 Census data, the average resident commutes 23.3 minutes each direction. Residents that choose to work where they live in North Saint Paul could save an average of 233 minutes per week of travel time, or about 202 hours per year simply by eliminating their commute time.

3. **It matches the needs of changing demographics.** Nationwide, we are noting an increase in number of two-income households, in which one or both individuals spend some portion of the work week telecommuting from home.⁸ The advantages of being able to work when you want and where you want have also been studied and heralded as revolutionizing employee efficiency.⁹

4. **It matches popular urban design features.** As a result of a variety of factors, any metro areas are seeing a return to interest in walkable communities, human-scaled design, and more dense living environments. New construction live/work housing tends to be located near urban services, amenities, and transit—indeed, it often thrives in such a community. In light of the current appeal of this type of living environment and its known benefits of decreasing automobile use, many cities are encouraging this form of development by modifying zoning codes and providing other incentives.¹⁰

5. **It is flexible.** Residents and city officials alike benefit from the flexible nature of live/work housing. In challenging economic times, such spaces can easily change or adapt their use to meet changing needs of residents or the community.

6. **It is environmentally responsible.** Based on the commute of the average North Saint Paul resident, a conservative estimate is that they will put about 3.22 more tons of carbon dioxide into the atmosphere every year.¹¹ This is a contribution to climate change that can be completely eliminated via live/work housing.

7. **It fosters economic development and diversifies local economy.** Live/work housing offers more flexible options in uncertain economic times, providing for a mix of compatible uses in a single structure. It grows a community's tax base, spurs current property taxes to increase, and creates job opportunities. Such "ripple effects" are commonly cited by developers as good for business and good for communities.¹²

7 Map: Average Commute Times in US. *Press & Guide*. March 6th, 2013. <http://www.pressandguide.com/articles/2013/03/06/news/doc513755d0bac06352939317.txt>. Accessed March 29th, 2014.

8 US Census Bureau, 2010. www.census.gov. Accessed March 26th, 2014.

9 For one such example, see the Cisco Teleworking Survey completed in 2009. A summary of their findings is located at http://newsroom.cisco.com/dlls/2009/prod_062609.html. Accessed March 29th, 2014.

10 Benfield, Kaid. 2012. "How the evolving housing market will help sustainable communities." http://switchboard.nrdc.org/blogs/kbenfield/does_the_housing_market_still.html. Accessed March 18th, 2014.

11 "Carbon Neutral Commute." 2013. *The Carbon Neutral Company*. <http://www.carbonneutralcalculator.com/commutecalculator.aspx>, accessed March 19th, 2014.

12 Kurtze, Heidi and Mary Novak. 2014. Private Sector Development Course Presentation, University of MN. April 21st, 2014.

8. It brings vacant and underutilized spaces back onto tax rolls.

By boosting area property values, live/work developments can have a significant impact in communities. One live/work development studied in 2011—the Tashiro Kaplan in Seattle, WA—grew from an appraised value of \$2.8 million in 2003 to \$16.9 million in 2010. The same property paid \$500 in property taxes in 2003, and over \$28,000 per year in 2010. Looking over a 2.5-mile radius, it is estimated that the Tashiro Kaplan increased area property values by about \$14,679 per house or condo.¹³

9. It creates positive externalities in the community.

Numerous studies reveal the social benefits and community revitalization that results from developing live/work communities. Live/work developments can have a negative impact on crime and revitalize communities, in many cases without gentrification-led displacement.¹⁴ One study done by live/work developer Artspace shows that the Tashiro Kaplan development saw greater job growth surrounding the development as compared to the greater county in which it is located.¹⁵ When done well, they can create vibrant, attractive places to live and work.

This report will focus primarily on new construction projects in light of the opportunities defined in the North Saint Paul 2008-2030 Comprehensive Plan and the Redevelopment Master Plan. First, we will outline the specific types of live/work housing which exist, and define some key terms that will be used throughout the report. Then, we will determine the necessary zoning and space requirements for a live/work housing development, ultimately situating this study in six different potential live/work development sites in the city of North Saint Paul. We

will then describe a number of national case studies for large-site and small-site live/work housing of various proximity types which would be appropriate models for the North Saint Paul sites identified. The case studies in this report were chosen as examples of guiding best practices and promising designs for live/work housing specifically for the North Saint Paul context. Next, we discuss promising funding and incentive options, as well as a summary of the overall cost of live/work housing as it would relate to a similar-scale residential or commercial-only development. The report concludes with policy recommendations and action points for the city of North Saint Paul as it considers live/work housing as a means to enhance the fabric of its community.

Types of Live/Work Housing:

Overview

This section of the report will define and describe the three basic proximity types of live/work housing.

Live-With Often referred to as “loft” housing, this kind of live/work housing combines living and working space into one common location. It is the style of housing most often associated with “artists lofts,” where the architectural design of the space is often marked by minimal walls and design features. The emphasis is on openness and flexibility of space, with highest-possible ceiling heights.

Live-Near This type of live/work housing provides moderate separation from live and work uses, but still combining the two uses in the same physical structure. The typical separation is either a floor or a ceiling, clearly separating the two uses. This kind of separation can be beneficial in cases where exposure to hazardous materials or high-impact work would be associated with the workplace. A common example would be a townhouse design with a commercial use on the first floor and residences on upper floors. Live-near housing is slightly less flexible than live-with housing, but still provides great flexibility in uses. For example, depending on the economic opportunities in a neighborhood and the building’s design, a three-level live-near building might use the first floor for work and the top two floors for residential use, both the first and second

¹³ Lindquist, Kelley. 2011. “Taking a Measure of Creative Place-making.” *Artspace* publication.

¹⁴ Artspace. 2013. “The Art of Creative Placemaking: An Artspace Report.” *Lessons from 30 Years in the Field: Best Practices in Affordable Artist Housing*.

¹⁵ Lindquist, Kelley. 2011. “Taking a Measure of Creative Place-making.” *Artspace* publication.

floors for work and only the top floor for residential use, or even up to all three levels for residential use alone.

Live-Nearby The live-nearby proximity type is most relevant for work types that require machinery, hazardous materials, or excessive noise. In this model, only a short walk separates the living space and the working space on a shared plot of land. Classification as live-nearby housing (as opposed to simply mixed-use) allows for existence in places where either residential, commercial, or light industrial space alone may be otherwise prohibited.

Figure 1 outlines these three proximity types along with the types of work that could be seen in each one. Any uses described in live-with could also be present in live-near or live-nearby, and any uses listed in live-near are also compatible with live-nearby. Also included are the minimum lot size guidelines for each type of live/work development. Note that there is significant flexibility in the unit size and lot size requirements for a successful development; the most attention must be paid to the types of work uses that will be present and the minimum requirements for those future occupants. Any of these types of live/work housing may be compatible and convertible to residential, commercial, and mixed-use options, with live-nearby also offering the added option of light industrial uses. Units typically should cap at 1,500 square feet of living and working space, though unit sizes up to 3,000 square feet can be granted upon receipt of a conditional use permit which will depend on North Saint Paul’s revised land use zoning regulations (see the “Zoning” section to follow in this report). Live/work housing should not exceed 3,000 square feet based on International Building Code Section 419, except in live-nearby housing where fire-rated occupancy separations have been provided. In terms of size of the development, most developers prefer lot sizes of about 25,000 square feet or more, as this is the most cost-effective and ultimately profitable (see the “Funding and Financing” section below). More information on the specific regulatory and zoning needs required to facilitate the development of live/work housing in North Saint Paul will be outlined in the “Zoning” section found further along in this report.

Figure 1: Requirements of Live/Work Proximity Types¹⁶

Live/Work Proximity Types	Description	Work and Use Categories	Unit Size Requirements	Recommended Lot Size for Development	Compatible North Saint Paul Districts
Live-With	Residential space and workspace are one and the same	Radio, Home Office, Artist, and Custom Manufacturing	800-1,500 square foot living space, work space should not exceed 10% of the unit area (capped at 1,500 square feet)	25,000 - 700,000 square feet	Central Business District, Diversified District
Live-Near	Residential space and workspace are separated by a wall or ceiling	Antiques, Wholesales, and Junk Sales	800-3,000 square foot living space, work space should not exceed 10% of each unit space	35,000 - 700,000 square feet (based on minimum lot sizes set forth in The North Saint Paul Code of Ordinances Ch 154.204)	Diversified District
Live-Nearby	Residential space and workspace occur in different structures but on the same property	Auto Repair and Customization, Lumberyard, Courier Services, Call Center	800-3,000 square foot living space, work space separate from living not to exceed 5,000 square feet	Note that the maximum accessory building area on a one or two unit lot is equal to the lot width squared for a two story structure	Diversified District

¹⁶ Information on the proximity types and unit size requirements were compiled from Thomas Dolan’s *Live-Work Planning and Design: Zero Commute Housing* (2012), published by John Wiley & Sons, Inc. Custom manufacturing (under live-with) includes craftsmanship activities and the creation of artisan products, including small-scale equipment or simple hand tools. Custom manufacturing is a light industrial activity that does not produce disruptive outcomes such as fire hazards, noise, or pollution that would be incompatible with residential land uses. Examples of custom manufacturing include (but are not limited to) fabrication of: musical instruments, custom clothing, custom jewelry, small-scale custom furniture, art pieces, beverages (including alcoholic beverages), appliance repair, and photography.

Types of Live/Work Housing: Definitions

Before continuing with the guidelines for selecting an appropriate site for Live/Work Housing, several key terms must be defined, including common synonyms for live/work housing.

District—A portion of a city in which there is one dominant land use or design-based code. For example, a warehouse district, airport, or arts district.

Form-Based Code—An urban planning and design method for regulating community form over function, meaning that a predictable physical form of the built environment is maintained with a lesser focus on the existing land uses.

Live/Work Housing—Also known as Zero-Commute Housing.

Live/Work Neighborhood—A neighborhood in which the majority of the working individuals also work within five minutes of where they live and can meet most daily needs within a fifteen-minute walk radius. Also known as a lifelong neighborhood or complete neighborhood. Many live/work neighborhoods are also walkable neighborhoods.

New Urbanism—An urban design movement which focuses design efforts on creating mixed-use, walkable, human-scale communities of relative density and compactness. Also known as Smart Growth.

Figure 2: A Rural-Urban Transect



Live/Work flexhouses in Boulder, CO (as photographed by the Hoisington Koegler Group, 2012)

Urban-to-Rural Transect—A helpful tool developed by Duany Plater-Zyberk and widely used among New Urbanist designers and planners ascribing to form-based codes. In this tool, six different transect zones correspond to increasingly dense urban development from T1 to T6 (outside to inside). These zones are helpful in defining types of live/work housing. T1—Natural Zone; T2—Rural Zone; T3—Suburban Zone; T4—General Urban Zone; T5—Urban Center Zone; T6—Urban Core Zone. The original transect created by Duany Plater-Zyberk is shown as Figure 2, reprinted from the Miami-Dade Parks and Open Space Master Plan.¹⁷

Walkable Neighborhoods—A community in which any given resident can meet their most basic living, recreational, alimentary, and work needs within a fifteen-minute walking radius from home.

Zero-Commute Living—A view of human settlements which is currently growing in popularity, which advocates for walkable neighborhoods.

¹⁷ The original image source can be located at <http://www.miami-dade.gov/parksmasterplan/parks.asp>. Accessed May 29th, 2014.

Selecting an Appropriate Site for Live/Work Housing

Live/work housing is ideally suited for integration into existing multi-use areas where residential, commercial and even light industrial may coexist. Live/work housing can be a catalyst for reinventing dynamic neighborhoods because they bring in new and thriving businesses as well as residents in central districts. With the focus on walkability and integration, live/work housing benefits from proximity to other businesses and amenities, transportation options, schools, and community with other live/work developments.¹⁸

The North Saint Paul Redevelopment Master Plan identifies a number of priorities that live/work housing can accomplish. Live/work housing can serve to increase density and diversity in the downtown area with smaller residence and vertical design. The construction of zero-commute housing can prioritize the focus on pedestrian traffic among a core population within the downtown district and can spur greater focus on walkability. Live/work housing can serve as a transition between residential and business districts, allowing for a gradual change in use and perception among visitors.

Depending on large-site or small-site, or their intended use, there are other considerations that may be important when choosing where to place live/work housing. When considering live/work development in a community, attend to the recommended lot sizes as outlined in Figure 1. Further considerations will be addressed in their respective sections.

Site Identification in North Saint Paul

Through analysis of the North Saint Paul Redevelopment Master Plan compiled in December 2012 by the Hoisington Koegler Group, six potential sites for live/work housing were identified. These sites are recommended as starting points for the city to consider live/work development, though the final decision on siting must be made in collaboration with the particular developer.

Site 1: Anchor North Site

This approximately 11-acre site sits near the west edge of the Downtown Redevelopment Area in the zone identified as the McKnight Employment Center in the 2012 Redevelopment Master Plan. It is bordered by North Saint Paul Drive on the North, 3rd St North on the East, McKnight Road North on the west and the Gateway State Trail on the south.¹⁹ Already zoned as a Diversified District and identified as having high redevelopment potential, this location's history of industrial use and relative isolation from other residential locations could make it an ideal location for live/work that includes light industrial uses.

Figure 3: Image of the Anchor North Site

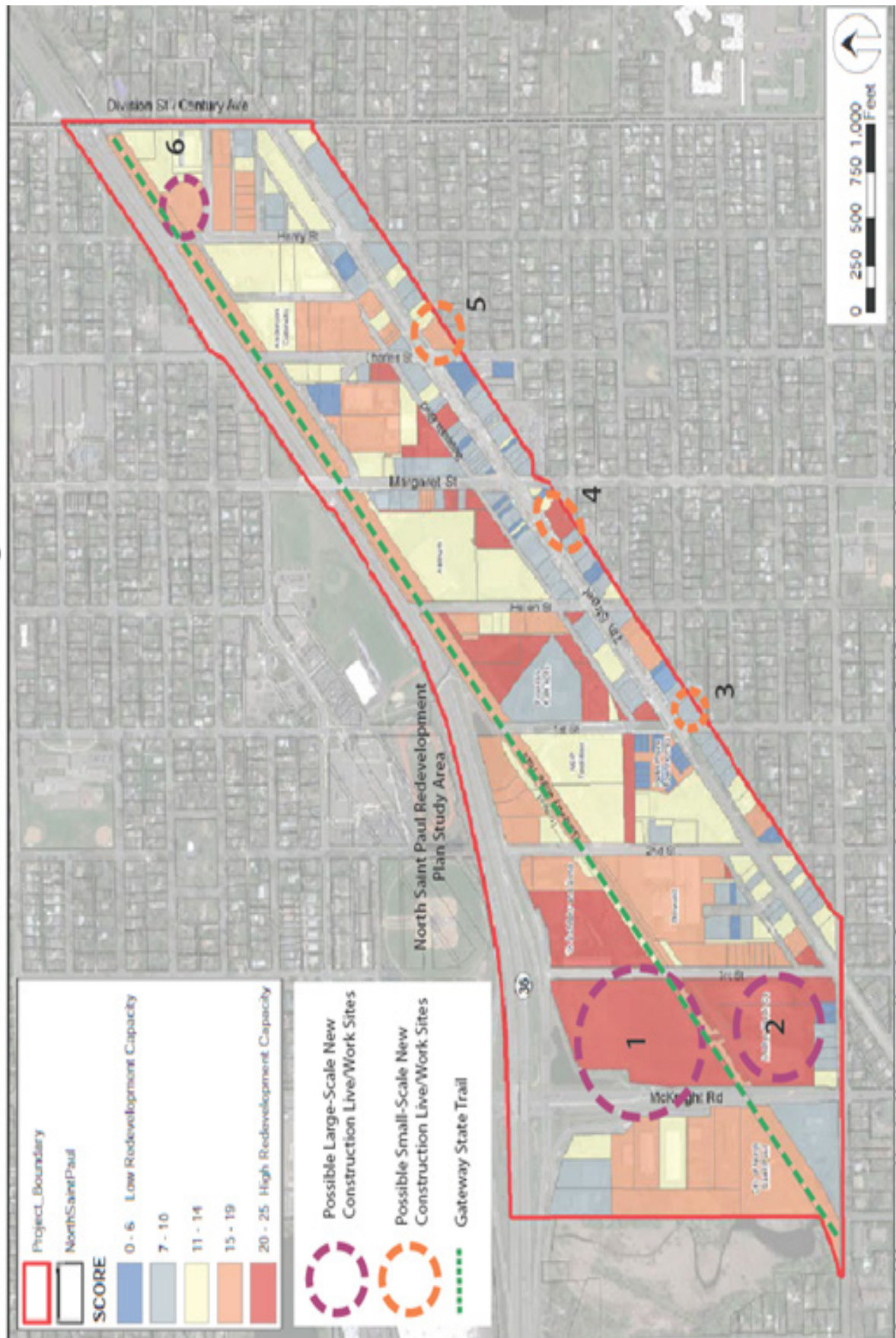


¹⁸ Moore, Kim. Asset Manager, Artspace. Interviewed by Erin Olson, April 18th, 2014, 11:30am.

¹⁹ All images in this section were captured from Google Earth on April 18th, 2014.

Figure 4: Redevelopment Potential of North Saint Paul Sites

Evaluation of Redevelopment Potential in Study Area of North Saint Paul,
with Potential Live/Work Housing Sites Recorded



Original Map created by the Hoisington Koeigler Group, Inc. for the North Saint Paul Redevelopment Master Plan, December 7th, 2012 (page 6).
Modifications made by Erin Olson, Humphrey School of Public Affairs, March 29th, 2014.

Site 2: The Anchor Block Site

Nearly 9.5 acres, the Anchor Block Site sits just south of Site 1. This site is located on the other side of the Gateway State Trail extending to South Ave East on the south end. This tract is in the West End Housing and Redevelopment Area identified in the 2012 Redevelopment Master Plan and is zoned as a Diversified District. Abutting existing residential developments to the south and near the intersection of major roads, this area's already identified high redevelopment potential would make it an attractive site for large-scale live/work housing.

Figure 5: Image of the Anchor Block Site



Site 3: 7th and 1st Site

This site is located at the corner of 7th Avenue East and 1st Street North in the transition area just West of the Central Business District. Including the now-vacant Kath Auto Parts property, it is an approximately 0.55-acre lot with some redevelopment capacity. It is located within the Single and Two Family Residence District (R-2), but given its location at the transition between the Central Business District and additional residential uses, it is a promising site for mixed uses and live/work space specifically. As live/work structures are inherently flexible in their use, providing townhouse or flexhouse-style options in this transitional zone could give the city more flexibility in fluctuating economic environments. Some zoning regulations against commercial uses may need to be revised if this site is chosen for live/work redevelopment. For example, conditional permitting for commercial and business use should be allowed, as well as residential options on all potential floors.

Figure 6: Image of the 7th and 1st Site



Site 4: Former Town Hall Site

The former site of the North Saint Paul Town Hall is approximately 0.55 acres (24,000 square feet) and is located on 7th Ave East between Helen Street North and Margaret Street North. It has high redevelopment capacity. This site is well-equipped for 2 to 3-story structures matching the surrounding built environment. It is situated squarely in the Central Business District and is optimally placed for any live-with types of live/work housing, specifically flexhousing.

Figure 7: Image of the Former Town Hall Site



Site 5: 7th and Charles Site

Site 5 is located in the Diversified District. It has moderately high redevelopment capacity, primarily suited for smaller developments and live-with styles of live/work housing. It is 0.55 acres in all and is located at the corner of 7th Ave East and Charles Street. This location is also well-suited for live-with housing, including townhouse and flexhousing options to give flexibility of use to this transition area East of the Central Business District and West of residential uses.

Figure 8: Image of the 7th and Charles Site



“Live/work housing can be a catalyst for reinventing dynamic neighborhoods.”

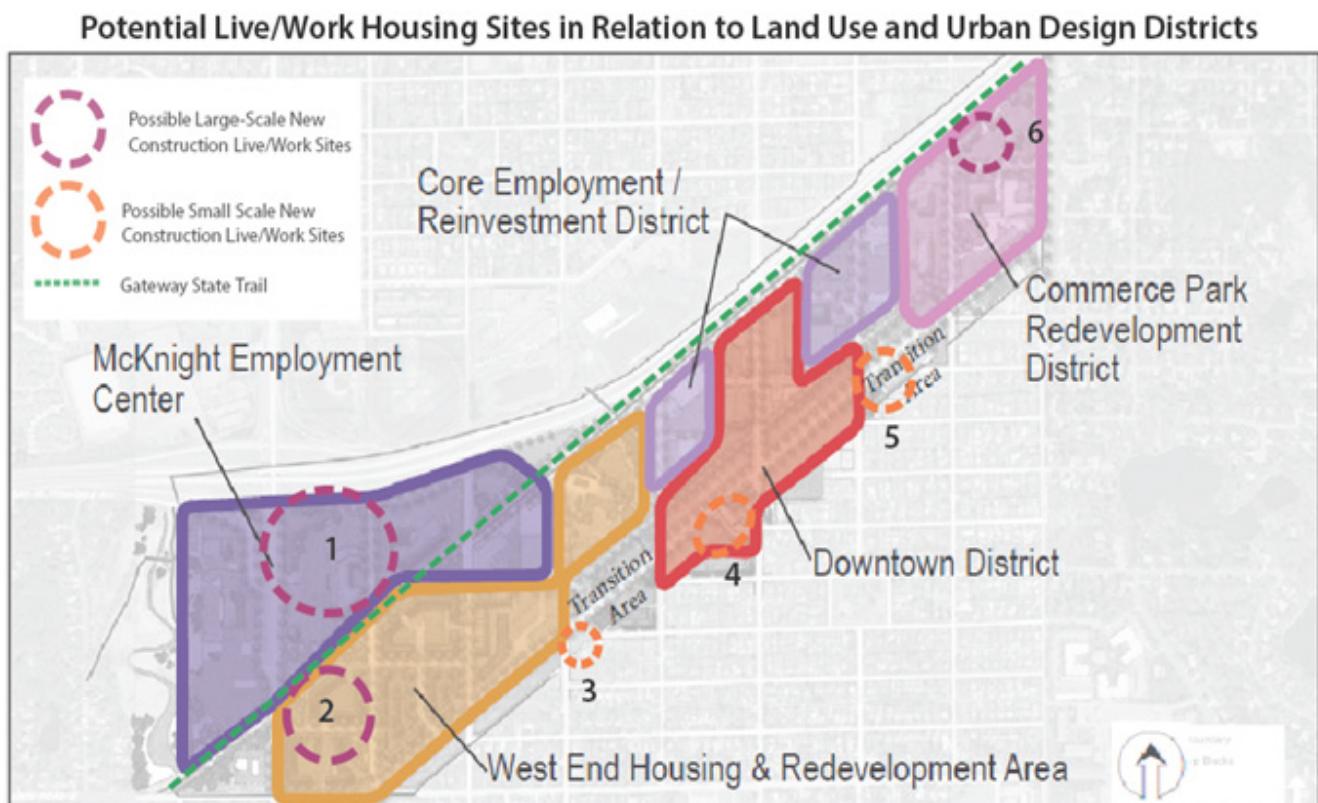
Site 6: Commerce Park Site

Identified as a moderately high redevelopment area near the east end of Downtown in the 2012 Redevelopment Master Plan, this two acre site between 13th Avenue East and 12th Avenue East is bounded by Henry Street to the West and abuts Century Avenue Collision to the East. Zoned as a Diversified District and located within the Commerce Park Redevelopment District, its relative isolation from major residential areas and proximity to other small businesses make it a great candidate for live-near style live/work housing that hosts light industrial activities.

Figure 9: Image of the Commerce Park Site



Figure 10: North Saint Paul Live/Work Development Sites



Original Map created by the Holsington Koegler Group, Inc. for the North Saint Paul Redevelopment Master Plan, December 7th, 2012 (page 13).
Modifications made by Erin Olson, Humphrey School of Public Affairs, March 29th, 2014.

Figure 10 superimposes the locations of the six sites over the land use and urban design districts determined by North Saint Paul. The map illustrates the diversity of available land in North Saint Paul and the flexibility of live/work housing in most transitional and mixed-use districts. Figure 11 is a summary of each of the six sites' district categorization and lot size, with specific recommendations for compatible live/work types that the City can consider. As previously expressed, any specific decisions on location of future development will need to be made jointly with potential developers.

Figure 11: Summary of Selected Lots for Potential Live/Work Development in North Saint Paul, MN

	Lot Name	District	Lot Size	Size Categorization	Compatible Live/Work Types
Site 1	Anchor North Site	McKnight Employment Center (DD)	11 acres (479,000 square feet)	Large Scale	Live-Near; Live Nearby
Site 2	Anchor Block Site	West End Housing & Redevelopment Area (DD)	9.5 acres (414,000 square feet)	Large Scale	Live-Near; Live Nearby
Site 3	7th and 1st Site	West Transition Area (R-2)	0.55 acres (24,000 square feet)	Small Scale	Live-With; Live-Near
Site 4	Former Town Hall Site	Downtown District (CBD Mixed Use)	0.55 acres (24,000 square feet)	Small Scale	Live-With; Live-Near
Site 5	7th and Charles Site	East Transition Area (DD)	0.55 acres (24,000 square feet)	Small Scale	Live-With; Live-Near
Site 6	Commerce Park Site	Commerce Park Redevelopment District (DD)	2 acres 87,000 square feet)	Large Scale	Live-Near; Live Nearby

General Considerations Regarding Live/Work Housing

Artist spaces in particular have been found to meet artist needs (at 85% as surveyed by Artspace in 2011), and provide affordable housing for artist communities in the lowest income brackets (69% of those surveyed by Artspace in 2011 said their space was affordable).¹ The keys to successful art spaces, as outlined by Artspace are:

1. **Affordable, stable space** that is physically appropriate for artists and their organizations;
2. **Governance structures** within the community to encourage involvement and manage potential conflicts;
3. **Active internal communities** driven by key leaders;
4. Building features, anchor organization tenants, and special programs that tie the building to the community;
5. **Geographic connectivity** with other artists and community amenities that complement the live/work lifestyle.

²⁰ Lindquist, Kelley. 2011. "Taking a Measure of Creative Placemaking." *Artspace* publication.

According to Kim Moore and Heidi Kurtze of Artspace, a successful live/work development is one that meets the needs of underserved artist communities. They find that smaller communities just outside of primary cities are some of the most successful communities for live/work development, because they are often more willing to respond to the needs of developers to reach a common goal. The site must be appropriate and attractive to the target community, there must be significant community and political leadership in support of the project, and there must be sufficient financial resources for the project.²⁰ Each of these points will be addressed in this report.

The following sections describe several important considerations that developers take into account when determining the feasibility of a new development. In the vast majority of live/work cases, projects are proposed to the developer's consulting department by municipalities or neighborhood groups.²¹ The municipal government must have its finger on the pulse of the community and be aware of what particular developers can offer. After the city approaches the developer's consulting department, they meet with all community stakeholders and grassroots artists through a series of focus groups. This process can take up to two years. The consulting department seeks to ensure that a project will be successful, and only those projects with high potential for success will be taken on. In the case of Artspace, they know that they will likely be the owners for 50 years, and they cannot risk taking on an unsuccessful project.²²

After the project has been fully evaluated for suitability, the development team takes on the project. First, they examine potential sites which the city has identified, evaluating each potential site by the necessary building footprint for cost-effectiveness, the best locations based on transit, gallery, grocery, and school locations, and a full analysis of the soil at each potential site. Once a

location for the development has been selected, design and construction begins. In the last six to nine months of construction, the asset management team begins the marketing and lease-up process, also making sure that key marketable amenities are kept in the development to meet the expectations within the local housing market.⁴

New Construction versus Substantial Rehab Construction

According to Heidi Kurtze, Vice President of Property Development at Artspace Projects, new construction projects are easier, less costly, and more predictable than substantial rehab projects.⁵ New construction is easier, because a whole new structure is created from scratch with no complications of historic qualities or incompatible designs from old structures. It is less costly because of the fewer overhead costs, quicker construction time needed, and the less risk assumed. On a new construction project, Artspace generally has a 5% contingency, while they generally have a 15% contingency on rehab projects—a 10% difference in costs.⁶ According to Heidi Kurtze, this is the exact reason why historic funding sources exist—to offset these significant costs in the rehabilitation of

4 Moore, Kim. Asset Manager, Artspace. Interviewed by Erin Olson, April 18th, 2014, 11:30am.

5 Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

6 Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson. May 1st 2014. 3:00pm.

Figure 12: The Development Process

	Main Actor	Accomplishment	Time
Stage 1	City/Community Organization	Approach Developer with Proposal	1-12 Months
Stage 2	Consulting Team	Suitability Analysis, Focus Groups	1-2 Years
Stage 3	Developing Team	Site Selection, Design, Construction	1-2 Years
Stage 4	Asset Management Team	Marketing, Leasing, Tenant Relations	Begin 6-9 Months before Construction is completed

²⁰ Lindquist, Kelley. 2014. "The Art of Creative Placemaking: An Artspace Report." *Artspace* publication.

²¹ Moore, Kim. Asset Manager, Artspace. Interviewed by Erin Olson, April 18th, 2014, 11:30am.

²² Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

historic buildings that should be preserved. New construction projects are also less costly than rehab developments because a less-skilled workforce can be used, and cheaper materials can be selected. When working with a building that is already standing, only certain materials will fit the kind and character of that building, and may be significantly more costly.

Large Scale Live-Near and Live-Nearby Live/Work Housing

Three of the sites described above were over 2 acres in size and therefore categorized as large-site live/work housing. Sites 1, 2, and 6 represent three different distinct redevelopment areas of North Saint Paul and the inclusion of live/work housing in any of these zones would enhance the residential and economic fabric of the city in varying ways. While many of the small-site live/work uses are also compatible in large-sites, there are a number of uses which can only be accommodated in large-sites. Focusing on large-site only uses—including light industrial and other space-reliant uses—will be described in this short section.

North Saint Paul's existing cultural and economic environment would benefit from live/work housing:

- Existing antique stores in the historic downtown would suggest that furniture restoration and manufacture would be a natural fit.
- Woodworking is an industry that can provide a living wage with little to no formal education and job growth is expected to continue.²³
- The long running Cruze Car Show presents the opportunity for North Saint Paul to become a center for auto restoration.²⁴
- Automotive repair and restoration is expected to continue to grow as a career field in the coming years.²⁵

²³ Bureau of Labor Statistics, *Occupational Outlook Handbook*. <http://www.bls.gov/ooh/production/woodworkers.htm>. Accessed April 10th, 2014.

²⁴ History Cruzers. <http://www.historycruzer.com/>. Accessed April 10th, 2014.

²⁵ Bureau of Labor Statistics, *Occupational Outlook Handbook*. <http://www.bls.gov/ooh/installation-maintenance-and-repair/automotive-body-and-glass-repairers.htm>. Accessed April 10th, 2014.

- With the Gateway State Trail running through downtown, there is the chance for live/work businesses that relate to hiking and biking sales and services.²⁶
- The Twin Cities are a thriving bike market that is expected to grow as energy costs increase.²⁷

Suggested Large Scale Live-Near and Live-Nearby Live/Work Housing Attributes

The arrangement will be best suited for these uses will be two story housing with a firm division between the live area and work area of the structure, the live-near model. Because the uses identified will require separate ventilation to ensure that any fumes generated in the work portion are kept out of the living quarters. First floor work space with living space above or workspace behind a front living area would be ideal from access and density considerations as well as conforming to existing zoning requirements.

Flexibility in workspace location and design will be paramount for the successful implementation of this project, a single layout that is applicable to the identified uses as well as other unforeseen employment will ensure that the appeal of the live/work space is maximized.

A storefront facing the street and alleyway overhead doors wide enough for delivery of materials would be a requirement. The interior should be ready to be fitted with needed electrical, mechanical and other equipment to facilitate a wide array of work, but should not be designed toward a specific industry.²⁸ The idea of a flex-use design is that it can grow and adjust to use and is a blank slate for artisans and industrialists to make of what they need.

²⁶ Minnesota Department of Natural Resources. http://www.dnr.state.mn.us/state_trails/gateway/index.html. Accessed April 10th, 2014.

²⁷ Inside Minnesota's Booming Bike Economy, Minnesota Business Magazine. <http://minnesotabusiness.com/inside-minnesotas-booming-bike-economy>. Accessed April 10th, 2014.

²⁸ "Live-Work Housing That's More Livable—And Workable." Builder Online. <http://www.builderonline.com/affordable-housing/live-work-housing-thats-more-livableand-workable.aspx>. Accessed March 30th, 2014.

Small Scale Live-With and Live-Near Live/Work Housing

Three of the selected project sites were approximately half an acre in size and categorized as small-site live/work housing. Sites 3, 4, and 5 are spread along 7th street through a primarily mixed-use and transitional region of North Saint Paul. In small-scale sites, only very particular live/work uses may be considered. Given the transitional nature of this space, the case studies outlined below will focus on more compact styles of live/work housing, including townhomes and flex house live-with and live-near housing. These types of spaces are generally more compatible with one another in close proximity, as the work uses of the space preserve the quiet environment which residents value and require less open, customizable space.

Suggested Small Scale Live-With and Live-Near Live/Work Housing Attributes

Live/work housing takes on several appropriate forms in the live-with type. Live-with types are appropriate for small sites in historic downtown areas, and larger plots where more extensive residential needs are present. In this report, live-with types of housing are recommended for the smaller CBD and transitional regions of North Saint Paul, where higher density housing and more pedestrian-oriented design is a particular asset. Two potential styles of live-with housing will be described in this section and are highlighted in several of the case studies below. These include flexhouses and home offices.

Flexhouses take on a visible form somewhat similar to the more commonly-known townhouse, which have been part of the urban form for nearly six thousand years. Townhouse development describes multi-level, single-household residences suited for home occupation with no legal separation between residential and non-residential uses. They are generally inflexible in terms of land use. As an alternative, a Flexhouse project can be used in T3-T5 land use types (based on the urban transect model) and accepts a variety of uses. It is one of the most common kinds of live/work housing which exists in the United States today under the New Urbanist tradition. The usual design includes

a downstairs workspace (often retail or storefront) with residential space on the second and third floors above. Often entry to the residential area is separated from the retail use to one side, giving it the appearance of a townhouse storefront design. However, flexhouses are “buildings that learn,” in that they are designed to have the flexibility to change uses as needed based on the economic and social climate of the community.²⁹ The pre-approved uses are often clearly outlined in city codes and policies, and conditional use permits may guide the appropriate uses for the space on each level of the structure. They are a particularly successful project in communities in transition into a new retail market or in small town communities on the verge of new investment. According to Dolan, Volke, and Zimmerman, “Provided that the basic retail dynamics are supportive, a row of flexhouses can reestablish a commercial core in a disenfranchised neighborhood or create a new retail center for a neighborhood making the transition from warehouse or industrial use to mixed use.”³⁰ Several of the case studies below fit the flexhouse model, or could easily be modeled as flexhouse versions in different contexts.

²⁹ Dolan, Thomas. 2012. *Live-Work Planning and Design: Zero-Commute Housing*. John Wiley and Sons, Inc: Hoboken, NJ.

³⁰ Dolan, Thomas, Laurie Volk, and Todd Zimmerman. 2012. “The Amazing Flexhouse.” *ArchitectureWeek*. http://www.architectureweek.com/2012/0620/culture_1-2.html. Accessed March 20th, 2014.

“Flexhouses are ‘buildings that learn,’ in that they are designed to have the flexibility to change uses as needed based on the economic and social climate of the community.”

Home offices are another form of small-site live-with housing which offers zero-commute residential options. Home office housing is appropriate in T2-T5 transect zones, and is appropriate with almost any form of home construction—whether condominium, apartment, or single family home styles of housing. In its most basic sense, home office housing results from the conversion of a den or extra bedroom space into a home office space where a household member can work from home. More than a building type, it represents an activity which can be supported or encouraged by appropriate design and city policies. Structures that anticipate the national trends toward working from home allow for clients to visit without disturbing the residential home environment of the structure and allowing for both activities to occur in close proximity. Therefore, when seeking development with appropriations for home offices, it is important to pay attention to zoning for a mix of uses and creating incentives to design that is conducive to operating business. Several relevant case studies for both of these styles of housing—as well as more

conventionally-known forms such as Artist Lofts—will be discussed in the following section.

Live/work developments can easily be too small or too big. Striking the optimal number of units is essential to the success of a new development. According to Heidi Kurtze of Artspace Projects, developments smaller than 30 units have significantly higher costs per unit than the larger developments, primarily due to soft costs related to development. Developments that are “too big,” however, seem to fragment artist communities and not create appropriate cohesiveness. Heidi recommends a 45-55 unit development is the most cost-effective and community-engaging size possible for live/work development.³¹ Depending on whether the live/work space is a loft, flexhouse, townhouse, or single-family home, 45-55 units could be considered small scale or large scale as they have been defined above.

³¹ Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

“Developments can easily be too small or too big.”



The mixed-use downtown area proposed in the 2012 Comprehensive Plan is highly compatible with small-scale live-with and live-near housing (Hoisington Koegler Group, Inc.).

Case Studies: Live/Work Housing in the United States

Providence, RI: The Arcade Providence

Developer: Evan Grandoff, 130 Westminster Street Associates

Architect: J. Michael Abbott, Northeast Collaborative Architects

Tenants: Market-Rate Rental, Market-Rate Boutique (commercial)

Live/Work Units: 48

Commercial Units: 25

Type of Live/Work: Live-Nearby

Total Area: 53,440 square feet

Address: 65 Weybosset Street, Providence, RI 02903

Though not explicitly a live/work development, the renovation of the Arcade provides a model of what live/work can look like on a larger scale. Financed with a mix of private equity, federal and state tax credits³² as well as supported by a tax stabilization agreement with the city, this renovation is expected to be an incubator for entrepreneurs and young professionals.³³ A total of \$7 million was spent renovating the historic structure.³⁴ A three-story development has 25 retail spaces on the first floor and 48 micro-lofts on the second and third floors. The retail spaces average 400 square feet and the lofts are efficiently designed spaces that range from under 300 to 450 square feet.³⁵

With affordable rents for both the residential and commercial spaces, the development is the focus of a downtown revitalization effort that opened with 11 new businesses in place.³⁶ If a resident were to live and work in the complex they would be able to rent housing and business space for close to the market average for a two bedroom apartment. This potential for live-nearby housing reduces the barriers for entry into the retail market for young professionals and artisans.³⁷



32 "19th-Century Mall Reinvented as Mix of Micro Lofts, Retail" Multifamily Executive. http://www.multifamilyexecutive.com/adaptive-reuse/19th-century-mall-reinvented-as-mix-of-micro-lofts-retail_o.aspx?dfpzone=home, Accessed May 4th, 2014.

33 "The Arcade of Providence: A Historic Revival, Downtown Providence, RI." *Providence, RI*. <http://downtownprovidence.com/1886/>. Accessed April 20th, 2014.

34 "Historic Arcade reopens in Providence." <http://www.turnto10.com/story/23745945/historic-arcade-reopens-in-providence>. Accessed May 5th, 2014.

35 *The Arcade Providence*. <http://www.arcadeprovidence.com/>. Accessed April 20th, 2014.

36 "Historic Arcade Reopens in Downtown Providence." *Yahoo Finance*. <http://finance.yahoo.com/news/historic-arcade-reopens-downtown-providence-171048066.html>. Accessed April 20th, 2014.

37 Image from *Wikimedia*. http://commons.wikimedia.org/wiki/File:Westminster_Arcade.jpg. Accessed May 9th, 2014.

Milwaukee, WI: Park East Enterprise Lofts

Developer: Gorman and Company

Architect: Gorman and Company

Tenants: Mixed-Income; 68 units Low-Income (80% LIHTC) and 17 Market Rate (20%)

Live/Work Units: 28 (85 total units, including non-live/work)

Type of Live/Work: Live-Near Lofts

Total Area: 189,063 square feet

Address: 1407 North Martin Luther King Drive, Milwaukee, WI 53212

New construction of 85 apartments, roughly one third live-near live/work lofts and 68 units targeted at families making 50-60% Area Median Income, the Park East Enterprise Lofts have ground floor office or retail space that connects to lofts above.³⁸ In addition, the site houses common spaces to support the start-up businesses like a business center and 16-seat presentation theater.³⁹

The development was met with early skepticism because it was built in an area not known for retail spaces or foot traffic, but it opened with all but one live/work lofts occupied and a waiting list of over 100 people for the market-rate units. The mixed-use/mixed-income building was financed with a \$4.7 million from the Wisconsin Housing and Economic Development Authority and \$7.5 million from the sale of 9% Low-Income Housing Tax Credits.^{40,41}



³⁸ *Park East Enterprise Live/Work Lofts*. <http://www.parkeastenterprise.com/Home.aspx>. Accessed April 12th, 2014.

³⁹ "Entrepreneurs Propel a Neighborhood's Future." *Gorman and Company, Inc.* <http://gormanusa.net/entrepreneurs-propel-a-neighborhoods-future/>. Accessed April 12th, 2014.

⁴⁰ "A Home for Entrepreneurs." *Apartment Finance Today*. <http://www.housingfinance.com/mixeduse-development/a-home-for-entrepreneurs.aspx>. Accessed April 12th, 2014.

⁴¹ Image from *Crossfire Media*. <http://crossfiremedia.realpage.com/gormanparkeastenterpriselofts/photos/ph1103.jpg>. Accessed May 9th, 2014.

Saint Paul, MN: Schmidt Artist Lofts

Developer: Dominion Development and Acquisition

Architect: BKV Group

Tenants: Low-Income Artists (100% LIHTC)

Live/Work Units: 260

Type of Live/Work: Live-With and Live-Near Lofts

Total Area: 510,000 square feet

Address: 882 7th Street West, Saint Paul, MN 55102

This \$123 million adaptive reuse low-income housing tax credit project, developed and owned by Plymouth-based Dominion Development and Acquisition, opened in November 2012. The original structures on the site were built in 1900 as the Schmidt Brewery, with numerous additions occurring over the span of nearly 60 years. For two decades starting in 1955, it was owned and operated by the Pfeiffer Brewing Company from Detroit, followed by brief ownership by the G. Heileman Brewing Company of La Crosse, Wisconsin bought the brewery in 1972, then the Minnesota Brewing Company in 1991. Renovation costs were high, and the owners shifted their business toward producing fuels from grains as the Gopher State Ethanol Company. Fermenting corn to alcohol was an even more odorous process than brewing beer, triggering many complaints and lawsuits from the surrounding neighborhood because of the odors. Losses and lawsuits led to the brewery closing in 2002, ending 147 years of brewing at this site.

The large site was converted into 260 live/work residences for artists from the 21 different Schmidt Brewery structures that occupy the site. 147 rental units were constructed in the former brew house and another 100 rental units in the bottle house, with a majority of the units being affordable and intended for low-income artists. Additionally, Dominion will build 13 new three-bedroom townhouses adjacent to the bottle house by 2018. In addition to the 260 units, including unit sizes from 1 to 3 bedrooms, the structure includes a clay-working space, soundproof studios, dance and craft studios, an art gallery, several performance theater rooms, and a rooftop deck.⁴²

Financing was provided by Cornerstone Real Estate Advisors, U.S. Bank, Alliant Capital Ltd., and the City of St. Paul. The Saint Paul City Council authorized a \$69.3 million in conduit bonds for the Schmidt Artist Lofts project, which are tax-exempt bonds authorized by the city on behalf of Dominion, who is responsible for their payment. According to Heidi Kurtze of Artspace, bonds work especially well with large developments, and when the state has an affordable housing fund or gap financing.⁴³

The Schmidt Artist Lofts are no exception to the multiple-funding stream issue in affordable live/work housing development. In all, the development is supported by Low-Income Housing Tax Credits, state and federal historic tax credits, tax-exempt bonds, and environmental clean-up funds.⁴⁴ The total amount of tax credits for the Schmidt Artist Lofts (including low-income housing) was nearly \$70 million. The site won several awards within the first year of its opening, including “Best in Real Estate Adaptive Reuse” by the Minneapolis/Saint Paul Business Journal in 2013.⁴⁵

⁴² Information from the Schmidt Artist Lofts website. <http://www.schmidtartistlofts.com/lofts/>. Accessed April 24th, 2014.

⁴³ Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

⁴⁴ Morioka, Lynne M. K. 2013. “Winner: Schmidt’s Artists Lofts.” *Minneapolis/Saint Paul Business Journal*. <http://www.bizjournals.com/twincities/print-edition/2013/04/19/winner-schmidts-artist-lofts.html?page=all>. Accessed April 24th, 2014.

⁴⁵ Image from Schmidt Artist Lofts website. <http://www.schmidtartistlofts.com/lofts/>. Accessed May 9th, 2014.



The Schmidt Artist Lofts by Dominium are classic live-with and live-near lofts built in multiple former brewery and warehouse buildings in Saint Paul, MN (photo: Dominium Development and Acquisition).

Oakland, CA: Pinetree Studios

Developer: Pinetree Associates

Architect: Thomas Dolan Architecture

Tenants: Market Rate Rental and Owner-Occupied

Live/Work Units: 4

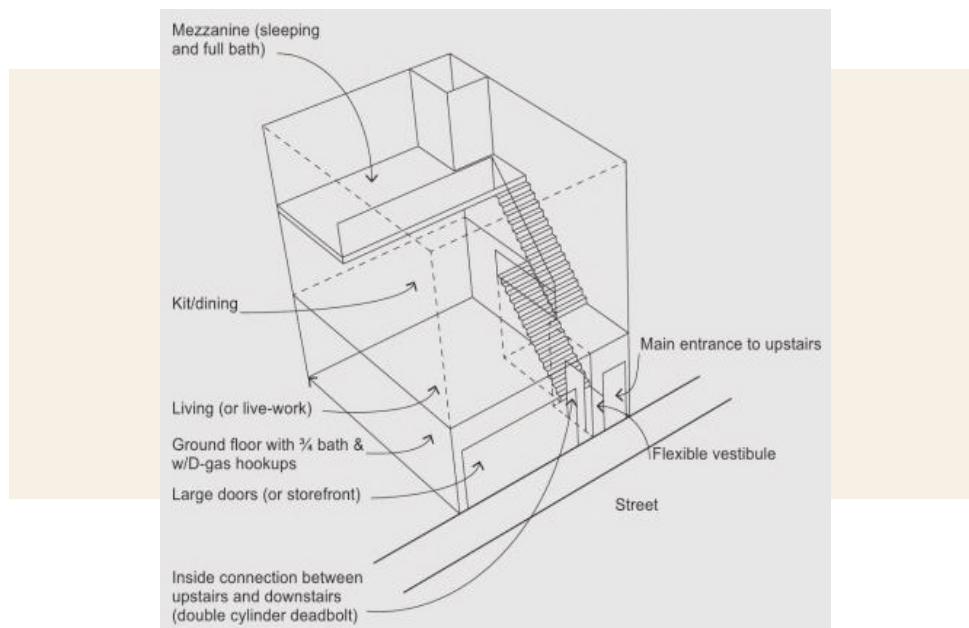
Type of Live/Work: Live-With and Live-Near Flexhouses

Total Area: 29,000 square feet

Address: 347 Lewis Street, Oakland, CA 94607

Pinetree Studios is a small scale live/work flexhouse development in a non-retail setting. Built in 1990 by Pinetree Associates and designed by Thomas Dolan architecture, was the first condominium flexhouse new construction development built in the United States.⁴⁶ It consists of four approximately 1,500 square foot flexhouse units, which were built identically but occupied in completely different ways—some as live-with, and some as live-near space. In this structure, the configuration of the space is particularly important, with separate entrances to the upstairs and downstairs portions and the ability to limit traffic between the two—especially if the lower level ends up being rented out. The downstairs workspace includes a $\frac{3}{4}$ bath and washer-dryer hookups, and a large cleanup sink. These features allow for easy conversion of the lower level of the unit into workspace separated from the more standard living space above.

The four flexhouse units were built on a 29,000 square foot lot. Currently, one of the units is listed as for sale at \$509,000—almost doubling in home value since 1990.⁴⁷ The project was funded through multiple sources. As previously noted, the city of Oakland has made significant strides in revising their zoning codes and permitting process to welcome live/work development in the city.⁴⁸



⁴⁶ Dolan, Thomas. 2012. *Live-Work Planning and Design: Zero-Commute Housing*. Hoboken, NJ: John Wiley & Sons.

⁴⁷ As priced on Trulia, at <http://www.trulia.com/homes/California/Oakland/sold/8459879-353-Lewis-St-Oakland-CA-94607>. Accessed April 16th, 2014.

⁴⁸ Image from Dolan, Thomas. 2012. *Live-Work Planning and Design: Zero-Commute Housing*. Hoboken, NJ: John Wiley & Sons. P. 70.

Beaufort, SC: The Lofts at Habersham

Developer: Habersham Land Company, Inc.

Architect: Rick Black (conceptual); Ben Mieke (final design)

Tenants: Market Rate Rental and Owner-Occupied

Live/Work Units: 33

Type of Live/Work: Live-Near Flexhouse (Townhouse)

Total Area: 40,000 square feet

Address: 7B Market, Beaufort, SC 29906

This beautiful New Urbanist Greenfield Development is made up of a string of mixed-use zoned 3-level townhouses with a flexhouse, open design. Constructed between 2002 and 2006, these townhomes of Beaufort, South Carolina were designed in part by city planner Duany Plater-Zyberk.⁴⁹ Most of the flexhouses were pre-sold to future owner-occupants and built incrementally, with the later round of development including rental flexhouses. A truly mixed-use development, the Lofts at Habersham have two levels of residential living space set above a 710 square foot commercial space on the first floor (24,000 square feet of commercial use in the whole development). Each live/work unit contains 2,130 square feet between all three levels.

An important feature of the Lofts at Habersham is its construction for flexibility. The buildings are designed to allow either commercial use on all three floors or residential use on the second and third floors over first floor commercial uses. The small commercial-intended space on the first floor of each flexhouse is designed specifically for small, mom-and-pop businesses, full restaurants, barber shops, antique shops, and clothing stores. Each first-floor space has a handicap accessible restroom and the potential for access to a 35x18 square foot backyard and parking spaces. The second and third floors are open-plan loft styles, with few interior walls. The structures have minimal interior finishes, with visible steel bar joists, concrete floors, exposed wood beams, as well as visible HVAC and metal ducts.

The town of Beaufort made several accommodations to the developer to make it cheaper and easier for businesses to move into the Lofts at Habersham, including pre-approval for any combination of uses in the buildings given that an owner or tenant simply secure a business license from the town of Beaufort. According to Dolan (2012), this is the only case in which a live/work project has obtained a flexible entitlement for any residential or commercial use in any fashion on site.⁵⁰ The town also imposed a form-based code complete with detailed urban transect to guide the style of the development in keeping with the community's design. This form-based code specifically allowed for flexhouses and live/work development, and the land on which the Lofts at Habersham were constructed was originally zoned as commercial land.

The 33 loft units frame the Habersham main street, with a large tree-lined median running down the middle of the street and providing a very pedestrian-friendly atmosphere. Each lot is 18 feet wide and 100 feet deep, with assigned parking spaces behind the development for each unit. Accessory buildings are allowed in the backyards of the flexhouses, allowing for resident creativity in imagining garden spaces, outdoor dining, or other uses.

The most significant challenge in developing the Lofts at Habersham was the cost of construction—due

⁴⁹ Dolan, Thomas, Laurie Volk, and Todd Zimmerman. 2012. "The Amazing Flexhouse." *ArchitectureWeek*. http://www.architectureweek.com/2012/0620/culture_1-2.html. Accessed March 20th, 2014.

⁵⁰ Dolan, Thomas. 2012. *Live-Work Planning and Design: Zero-Commute Housing*. Hoboken, NJ: John Wiley & Sons.

to the fact that the whole structure had to meet commercial standards. It was completely funded by the developer as a market-rate project. Dolan (2012) estimates that the cost of construction for the lofts was about 8-10% more expensive than building a similar wood-frame residential building with lesser fire ratings.⁵¹ However, Dolan believes that “it is worth it to buy the flexibility you need to weather an unpredictable economy,” as the ability to accommodate a variety of potential users the owner has a better chance of keeping the buildings fully occupied or selling them more successfully.⁵² This development was successfully filled within a year of construction, with all but six of the flexhouses being ultimately bought by nonresident investors who rent the units out, and the commercial spaces being rented out individually to companies selected by the developer. Of the six owner occupants, most live above their own business. These are certainly market-rate live/work homes, and are unlikely to be affordable to lower-income households any time soon. One of the two-bedroom Loft at Habersham is currently listed at \$475,000.⁵³ Similar two-bedroom, two-bath loft units are currently renting for \$1,255 per month.^{54,55}



*The Lofts at Habersham
(Photos: Jonathan Herron)*



⁵¹ Dolan, Thomas. 2012. *Live-Work Planning and Design: Zero-Commute Housing*. Hoboken, NJ: John Wiley & Sons.

⁵² Dolan, Thomas. 2012. *Live-Work Planning and Design: Zero-Commute Housing*. Hoboken, NJ: John Wiley & Sons.

⁵³ “Southern Living Inspired Communities.” http://www.habershamrealestate.info/2014/01/2-bedroom-2-bath-habersham-livework_9.html. Accessed May 3rd, 2014.

⁵⁴ “Habersham Apartments for Rent.” *Padmapper*. <http://www.padmapper.com/search/apartments/Georgia/Habersham/178204681/>. Accessed May 3rd, 2014.

⁵⁵ Images from “The Amazing Flexhouse.” *Architecture Week*. http://www.architectureweek.com/2012/0620/culture_1-2.html. Accessed May 2nd, 2014.

Elgin, IL: The Elgin

Developer: Artspace

Architect: BKV Group

Tenants: Low-Income Artists (100% LIHTC)

Live/Work Units: 55

Type of Live/Work: Live-With Artist Lofts

Total Area: 80,889 square feet

Address: 51 S. Spring Street, Elgin, IL 60120

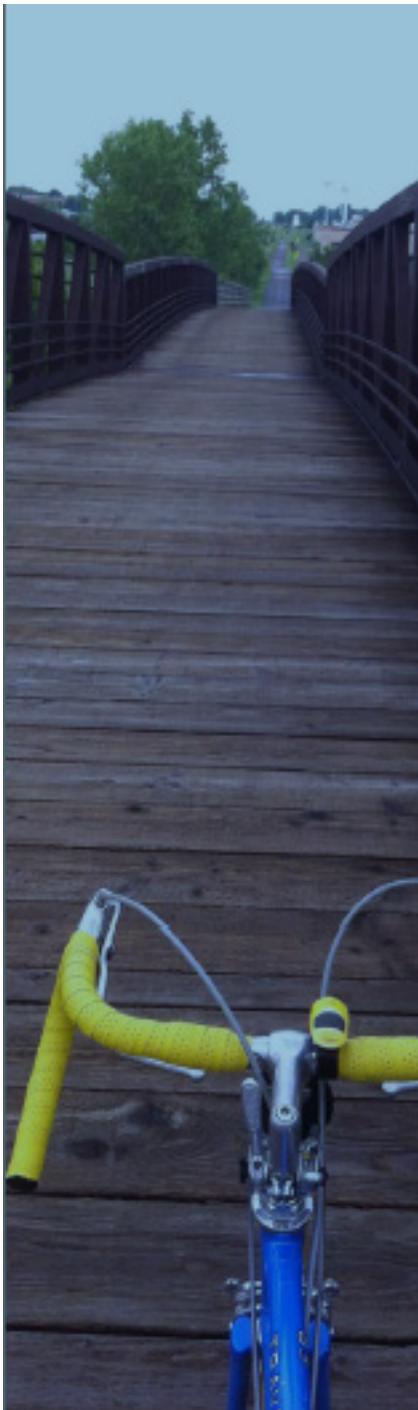
The City of Elgin, Illinois is like many Chicago railroad towns in that it has been focused on preserving its warm downtown atmosphere and regenerate economic development, with arts at its focus. The community has experienced loss of retail and a spike in abandoned buildings since the 1970s, leading to economic decline in the community. Today, the city's 2000 Center City Master Plan holds the revitalization of the historic downtown district as a top priority. Realizing the role of artists in community revitalization and hearing local artists voice their concerns regarding housing affordability, the city council realized that a new approach to affordable housing was necessary. City officials met Artspace staff at an Illinois Main Street Conference, and they—together with the Elgin arts community—approached the nonprofit real estate developer directly to assist in revisioning a portion of their downtown community. This began a partnership between the City of Elgin and Minneapolis-based Artspace Projects to create affordable live/work spaces.

The development—about 40 miles outside of Chicago—was a result of the city council's desire to develop more economic activity and residential living in the historic downtown area. The city of Elgin performed a land swap agreement with the Elgin Community College to obtain a historic Sears office building dating back to 1908, giving the College a 16-acre plot of land on the edge of town. Recognizing the architectural importance of the historic building, the city and Artspace developed the building as an "adaptive reuse." The building's original facade and aesthetics were maintained, and a significant addition was added on.

This 2012 development by Artspace and architect BKV Group includes 80,889 square feet of total development space on a 30,000 square foot corner lot, including the rehabilitation of the Sears building and a substantial new construction building. This \$15.2 million live/work project created 55 units of affordable mixed-use space and 5,874 square feet of retail and community spaces for nonprofit organizations and artists, including a paved courtyard, meeting rooms, and an art gallery. The building was also constructed with care to certain energy efficiency standards, including the installation of high-efficiency windows and doors, a high-efficiency furnace and cooling equipment, Energy Star® lighting and appliances, low-flow bath and kitchen fixtures, and the use of low VOC paints, sealants and adhesives. The building's environmental efficiency was aided by the Nicor Gas Energy Efficiency Program, which funded increased insulation that was removed from the renovation plans due to budget constraints.⁵⁶

As a Low-Income Housing Tax Credit development, all residents must meet income guidelines setting them at or below 60% of the Area Median Household Income for their household size. The property include 6 studio apartments, 27 one-bedroom units, 16 two-bedroom units, and 6 three-bedroom units, all for rent. Rents range from \$326 to \$1,018 depending on the size of the apartment and the number of bedrooms. As an Artspace property, there is an artist preference in place, meaning that although all

⁵⁶ Galliani, Joe. 2013. "The Nicor Gas Energy Efficiency Program Joins with CBS EcoMedia to Fund Energy-Saving Improvements at Newly Opened Artspace Lofts." *Enterprise*. <http://www.enterprisecommunity.com/news-and-events/news-releases/elgin-artspace-lofts>. Accessed April 26th, 2014.



*The Gateway Trail Bridge over
McKnight Road
(Hoisington Koegler Group, Inc., 2012)*

are encouraged to apply and may be accepted, artist applicants receive first choice above non-artist applicants. An Artist Selection Committee made up of active artists from the community meets with applicants and screen them for 1) sustained commitment to their craft, 2) excitement in participating in an artistic community, and 3) feel comfortable living in a more social building than other properties.⁵⁷ Although this can limit the speed with which the property can be leased up and can be trying in times where the rental market is low, the mission of Artspace is “to create, foster, and preserve affordable space for artists and arts organizations.”⁵⁸ Artspace exists for the purpose of establishing live/work space specifically for artists and their households, and does not stray from this mission in any of the properties they develop and own.

Artspace defines very broadly, including but not limited to visual and creative arts, blacksmithing, metalworking, theater and dance, music, furniture and woodworking, instrument building, hair design, tattooing, writing, illustrating, martial arts, pottery arts, and jewelry making. The base definition is purely “someone who participates in and is committed to the arts.”⁵⁹ According to Heidi Kurtze, 90-95% of all Artspace residents are artists.⁶⁰ The Elgin building was full within the first year after construction was completed, and currently has a waiting list for future tenants.

Heidi Kurtze, the Vice President of Development at Artspace Projects, calls Elgin a “shining star” example of successful live/work housing and the ability of a small municipality to incentivize live/work development.⁶¹

The project received funding from a variety of sources in the community. Because the development was located within a Tax Increment Finance District, the project acquired \$975,000 from the Central Area District. Along with donating the land to Artspace, the City of Elgin contributed \$1 million toward the \$14.5 million project. This was accomplished by the city selling the land in the private marketplace at \$2 million dollars, keeping \$1 million, and giving the other \$1 million to Artspace in cash. The City of Elgin also paid the \$750,000 pre-development contract, helping the non-profit save even more on the significant project.

⁵⁷ Lindquist, Kelley. 2014. “The Art of Creative Placemaking: An Artspace Report” *Artspace* publication.

⁵⁸ Information taken from the Artspace website, at <http://www.artspace.org/about/mission-history>. Accessed April 21st, 2014.

⁵⁹ HUD. 2012. “Affordable Artist Housing in Downtown Elgin, Illinois.” *PDR Edge In Practice*. http://www.huduser.org/portal/pdredge/pdr_edge_inpractice_021012.html. Accessed April 20th, 2014.

⁶⁰ Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

⁶¹ Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

Local businesses showed their support by raising \$300,000, and another \$300,000 came to the project through Tax Increment Financing (TIF). Another huge incentive to Artspace to develop this project was the lack of Payment in Lieu of Taxes (PILOT) on this project, which Heidi Kurtze estimates saved them \$60,000 per year of ownership of the property.⁶² PILOT fees can be a significant cost to non-profit developers, who are often required by local governments to pay PILOT fees in lieu of the taxes which a for-profit developer would be charged.⁶³ Finally, the Illinois Housing Development Authority also provided significant assistance in \$1.1 million in federal tax credits for a 10-year period. Ultimately, the development was financed primarily by the City of Elgin, Illinois Housing Development Authority, Kane County, the Bank of America Merrill Lynch, Fallbrook Credit Finance, and the Federal Home Loan Bank (AHP). Funding came from a multitude of sources, with the most significant funds coming from American NTN Bearing Manufacturing Co., local foundations, and the Educational Foundation of America. Artspace was greatly supported by the Elgin community and seeks to do future projects in similar communities. According to Heidi Kurtze of Artspace, the only mistake that the City of Elgin made, as many communities do, was requiring that commercial spaces be constructed before the residential spaces. Heidi says that building commercial space “before there are even people there is doing things backwards.” However, most of the commercial establishments connected to the property were able to survive the construction period and maintain their leases.⁶⁴

The City of Elgin believes that ensuring permanently affordable housing for artists is a catalyst for economic development in the community, resurgence in the arts community, and renewed vibrancy in the downtown area. In a community that has seen significant decline in use of the downtown streetscape, Artspace’s development is seen as a logical economic investment. In the words of David Kaptain, Mayor of the City of Elgin, “I supported [Artspace because] the did this in 30 other communities and it worked 30 times; can’t do any better than that. It improves the community, it improves the tax base; it takes a piece of property that was paying no taxes...and now it’s going to pay tax back into the city.”^{65,66}



The Elgin Artspace Lofts (Photo: Artspace).

⁶² Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

⁶³ Christy, Jack. 2014. “PILOT Fees Undermine Affordable Housing Development in California.” *Leading Age California*. <http://agingenews.com/pilot-fees-undermine-affordable-housing-development-in-california/>. Accessed May 3rd, 2014.

⁶⁴ Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

⁶⁵ *Artspace Project Portfolio*. 2012. Unpublished. Artspace, 250 Third Avenue North, Suite 50, Minneapolis, MN 55401: p. 12.

⁶⁶ Image from the Artspace website. <http://www.artspace.org/our-places/elgin-artspace-lofts>. Accessed May 6th, 2014.

Minneapolis, MN: Jackson Flats

Developer: Artspace (with partners Northeast CDC)

Architect: Urban Works

Tenants: Low-Income Artists (100% LIHTC)

Live/Work Units: 35

Type of Live/Work: Live-With Artist Lofts

Total Area: 69,000 square feet

Address: 139 Jackson Street N.E., Minneapolis, MN 55418

A new construction project built on a 69,000 square foot lot in Northeast Minneapolis, Jackson Flats—completed in 2013—represents the first residential live/work structure developed by Artspace in the organization’s hometown. Artspace was approached by The Northeast Community Development Corporation (CDC) in 2009 after their previous construction plans stalled in the real estate market crash. Artspace worked with the Northeast CDC to conceive the 35-unit affordable rental housing project with a majority of two

“You take for
granted what
is in your own
backyard.”
-Heidi Kurtze

and three bedroom units. This \$10 million project has an artist rental preference in place, and contains community space for exhibits, performances, and other events.⁶⁷ It is fully covered by LIHTCs at 60% of the Area Median Income and is located in a booming artist community in Northeast Minneapolis.⁶⁸

The location of Jackson Flats is particularly notable. At the corner of 18 ½ Avenue and Jackson Street, it like just one block west of Central avenue—Northeast Minneapolis’ most important commercial and transit corridor. This neighborhood has filled with a number of artist studios and creative businesses over the past 2 years, transitioning this region of the city from its industrial past to a re-branding as an artistic community.

However, Jackson Flats had a rocky first year. It took six months longer than expected to lease up the building after construction ended, leading to significant losses in income which have hurt the development. Heidi Kurtze of Artspace says that the nonprofit has not been able to determine why this project was more difficult to lease up than other projects around the country, and can only guess that it was because the property did not have the full marketing force behind it that they normally have in other locations outside of the Twin Cities. “You take for granted what is in your own backyard,” she noted, saying that the organization would not make the same mistake in the future.⁶⁹ Heidi also noted that Minneapolis tends to be a significantly higher-cost location to build in, as there are numerous permitting fees, zoning modifications, and other soft costs which make it harder for Artspace to come out ahead in a project.

⁶⁷ Lindquist, Kelley. 2013. “Artspace Jackson Flats.” *Artspace Project Portfolio*. P. 44,

⁶⁸ Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

⁶⁹ Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

Brainerd, MN: Franklin Arts Center

Developer: Artspace

Architect: Miller Dunwiddie Architecture

Tenants: Low-Income Artists (100% LIHTC residential), and Mixed-Income Artists (studios)

Live/Work Units: 25

Working Studios: 25

Type of Live/Work: Live-With and Live-Near Artist Lofts

Total Area: 146,789 square feet

Address: 1001 Kingwood Street, Brainerd, MN 6401

Brainerd is a community of approximately 13,000 people 2 hours north of the Twin Cities area. Opened in 2008, the Franklin Arts Center was rehabbed from the iconic Franklin Junior High School building (constructed in 1932). Artspace was approached by the Brainerd School District and a committee of citizens after they determined that creating an arts center would be the best use for the community. The new building has 25 live/work apartments and 25 art studios (37,775 square feet), plus 36,247 square feet operated by the school district as a community space. In all, the development includes 74,022 square feet of commercial space.⁷⁰

The project—designed by Miller Dunwiddie Architecture—cost \$8.4 million dollars and was financed by the Brainerd Lakes Area Development Corporation, Brainerd Public Schools, the City of Brainerd, Crow Wing County, the Greater Minnesota Housing Fund, the Minnesota Department of Employment & Economic Development, the National Equity Fund, the National Park Service, and US Bancorp. Funding came from the Blandin Foundation, the Brainerd Lakes Area Community Foundation, Bremer Bank of Brainerd, The Crow Wing County Soil and Water Conservation District, the Initiative Foundation, Land O’Lakes Inc, the Mardag Foundation, the Mid-Minnesota Credit Union, and the Otto Bremer Foundation. The residential portion of the development is 100% LIHTCs set at 60% of the Area Median Household Income. Like other Artspace developments, the Franklin Arts Center holds an artist preference requirement. Unlike Jackson Flats in Minneapolis, the Franklin Arts Center was successfully filled “almost immediately,” complete with artists, arts organizations, and an arts-oriented church operating out of the former school library.⁷¹ According to Heidi Kurtze of the Artspace development team, Brainerd was a joy to work with, as the smaller community meant that it was easier to get the full city’s support, get straightforward information on the requirements, and have a greater community impact. “They even had a marching band play on opening day,” says Heidi, “you just don’t get that [kind of support] in the big city.”⁷² The Franklin Arts Center was Artspace’s sixth development in Minnesota.

“Brainerd was a joy to work with...it was easier to get the full city’s support, get straightforward information on the requirements, and have a greater community impact.”

⁷⁰ Lindquist, Kelley. 2013. “Artspace Franklin Arts Center” *Artspace Project Portfolio*. P. 23.

⁷¹ Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

⁷² Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

Saint Paul, MN: 653 Galtier Lofts (Formerly Frogtown Family Lofts)

Developer: Artspace and Twin Cities Housing Development Corporation (TCHDC)

Architect: Dovolis, Johnson & Ruggieri

Tenants: Low-Income Artists (100% LIHTC)

Live/Work Units: 36

Type of Live/Work: Live-With Artist Lofts

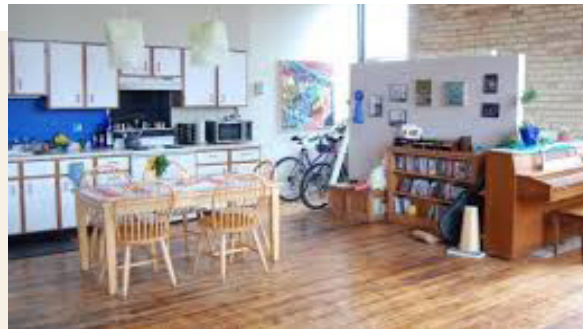
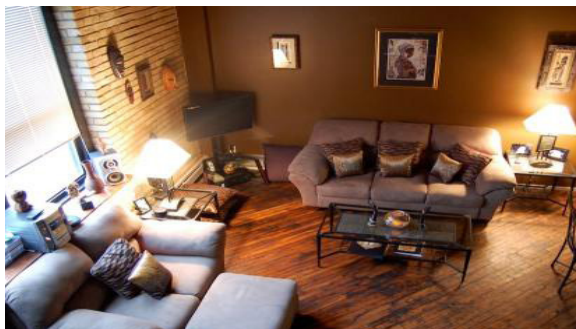
Total Area: 61,551 square feet

Address: 653 Galtier Street, St Paul, MN 55103

This 61,551 square foot warehouse-conversion development opened in 1992 at the corner of Galtier Street and Como Avenue in Saint Paul's historic Frogtown neighborhood. The original structure was built in 1917 as a clothing factory, which was later converted into a printing press fabrication factory. This brick structure with 30-foot vaulted ceilings was co-developed by Artspace and Twin Cities Housing Development Corporation into a 36-unit lofted apartment building, with 12 two bedroom units and 24 three bedroom units. The building features a lower and upper gallery space, a community room, laundry facilities, and indoor bike storage. The building is highly accessible by bus and within walking distance of numerous restaurants, grocery stores, and the Hmongtown Farmer's Market.⁷³

Funding for this \$3.6 million project came from the Bush Foundation, the F. R. Bigelow Foundation, Local Initiatives Support Corporation, the McKnight Foundation, the Northwest Area Foundation, Saint Paul Companies, the Saint Paul Department of Planning and Economic Development, and the Saint Paul Foundation. The project was financed by the AFL-CIO Housing Investment Fund, the Family Housing Fund of Minneapolis & Saint Paul, the Minnesota Housing Finance Agency, the National Equity Fund, the Saint Paul Housing and Redevelopment Authority, and U.S. Bank. Not only established with the standard artist preference from Artspace, 653 Galtier Lofts also had an active Artist Cooperative in place for the first 20 years of the building's existence.⁷⁴

The 653 Galtier Lofts are a prime example of a warehouse conversion project which happened in a railhead city at a moment of decline. Most warehouse conversion developments are generally simple, in that they do not require significant changes to the physical attributes of the space. Bare brick walls remain visible, with wood and concrete floors and exposed roof beams. Warehouse conversion units are almost always live-with designs with one or two floors. The 653 Galtier lofts includes 12 single-level units with large patios, and 24 two-level units with vaulted ceilings. It is the large, open floorplans and vaulted ceilings on a lot similar in size to the large lots available in North Saint Paul which make the 653 Galtier Lofts a relevant example.⁷⁵



⁷³ Lindquist, Kelley. 2013. "Frogtown Family Lofts." *Artspace Project Portfolio*. P. 17.

⁷⁴ Lindquist, Kelley. 2013. "Frogtown Family Lofts." *Artspace Project Portfolio*. P. 17.

⁷⁵ Image credit: Erin Olson, July 2011.



“The 653 Galtier Lofts are a prime example of a warehouse conversion project which happened in a railhead city at a moment of decline.”



Minneapolis, MN: Chicago Avenue Fire Arts Center

Developer: Artspace

Architect: Urban Works Architecture

Tenants: Mixed-Income Artists (commercial only)

Work Units: 5 Studios

Type of Live/Work: NA; Studio Workspace Only

Total Area: 5,766 square feet

Address: 349 Chicago Avenue, Minneapolis, MN 55407

The Chicago Avenue Fire Arts Center (CAFAC) in Minneapolis was first imagined in 2008 by a group of artists in South Minneapolis. The group approached the City of Minneapolis and Artspace directly with the desire to renovate the abandoned 1916 structure—a former silent movie theater—into a center for the arts requiring fire and welding equipment. Artspace offered pro bono consulting at the beginning of the project, but as the artists realized they lacked the expertise to complete the renovation themselves, they appealed to Artspace to have a more complete role. Artspace agreed to renovate the facility and own it for up to 10 years until the new non-profit organization formed by the artist residents would be stable. The success of the project has been the proactive and determined nature of the group of artists, and the neighborhood-based character of the project.⁷⁶

The Fire Arts Center was expertly designed as a renovation of a historic structure, seen through completion by Minneapolis-based UrbanWorks Architecture. It opened in 2010 and houses blacksmiths, glass slumping artists, jewelry makers, sculptural welders, and bronze casters, among other artists that require flame and high heat for their work. Classes are offered on site in the open studio and gallery spaces available for artists to rent. There are five different studios which are shared among artists based on their mediums and type of art, and dozens of artists hold membership to CAFAC for use of the space. Sadly, the group of artists is still struggling to bring in enough revenue to pay Artspace—still the owners of the structure—the rent that is required to operate the structure. Artspace is committed to working with CAFAC on this challenge, and trusts that the organization will be able to be self-sufficient by the time ownership passes over to the artist organization.⁷⁷

This \$1 million, 5,766 square foot project has seen new investment arrive in the surrounding community, including additional galleries, theaters, and restaurants. The project was largely funded by the City of Minneapolis, with additional funding from the Great Streets Real Estate Development Gap Financing, Community Planning and Economic Development, TCF Bank, and Stimulus funding from a local community development block grant. This project is a good example of creating small-scale industry-specialized spaces in a downtown community setting. The developer used the assets and interests of the future residents to formulate the vision for the future project, and the outcome is a dramatically more active streetscape in the immediate community.^{78, 79}

⁷⁶ Lindquist, Kelley. 2013. "Chicago Avenue Fire Arts Center." *Artspace Project Portfolio*. P. 26.

⁷⁷ Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

⁷⁸ Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

⁷⁹ Images from the Artspace website. <http://www.artspace.org/our-places/chicago-avenue-fire-arts-center>. Accessed May 4th, 2014.



New York, NY: Greenpoint Manufacturing and Design Center

Developer: Greenpoint Manufacturing and Design Center

Architect: Various

Tenants: Light Industrial/Artisans (commercial only)

Work Units: 130

Type of Live/Work: NA; Studio Workspace Only

Total Area: 592,000 across five buildings

Address: 1205 Manhattan Ave, Brooklyn, NY 11222

This organization, while not creating live/work spaces, provides a model for small manufacturing that could be integrated with live-near or live-nearby models. Through renovation of a cluster of underused buildings, the nonprofit Greenpoint Manufacturing and Design Center puts small industrial spaces into the market. Their five buildings house 130 spaces, averaging just over 4,500 square feet each.⁸⁰ Annual lease rates on the spaces works out to be roughly \$5.60/square foot.⁸¹ Their buildings are all at 100% occupancy.

Tenants represent a variety of industries including metalworking, furniture manufacturing and restoration, clothing production and jewelers. Analysis of tenant surveys show that across their developments, annual revenue per worker is over \$125,000 and have an economic impact of over \$149 million.⁸²

Converting their model using the live-near or live-nearby setup would seem to grow on their success by allowing business people to co-locate and reap the rewards we have laid out for live/work housing.

The most recent development associated with this project was the renovation of a 50,000 square foot building that was financed with \$7.5 million in New Markets Tax Credits, \$8.3 million from a community loan fund and \$4.6 million from the city of New York. The developer received other tax exemptions as well.^{83,84}



⁸⁰ *Greenpoint Manufacturing and Design*. <http://www.gmdconline.org/buildings>. Accessed April 15th, 2014.

⁸¹ "Consolidating Financial Statements." 2012. *Greenpoint Manufacturing and Design*. <http://www.gmdconline.org/images/pdfs/gmdc-financial-statement-2012.pdf>. Accessed April 15th, 2014.

⁸² "GMDC Tenant Survey and Statistical Report." 2013. *Greenpoint Manufacturing and Design*. <http://www.gmdconline.org/images/pdfs/2013%20Tenant%20Survey%20Report%20Final%20for%20Public%202.pdf>. Accessed April 15th, 2014.

⁸³ "Enterprise and Bank of America Finance LEED Silver Project." 2014. *NYREJ*. <http://nyrej.com/69146>, retrieved April 16, 2014.

⁸⁴ Image from the Greenpoint Manufacturing and Design website. http://www.gmdconline.org/images/buildings/7_st_nicholas_avenue/St.%20Nick%20low%20res.JPG. Accessed May 4th, 2014.

Site Zoning Requirements and Land Use Regulations

Live/work developments are, by their nature, mixed-use developments where consideration must be taken of both the residential and commercial use of the development. This can pose challenges when considering zoning for the building and regulation of such spaces. A community with strict and static divisions between residentially-zoned areas and Business Districts will face regulatory roadblocks if they are looking to develop live/work housing. This section highlights the compatible zoning regulations that North Saint Paul currently has, followed by the modifications to zoning, permitting, and administrative procedures that the City can adopt to further incentivize future live/work development.

Existing Zoning in North Saint Paul Compatible with Live/Work

The *International Building Code*, widely accepted as a model throughout the United States, outlines model zoning code for live/work housing in section 419.⁸⁵ Minnesota has removed language surrounding live/work housing from its model code in favor of local control.^{86,87}

The *North Saint Paul Code of Ordinances, Chapter 154: Zoning Regulations* outlines the regulations of zoning for each of the classified districts within the city. The existing zoning in North Saint Paul includes a downtown Diversified District, abbreviated DD, that has zoning provisions that are already well on their way to being accommodating for the development of thriving live/work structures. As noted in Figure 1, the Diversified District is suited to any of the three forms of live/work housing discussed. This type of use is also compatible with existing North Saint Paul conditional uses (154.201) for townhouses and multiple dwellings, coupled with conditional business and retail services. In order to move forward with live/work development in the Diversified District, developers would need to apply for a conditional use permit, involving a site plan, building plan, and landscape plan.

The live-with type of live/work housing is also a viable option for the Central Business District of North Saint Paul, where several empty lots pose potential for infill and revitalization of 7th Street. Live/work housing is compatible with the existing zoning guidelines set forth in the North Saint Paul Code of Ordinances 154:156-157, in which business uses are permitted and residential use is conditionally permitted on non-ground level floors.

Recommended Zoning and Planning Regulation Modifications

Although North Saint Paul already has many zoning codes which are compatible with live/work development, bringing together specific codes for live/work development in a designated chapter could further clarify the guidelines the City wishes to set forth for live/work housing. A selection of model codes can be found in “Appendix 1: Codes” and the city of Oakland, CA has a very helpful website with extensive code guidance specific to live/work development along with plain English explanations.⁸⁸

⁸⁵ “Chapter 4.” 2009. *International Code Council*. http://publicecodes.cyberregs.com/icod/ibc/2009/icod_ibc_2009_4_par444.htm. Accessed May 5th, 2014.

⁸⁶ “Minnesota State Building Code.” 2007. *Minnesota Department of Labor and Industry*. http://www.dli.mn.gov/cclld/PDF/bc_2007msbc.pdf. Accessed May 5th, 2014.

⁸⁷ “Minnesota Rules, Chapter 1341.” 2011. *Minnesota Department of Labor and Industry*. https://www.dli.mn.gov/CCLD/rm/PDF/1341_committee102811.pdf. Accessed May 5th, 2014.

⁸⁸ Dolan, Thomas. 2013. “Live-Work in Plain English.” *Live-Work*. <http://www.live-work.com/plainenglish-ws/1999code/newindex.html#index>. Accessed March 15th, 2014.

Some example zoning modifications from the city of Oakland⁸⁹ include:

- Live/work structures can have window placements under the less restrictive residential code, not the commercial code.
- Regulations limiting sound production to 60 decibels is relaxed if mitigation is implemented.
- Sleep spaces in live/work lofts are exempted from bedroom emergency egress requirements.

The beginning of this movement took place in 1980, when the state of California passed several pieces of legislation (SB 812) allowing local governments the right to relax building codes for “Joint Living and Working Quarters.” These included the allowance of “mixed occupancy in a single common atmosphere,” minimum “residential facilities,” and modifications to the considerations of hazard work definitions.⁹⁰ This legislation also allowed for code relaxations regarding the renovation of older structures (SB 812), ladder-accessed lofts and second floors, emergency escape standards, sprinkler standards in small projects, and earthquake-related construction guidelines. Each of these allowances provided the opportunity for local governments to decrease the cost of constructing live/work housing in their communities, and thus given the choice to make their communities desirable locations for this kind of investment. Oakland, California is not the only community with specific live/work language in their zoning code. Chicago, Illinois also recently enacted a live/work ordinance with the purpose of incentivizing future development in the city.⁹¹

⁸⁹ “Oakland Live-Work Building Code.” 1999. *Live-Work*. <http://www.live-work.com/plainenglish-ws/overview/overview.html>. Accessed May 5th, 2014.

⁹⁰ Dolan, Thomas. 2014. “Live-Work Planning and Building Code Issues”. http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0C-DIQFjAC&url=http%3A%2F%2Fbuildingincalifornia.com%2Fwp-content%2Fuploads%2F2014%2F02%2F-BIC-Live-work-Article-with-photocaptions.pdf&ei=F75mU4KnK-snf8gHksoDIAg&usq=AFQjCNH9wdduRc1F5yBbrr5s_LEcim-Tr6g&sig2=eI0rMaO2UzEjokIyLA8fWw&bvm=bv.65788261,d.b2U. Accessed May 2nd, 2014.

⁹¹ Moore, Kim. Asset Manager, Artspace. Interviewed by Erin Olson, April 18th, 2014, 11:30am.



Flexhouse development in Boulder, CO which provides live-near spaces with first level retail (Hoisington Koegler Group, 2012).

Mixed-use zoning is a necessity for a community seeking to draw live/work development. Heidi Kurtze of Artspace Projects says that zoning for studio and residential units is non-negotiable in their projects, but that how cities make that happen varies from place to place. Some will zone specifically for mixed-uses, while others will require residents to go directly to the city for a special occupancy permit or special use permit (for commercial uses) to make sure that their activities are supported.⁹²

An example of diverse communities integrating mixed-use development into their planning was produced by the Southern New Hampshire Planning Commission in 2006.⁹³ The town of Derry wanted to preserve its historic downtown, so it limited multi-family developments to four units and zoned to encourage mixed-use residential above commercial zoning. Goffstown was concerned about increasing density, so they created a Residential, Small Business and Office District that encouraged multiple uses and structures to occupy the same lot. Candia is a town looking to attract new business, so their zoning codes were modified to allow for flexibility and a mixture of uses to be most appealing to developers.

However, whenever considering zoning and planning techniques from other regions of the United States, it is important to keep in mind the particular constraints and specifications that result

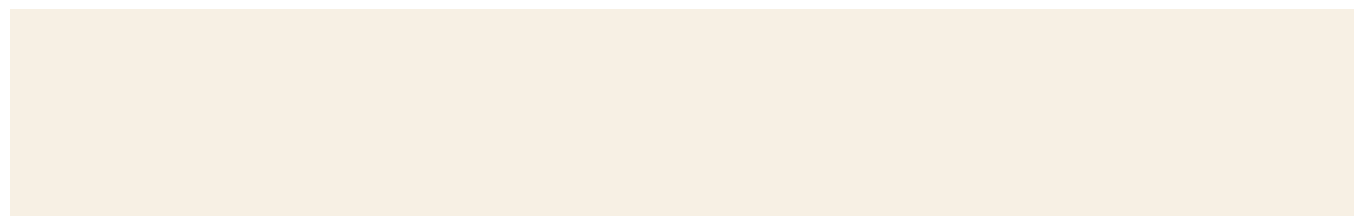
⁹² Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

⁹³ “Mixed Use Development Ordinances.” 2006. *Southern NH Planning Commission Region*. http://www.snhpc.org/pdf/mixed_use_report06.pdf. Accessed May 5th, 2014.

from geographic location. Every locality must approach zoning live/work housing in a way that will support their other goals: economic, aesthetic and cultural. By adopting a form-based code, North Saint Paul could have greater control over the appearance of the historic downtown region in years to come.

Planning regulations are slightly different from building codes in that they tend to be highly situated in the local context. The purpose of specifying planning codes is to regulate and incentivize the creation of a certain physical form and character while also welcoming a mix of compatible uses. Figure 1 lists the work uses compatible with residential use in this form, suitable living proximity types, appropriate locations for such live/work uses, and the required unit areas for each type. In reference to these types of live/work uses, planning regulations should be chosen carefully to guarantee that uses compatible with residential life are allowed, and those activities not compatible are restricted. Lifestyle and live/work lofts fit well in a lively mixed-use district, often serving as the transition between residential and commercial/industrial areas, between downtown commercial and industrial neighborhoods, or generally on the edges of residential neighborhoods. In California, relaxation of building code requirements for all kinds of live-work is permitted under state law, which allows for a more streamlined process for live/work developers. For this reason, California has a large number of live/work developments, particularly in municipalities like Oakland where other local incentives and zoning allowances also encourage such development. The permitting process for live/work residences, particularly in the case of new construction developments, should be closer in character to residential regulations. This means instituting design review for matching of the development to the surrounding neighborhood character, maintaining open space requirements, enforcing inclusionary zoning, and the full imposition of school impact fees.⁹⁴ The City of North Saint Paul can encourage and incentivize live/work housing development through specific benefits afforded to such development in zoning and building codes. Additional examples include allowing greater residential density for live/work developers (density bonuses), having flexible requirements for open spaces, and holding live/work developments to less stringent parking space requirements.⁹⁵

Other practical ways that the City can decrease the cost of building affordable live/work housing is to reduce or waive permit fees, provide the pre-development contract or pre-development costs (so that the developer does not have to pay these), reduce the acquisition price (or donate the necessary land), or do a minimal Payment In-Lieu of Taxes (PILOT). The PILOT option is very popular among cities that do not have cash to work with, and the agreement can mean that the property owner does not pay a tax on improvements to the property for 15 years. The one problem with this program is that on affordable housing projects, rents often still do not increase at a rate that can cover the operating costs of the building. This is an issue that can only be met by outside funding opportunities.⁹⁶



⁹⁴ Dolan, Thomas. 2013. "The Ten Truths of Live-Work Planning Policy." *Live-Work*. <http://live-work.com/live-work/the-ten-truths-of-live-work-planning-policy/#sthash.VMoKNXOU.dpuf>. Accessed May 2nd, 2014.

⁹⁵ Delaware Valley Regional Planning Commission. 2004. "Assessment of the Potential Role of Live/Work Developments in Centers." <http://www.dvrpc.org/reports/04032.pdf>. Accessed May 5th, 2014.

⁹⁶ Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

Funding and Financing of Live/Work Housing

In almost every example of live/work housing included in this report, it was the local municipalities that approached the developer specializing in live/work housing. Local municipal governments play a very important role in seeking out this kind of development and laying the foundation for proper funding and integration of the project. If done mindfully and with an experienced developer cognizant of the necessary community features for creating a successful live/work space, this form of development has the potential to create many positive ripple effects in a community. The most common funding sources for live/work housing vary from state to state. In Minnesota, the most common are city funds, the Low-Income Housing Tax Credit, the Minnesota Housing Finance Agency, local redevelopment authorities, Tax-Exempt Bonds, Environmental Cleanup Funds, the Minnesota Department of Trade and Economic Development, HOME funds, the FHLBC, charitable trusts and foundations, and banks. Bonds are successful when the state has an Affordable Housing Fund or gap financing because, according to Heidi Kurtze of Artspace Projects, piecing together funds from foundations alone cannot cover the costs of large developments.⁹⁷

The Low-Income Housing Tax Credit

Most live/work developments designed for rental occupancy are tied to the Low-Income Housing Tax Credit (LIHTC) program. Those developments that have LIHTCs have 100% of their units allocated under the Tax Credit, with rents set at 50-60% of the Area Median Household Income (which varies from region to region). In this program, all residents must “income qualify” through requirements of Section 42 of the IRS code. Developers complain that this is an extremely inefficient program, but sadly the only one that seems to “work.”⁹⁸ LIHTCs are increasingly difficult to get due to local competition, and complicated further by the 3 years that it takes to apply and the changing criteria from year to year.⁹⁹

Navigating Other Funding Sources

Funding large live/work projects—or any affordable housing project—is complicated by the fact that no funder seems to want to be the first to give money to a project.¹⁰⁰ According to Heidi Kurtze of Artspace Projects, once a private funder sees that a project is receiving LIHTCs or funding from another significant source, then they will be more willing to contribute as well.¹⁰⁶ In Minnesota, some of these funding sources include the McKnight Foundation, the Kresge Foundation, and the Minnesota State Arts Board. Many developers also come in with some of their own capital funds, even when they are non-profit organizations developing affordable housing.

Developers are significantly restrained by the bureaucracy and red tape associated with navigating the multiple funding sources that they must draw on to develop affordable housing, which is further complicated by aspects of the live/work housing development process. Any accommodations that a municipality can make to providing funds or providing the support to acquire necessary funds will make developers more eager to work in that community. In addition to the accommodations that North Saint Paul could offer to developers in the area of zoning and building codes, the city can encourage live/work housing development through direct financing or tax incentives.¹⁰¹

97 Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

98 Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

99 Kurtze, Heidi and Mary Novak. 2014. Private Sector Development Course Presentation, University of Minnesota. April 21st, 2014.

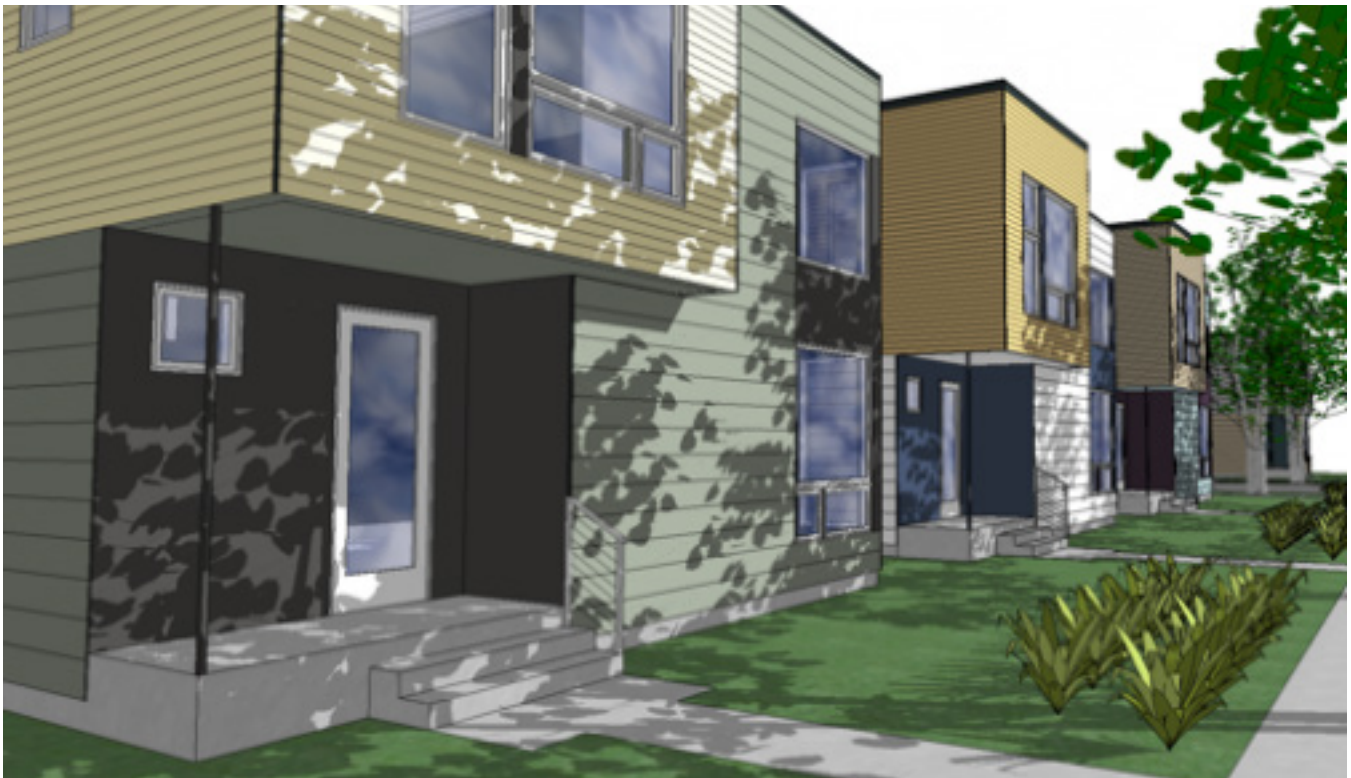
100 Kurtze, Heidi and Mary Novak. 2014. Private Sector Development Course Presentation, University of Minnesota. April 21st, 2014.

101 Delaware Valley Regional Planning Commission. 2004. “Assessment of the Potential Role of Live/Work Developments in Centers.” <http://www.dvrpc.org/reports/04032.pdf>. Accessed May 5th, 2014.

Similar Local Alternatives to Live/Work Housing

Many municipalities have adopted programs which reflect goals similar to those of live/work housing. The city of Saint Louis Park partners with local businesses to fund a Live Where You Work program.¹⁰² This program provides \$2,500 grants to people employed by Saint Louis Park businesses who buy homes in the city. The seed funding is provided by the city and it is matched by many employers. In response to the foreclosure crisis, an additional \$1,000 is available to homebuyers who buy a bank owned property.

Artspace developed a single-family home model of live/work housing last year in North Minneapolis. 4 homes marketed to artist households were constructed at the corner of Plymouth Ave and Sheridan Ave as part of the Green Homes North program. The organization obtained the land for free from the City of Minneapolis, and was given \$65,000 per house in order to ensure an affordable selling price to future homeowners. However, it was the unforeseen soft costs of extensive paperwork, rebidding, redesigns, and neighborhood meetings which caused the project to run into fiscal trouble. According to Heidi Kurtze of Artspace, there was no coordination between CPED, the zoning board, and the building code office. The organization was forced to rebid the project after the original bid had been approved, adding four months to the process. They were forced to have “never ending” neighborhood meetings, even after the developer had the community’s full support. And finally, the land was not zoned correctly for live/work housing, and the city required Artspace to pay for a variance after they were long into the development process. Ultimately, the organization is losing money on this project, and does not intend to do similar projects in Minneapolis due to this negative experience.^{103,104}



Artspace Green Homes North Project in North Minneapolis, MN (Photo: Artspace).

¹⁰² City of Saint Louis Park. 2014. “Grant Program Encourages Employees to Live in the Park.” <http://www.stlouispark.org/home-ownership-programs/live-where-you-work.html>. Accessed May 5th, 2014.

¹⁰³ Kurtze, Heidi. Vice President of Property Development, Artspace. Interviewed by Erin Olson, May 1st 2014, 3:00pm.

¹⁰⁴ Image from the Artspace website. <http://www.artspace.org/our-places/artspace-green-homes-north>. Accessed May 3rd, 2014.

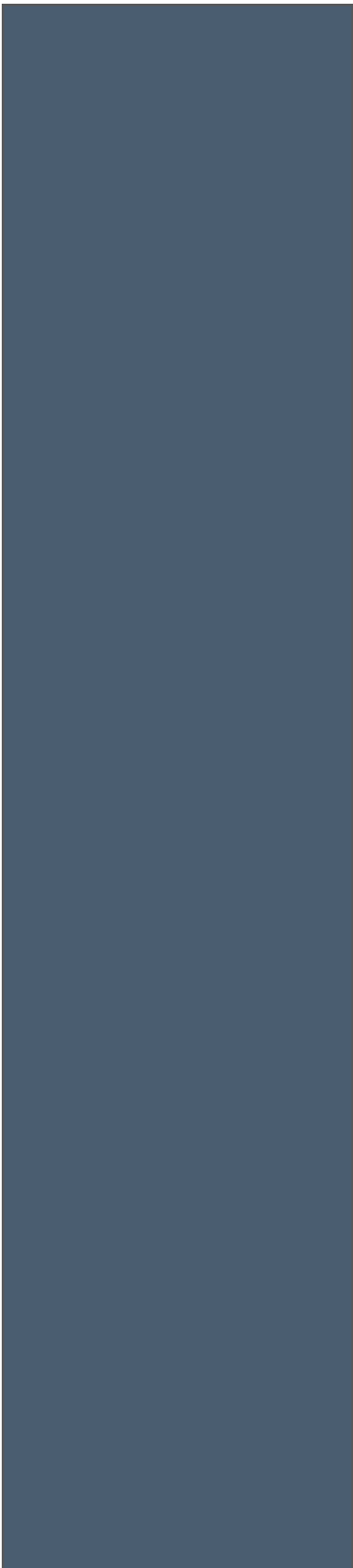
Conclusion: The Impacts of Successful Live/Work Housing

Heidi Kurtze of Artspace firmly believes that the success of a live/work project is not about one particular site. “It is not just a building,” she kept reiterating during the interview on May 1st, 2014, “it is about the community.” The first question that a developer will ask when considering a new project is “who are the partners?” Who are the community partners, and what is the community’s buy-in? Is there a local foundation or key individual involved? Once these community players are identified, the City Council has to be on board as well. The City is the single most important partner in the development process, and their support is key to the process—not only in terms of the money they can provide, but in their ability to see the bigger picture of how the development can impact the community in positive ways. It is the City which has the power to create bonuses and incentives which create opportunities for developers to revitalize commercial and residential space in the community.¹⁰⁵

Live/work housing can integrate and energize a community, bringing new residents and businesses to districts and bridging residential and commercial zones. It is a cost-effective housing option that appeals to the changing urban demographic while being environmentally sustainable and fostering transit-oriented development. The variable approaches, designs and implementation strategies mean that it can be utilized in across multiple locations with different assets and demands.



The vertical mixed-use development proposed by Hoisington Koegler Group, Inc. for Phase 1 of redevelopment will be made feasible by adopting policies which attract live/work development (2012).



Appendix 1: Codes

17.50.370 - Work/Live Units¹

- A. Applicability. This Section provides standards for work/live and artists lofts/studios, including the reuse of existing nonresidential structures to accommodate work/live opportunities. Work/live quarters are especially intended for the use and occupation of artisans, artists, and individuals practicing similar professions as well as their families.
- B. Design standards.
1. Floor area requirement.
 1. A work/live unit shall have a minimum floor area of least 1,250 square feet.
 2. The maximum size of the residential portion of the work/live unit shall be 30 percent of the unit or 400 square feet, whichever is less, in order to ensure that the residential portion remains an accessory to the primary commercial use.
 3. A ground-level work/live unit with street frontage shall devote the initial 25 feet of floor area depth to commercial activity.
 2. Unit access. Where there are multiple work/live units within a single structure, each unit shall be physically separated from other units and uses within the structure, and access to individual units shall be from a common open space, corridor, hallway, or other common access area.
 3. Internal integration of the work/live unit.
 1. There shall be direct access between the working and living spaces within the work/live unit.
 2. There shall be no separate entrance to the living space by a separate door. All access to the living space shall be from the working space.
 3. The working space shall not be leased separately from the living space; conversely the living space shall not be leased separately from the working space.
- C. Occupancy and employees.
1. At least one full-time employee of business activity occupying the work/live unit shall also reside in the unit; conversely at least one of the persons living in the live portion shall work in the work portion.
 2. The business activity occupying the work/live unit may utilize nonresident employees, as necessary.
- D. Prohibited land uses. The following shall not be allowed in a work/live unit:
1. Sexually oriented businesses;
 2. Motor vehicle maintenance and repair; and
 3. Welding and/or machining.
- E. Hazardous Materials. All uses with hazardous materials shall comply with the California Fire Codes and other applicable codes.
- F. Mix of land uses. An appropriate mix of land uses shall be established through the Conditional Use Permit process, in compliance with Section 17.61.050.
- G. Compliance with City inspection program required.
1. In order to ensure that a work/live unit continues to be operated as a bonafide work/live unit, all work/live units shall be subject to the City's quadrennial inspection program, if leased or rented, in compliance with Municipal Code Section 14.16.030.
 2. For a work/live unit that is owner-occupied or has been converted to a condominium, the units would be subject to the City's inspection program at the time each unit is resold.

¹ City of Pasadena Zoning Board. 2013. "Standards for Specific Land Use, City of Pasadena Zoning." <http://ww2.cityofpasadena.net/zoning/P-5.html#17.50.370>. Accessed May 5th, 2014.

- H. Business License required. The occupants of the work/live units shall maintain a valid City Business License in order to ensure that the primary use remains a commercial use.
- I. Inclusionary housing requirements. The construction of work/live units shall be subject to the inclusionary housing requirements of Section 17.42.040 (Inclusionary Unit Requirements).
- J. Environmental assessment required.
 - 1. Reuse of an existing structure shall require environmental assessment of the site.
 - 2. The written assessment report shall be submitted as part of the Conditional Use Permit application.

19.26.230. Live/work units.²

- (a) Definition. A live/work unit is defined as a single unit (e.g., studio, loft, or one bedroom) consisting of both a commercial/office and a residential component that is occupied by the same resident. The live/work unit shall be the primary dwelling of the occupant.
- (b) Applicability. Live/work units are allowed in mixed use (MU) combining districts.
- (c) Provisions.
 - (1) The commercial component of live/work units are intended for use by the following occupations: accountants; architects; artists and artisans; attorneys, computer software and multimedia related professionals; consultants; engineers; fashion, graphic, interior and other designers; hair stylists; home-based office workers, insurance, real estate and travel agents; one-on-one instructors; photographers, and similar occupations;
 - (2) In addition to the permitted uses above, the community development director may authorize other uses using reasonable discretion, as long as such other uses are not otherwise precluded by law;
 - (3) The residential and the commercial space must be occupied by the same tenant, and no portion of the live/work unit may be rented or sold separately;
 - (4) Residential areas are permitted above the commercial component, to the side or in back of the business component, provided that there is internal access between the residential and commercial space;
 - (5) The commercial component as designated on the floor plan approved through the special development permit shall remain commercial and cannot be converted to residential use;
 - (6) The residential component as designated on the floor plan approved through the special development permit shall remain residential and cannot be converted to commercial use;
 - (7) The commercial component shall be restricted to the unit and shall not be conducted in the yard, garage or any accessory structure;
 - (8) The commercial component shall not detract from, or otherwise be a nuisance to, the residential character or appearance of the dwelling units;
 - (9) Signage intended to promote on-site commercial uses shall be restricted to two square foot signs permanently affixed to door or wall of the business component;
 - (10) Signage shall be developed in accordance with a master sign plan for the overall development site;
 - (11) All advertising for on-site commercial uses shall clearly state “by appointment only” if the live/work address is used;
 - (12) The total number of occupations at one address is not limited, except the cumulative impact of all such commercial uses shall not exceed the limits set forth in this section for a live/work unit;
 - (13) The external access for the commercial component shall be oriented to the street and should have at least one external entrance/exit separate from the living space. The entrance to the business component shall be located on the ground level. Access to the commercial component of each live/work unit

² Town of Sunnyvale. 2014. “Sunnyvale Municipal Codes.” http://qcode.us/codes/sunnyvale/view.php?topic=19-3-19_26-19_26_230&-frames=on Accessed on May 5th, 2014.

shall be clearly separate from the common walkways or entrances to the other residential units within the development, or other residential units in adjacent developments;

(14) The commercial use shall not generate vehicular traffic, in excess of normal residential traffic, which will interfere with residential traffic circulation or shall not cause more than three vehicles including vehicles used by customers, vendors, or delivery services to visit the premises per day;

(15) The live/work unit shall be required to provide parking in accordance with Sunnyvale Municipal Code Chapter 19.46;

(16) No more than one employee (excluding residents of the dwelling unit) shall work or report to work on the premises, and the employment of any persons who do not reside in the live/work unit shall comply with all applicable building code requirements;

(17) The commercial use shall not generate external noise, odor, glare, vibration or electrical interference detectable to the normal sensory perception by adjacent neighbors;

(18) No explosive, toxic, combustible or flammable materials in excess of what would be allowed incidental to normal residential use shall be stored or used on the premises.

(d) Prohibited Commercial Uses in Live/Work Units.

(1) Any use not permitted in R-3, R-4 or R-5 zoning districts, as specified in Table 19.18.030;

(2) The retail sale of food and/or beverages with customers arriving on-site. This does not include online (internet) sales, mail order, or off-site catering preparation;

(3) Entertainment, drinking, and public eating establishments;

(4) Veterinary services, including grooming and boarding, and the breeding or care of animals for hire or for sale;

(5) Businesses that involves the use of prescription drugs;

(6) Adult-oriented businesses, astrology palmistry, massage, head shops, and similar uses;

(7) Sales, repair or maintenance of vehicles, including automobiles, boats, motorcycles, aircraft, trucks, or recreational vehicles;

(8) Trade or Private Schools. This excludes private instruction of up to two students at any one time (e.g., music lessons, tutoring). (Ord. 2920-10 § 1).

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Greenpoint Manufacturing and Design Center

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Habersham Land Company, Inc. (also Davis & Floyd Inc)

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and

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