If You Can Make It Here: The Space Crisis for Arts Groups in New York City

Center for an Urban Future
by Suri Duitch

Ticket sales for Broadway shows are up 30 percent since 1990. Major museums are seeing record attendance. Many cultural institutions have taken advantage of good economic times to launch major capital campaigns for renovations and expansions into new buildings. But most of New York City's arts organizations have only seen the dark side of a strong economy: a devastating rise in real estate costs.

You can't make art without a space to do it in. It's as simple as that. Office workers can telecommute — dancers can't. And building and maintaining the necessary and appropriate spaces is expensive: a 1994 national report by the Nonprofit Finance Fund stated that the arts are three times as resource-intensive as the American steel industry, and that arts organizations on average require $2.70 worth of assets to generate a dollar in revenue. Clara Miller, the group's executive director, indicates the figure is even higher in New York City, because of real estate costs.

The high cost of real estate and the lack of appropriate space are by far the most pressing concerns of arts groups in New York City today. While the economic boom brought modest increases in grants from private sources, they have failed to keep pace with real estate costs, which have increased 50 percent to 300 percent over the past five years, depending on the neighborhood. Small groups that just want temporary rentals and leases can't find space they can afford. Medium-sized groups face doubled and tripled rents when their leases expire. And even groups lucky enough to own their spaces find it impossible to expand.

To make matters worse, arts districts are the hot zones — the exact areas where real estate prices have risen most. Midtown and downtown Manhattan, where many arts groups have been located for decades, are now financially out of reach for the vast majority of them. Neighborhoods such as downtown Brooklyn and Long Island City — which artists revitalized not that long ago — are rapidly headed in the same direction.

The arts space crisis is far off the radar screen for most people. This report is the first broad look at real estate issues for arts organizations in New York City since the mid-1980s. During the course of research for the Blueprint, arts organizations across the city made it clear that space is issue number one. Yet it has not been studied, addressed, or considered as part of any policy response in New York City.

If the space crunch and rent crisis continue, the City risks becoming something of a cultural artifact — and losing its longstanding identity as a major cultural center. If artists and smaller arts organizations, which feed the major institutions, can no longer make their home here, the City will lose one of its crown jewels — its vital artistic community — and will eventually be reduced to a series of grand venues for work imported from other places.

Eric Rivera and Jennifer DePalo of Ballet Hispanico of New York in *Club Havana.* Photo by Bruce Laurance.

Inset: Susan Marshall and Company in *Opening Gambit* in Dance Theater Workshop's Bessie Schönberg Theater. Photo by Tom Brazil.

The Hard Facts

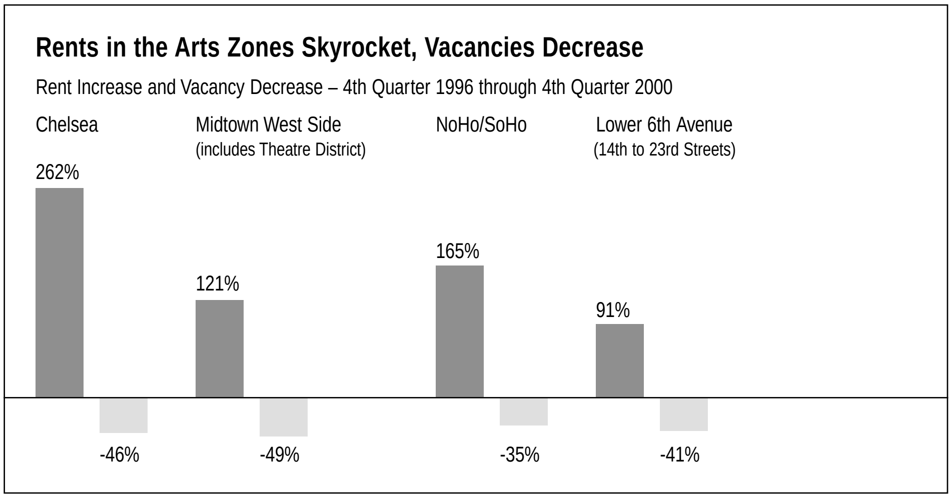
The Center for an Urban Future spent nine months in 2001 exploring how the issue of space affects arts organizations in all five boroughs, with a particular focus on districts that have the highest number of artists and arts and cultural organizations. The news is not good.

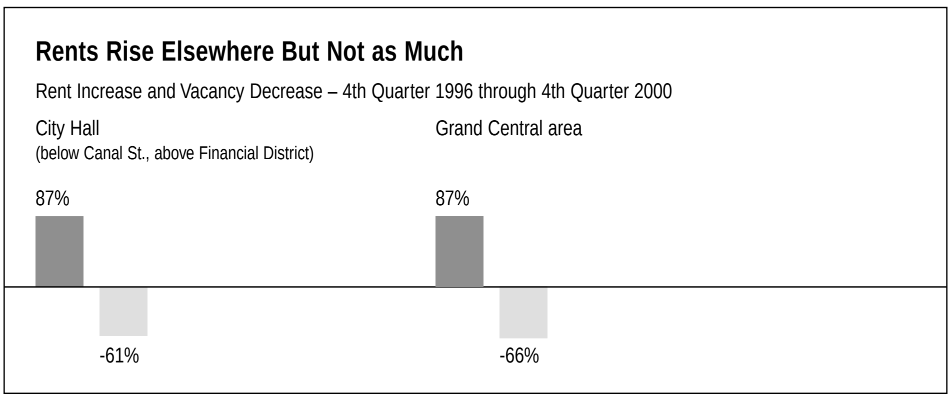
Our overall finding is in fact the worst news possible: not only have rents risen so high that arts organizations are being forced out, but rents have also climbed more in the city's arts hot spots than almost anywhere else in the five boroughs.

Rents have doubled and tripled in the Manhattan neighborhoods where arts groups have historically found homes for rehearsing and performing and exhibiting. As demand for space has increased, the supply of available space in the city has decreased dramatically. The following charts offer such examples as Chelsea, where rents soared 262 percent between the fall of 1997 and the end of 2000, while available space dropped by nearly one half.

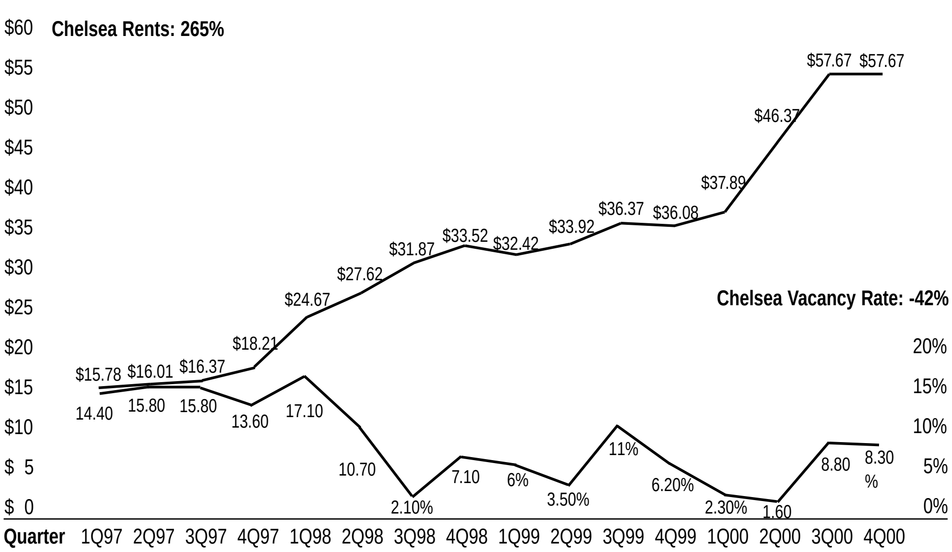
Some say the simple answer for arts groups in Manhattan is to move north of 96th Street, or to the other boroughs, and many organizations have begun to do just that. But when it comes to supporting a vital arts community, not all neighborhoods are created equal. Performing arts groups and galleries need to be near mass transit, and not too far from their audience base, in order to draw viewers. Both performing and visual artists need ready access to materials ranging from amplifiers to acrylics. And virtually all arts groups need sizable, unobstructed spaces, which are not common to the architecture of every neighborhood in New York.

Unfortunately, the neighborhoods in Brooklyn and Queens that can best accommodate arts organizations have become as pricey





Chelsea Rents and Vacancy Rate



(Source for data: Newmark & Co. Real Estate, Inc. Tables prepared by the Center for an Urban Future) as those in Manhattan. In Long Island City and downtown Brooklyn, which have become new geographic centers for the arts, the cheapest available space is $20 a square foot. This puts rents in boroughs outside of Manhattan out of the reach of many small and medium-sized arts organizations.

Other Boroughs Are No Bargain

Neighborhood	March of 2000 per square foot	March of 2001 per square foot	% Increase
Long Island City-raw space	$ 9	$20	122%
Long Island City-Class B space (older building in business district on side street)	$15	$25	67%
BAM (Brooklyn Academy of Music) area	$13.50	$25	85%
Williamsburg - factory space	$11	$21.50	95%
Bronx HUB on side street (central Bronx, around courthouses)	$11	$19	73%

(Source: Seaman Realty & Management Co., Inc., DenhamWolf Real Estate Services Inc. and Newmark & Co. Real Estate Inc.)

Ten leading real estate firms covering Brooklyn and Queens now rent office space in downtown Brooklyn for over $40 a square foot, and they price raw space for at least $10 a square foot — which does not count the considerable additional cost of making the space usable. Higher prices have also spread to the Bronx, where real estate brokers cite prices as high as $35 a square foot in the south and central areas of the borough.

Things are no better in uptown Manhattan. According to Barbara Askins, President of the 125th Street Business Improvement District, storefront rents on 125th Street now range between $50 and $100 a square foot — a 30 percent increase since 1999. Retail space above 125th Street, on the avenue blocks up to 145th Street, is considerably cheaper — ranging from about $10 to $25 a square foot, according to local real estate brokers. But many small arts organizations still can't afford such prices, and the limited space available is often unsuitable for groups with specific space needs, such as theater or dance companies.

Why Rising Rents Are Sinking Arts Groups

Dealing with extreme prices and their escalation can be difficult for any tenant, but for nonprofit arts organizations it can be disastrous.

Most arts groups reuse every paper clip in the scramble to meet their current operating budgets — in other words, they don't have extra cash to cover even a small rent hike, much less the kind of increases that actually confront many organizations. They are seeing increases of 150 percent or more — in SoHo, for example, from $15 a square foot to $40 a square foot. On a space of 2,000 square feet, this represents an annual rent increase from $30,000 to $80,000. In a situation like this, options are few. Moving to a cheaper space might help, but moving costs money, and renovating a new space is likely to cost more than the group would save in rent the first year. Doubling ticket prices might bring in more cash — or it might drive potential audience members away, leaving the company in even worse financial straits. Selling more tickets might help, but doing so means one of two things: adding performances (which cost money to produce) or adding seats — which, of course, means renting more space!

Mark Russell, the director of Performance Space 122 (P.S. 122), which presents theater groups and performers in a former schoolhouse in the East Village, says the need for space is so great that he is rarely able to allow rehearsals at P.S. 122 anymore. Forced to choose, he has decided to use most of his limited space for performances and leave groups to figure out where to rehearse on their own. The impact is especially great for young artists and newer groups that need space in which to develop their work.

Patricia Cruz, the director of Aaron Davis Hall, a multi-theater performing arts complex in Harlem at 135th Street, agrees with Mark Russell. She observes that more and more community-based arts groups have found themselves without space of their own and therefore unable to operate. "Any number of organizations that were critically important twenty years ago are no longer here," Cruz says, "or can only do a week's season someplace — as opposed to the developmental work that's critical if you're really going to have [a community serve as] an arts center."

Dance, the Hardest Hit

According to the Center's research, dance companies have been disproportionately affected by the current space crunch. This differs from the last squeeze, of the mid-1980s, in which theater groups were most often displaced. The skyrocketing real estate market has forced many dance studios to shut down or move out of Manhattan; over a dozen have closed or moved in the past year. The shrinking number of rehearsal studios in Manhattan has led to an explosion in the demand for them since summer 2000.

A survey in spring 2001 of seven large and mid-sized dance studios revealed the following numbers:

- Low-cost dance studios receive at least 30 calls a day for rehearsal space, double the number of a year before.
- On average 15 groups looking for rehearsal space at a studio in Manhattan are turned down daily.
- One dance studio, the New Dance Group Arts Center, which offers grants to companies that need assistance, has seen the figures requested rise by nearly 50 percent in the last year, from $100,261 in 1999 to $142,872 in 2000.

The experience of Ronald Knoth, managing director of the Battery Dance Company in lower Manhattan, is typical. "We keep a database of groups who rent space," he says. "Last year it was 250, and in the past year alone it has gone to 900. Last year I used to get four to five calls for space a day, and now if I get less than 50, it's a slow day. I tell about 20 groups daily that I have no space."

The effects of the space crisis, he adds, are far-reaching. In order to save money, rehearsals must be "quicker, harder, faster," posing greater risk of injury to performers. "Now rehearsal will be 80 hours instead of 120 and the work is compromised."

In a grim example, Zvi Gotheiner was forced to give up the dance studio he had managed twelve hours a day, seven days a week, for six years. The studio itself, in SoHo, had been open for thirty years; Paul Taylor was an early renter. Two thousand dancers rehearsed there every year. But when the lease came up for renewal in 2000, the landlord almost tripled the rent, from $3,750 to $11,000 a month. The old rent was hard to pay even with the help of

Real Estate and the Arts: the Post-September 11th Landscape

While it's difficult to predict, initial indicators are that the post-September 11th real estate market won't be much easier on nonprofit arts groups. Building and renovation efforts in development, which require significant capital investments, have ground to a halt. And while prices per square foot for buying or leasing space could soften, it's just as likely that they will rise.

A quick survey taken during the thirty days following the attack on the World Trade Center revealed that one of the greatest fears of groups looking for space right now is that a ripple effect from displaced companies will either delay or turn around what was a slowing commercial market. Gary Steuer of the Arts & Business Council says, "Just as there was a feeling that the market was softening, all of a sudden you have this new deluge of businesses looking for alternative space."

The space crunch, combined with the 1990s' booming economy, encouraged those arts institutions that could to launch aggressive new campaigns to buy and renovate large amounts of space for themselves and to rent to other arts groups. Now, many of those projects are left hanging. The fact remains that space for the arts in New York will still be hard to find.

a state government grant. On December 31, 2000, Gotheiner closed the studio.

He was initially optimistic about finding a new studio. With so many dance troupes desperate for rehearsal and performance space, he thought he could organize a group of them to rent or even buy a facility. But prices were so high that all the dance groups he approached were fearful of making the financial commitment, one that they worried they might be unable to fulfill. Gotheiner has given up on opening a new studio for now, and has rented an office just for himself.

A Hands-off Arts Policy Leads to Displacement and Missed Opportunities

In the 21st century there are few assets more valuable to development strategies than a thriving arts sector. In New Orleans, Baltimore, Seattle, and Cooperstown, city leaders are using cultural policy as a way to revive or sustain economic growth.

Here, where the sector employs an estimated 130,000 people, the arts may be seen as a natural blessing — something we are endowed with, that warrants no further thought or effort. It is exactly this hands-off approach that has helped to create the current space crisis. There are at least three consequences of the fact that arts and culture aren't integrated into city economic planning policy.

1. Constant displacement
One effect of a lack of planning is that arts groups and artists themselves are continually displaced. Time and again, arts groups pioneer fringe neighborhoods and spark a renaissance. In the East Village, SoHo, and now far west Chelsea, the arts have turned frontiers into high-rent districts. Artists and arts organizations have taken the risks, and invested the sweat and capital, only to see the fruits enjoyed by others. The art scene is quickly driven away by those with deeper pockets. The cultural base of the community is forced out.

This frontier-to-eviction track is pure Darwin, the opposite of any sound development strategy.

2. Potential overlooked
The lack of focus on the arts as an element of economic development has also meant that viable but less obvious areas for arts organizations remain perennially overlooked. Places such as Hunts Point in the South Bronx, St. George in Staten Island, and East Harlem could enjoy a mutually beneficial relationship with the arts. They haven't so far.

3. Conflicts between industries
Without an economic plan, the arts continually collide with other industries. The clearest example of this is the conflict between the arts and light manufacturing — two sectors that have much in common. Both employ tens of thousands of New Yorkers, tend to hire locally, and gravitate to mixed neighborhoods with industrial buildings. Arts groups cite the positives of their proximity to manufacturers, including access to raw and customized materials, an attractive diversity in the neighborhood, and a stabilizing effect on real estate prices. The arts and manufacturers both lose out when real estate values rise. Unfortunately, instead of working together to protect their

common interests, the two sectors are in constant competition with each other, fighting for the same space. The friction between them could be turned into cooperation with planning and an effort to foster a symbiotic mix of economic sectors in suitable neighborhoods.

West Coast Parallels

Faced with their own real-estate squeeze, San Francisco's government and its foundation, and business leaders made preserving their arts community a priority, designating space for nonprofits on city land, and offering free assistance to organizations looking for space.

The astonishing rise (and recent fall) of real estate costs in San Francisco has been even more extreme than in New York. But unlike New York, this West Coast city has been taking steps to address the problem since it began. Representatives of city government, local foundations, nonprofit organizations, and businesses gathered in 1999 to look closely at the effects of rising rents on all nonprofits, including arts groups, and to figure out how to assure that San Francisco's relatively large nonprofit community survived market vicissitudes. These policymakers sponsored three major studies of the problem, one of them focused on the arts.

The issue for nonprofits in San Francisco was more than the breathtaking rise in real estate prices. The increase was largely driven by the arrival of technology companies, which were moving into the very neighborhoods where nonprofits had made stable, long-term homes. These areas, specifically the Mission and South of Market neighborhoods, are the ones best suited to arts groups — districts with former industrial buildings that have big, open spaces and high ceilings. For these reasons, the real estate boom posed a very direct threat to San Francisco's nonprofit community, and specifically to arts groups.

The reports painted a picture of an arts community that was remarkably stable: More than half the groups had been in business for at least 19 years, and dance companies had been in their current spaces for an average of 12 years. They were also paying rents at rates that were less than 20 percent of the current market. The acuteness of the crisis was magnified for these groups, precisely because their long-term leases had allowed them to pay rents so far below market rates. They had built their operating budgets over several years around artificially low figures, and had no realistic prospects of absorbing five-fold or seven-fold increases. To make matters worse, most of the groups surveyed had either lost their leases already, or would within the next year.

San Francisco came up with a range of short- and long-term projects to deal with the nonprofit space crisis. Among them:

- **Nonprofit development on city land.** San Francisco has designated half the developable space at Pier 70 for nonprofit tenants, making 159,000 square feet available for less than market rate. Expectations are that the San Francisco Art Institute will be the lead tenant in developing the site, bringing in twenty or thirty other nonprofit groups. The city has also made a point of allocating space for nonprofits in all of its other development projects.
- **Web site.** Orgspaces.org is devoted to the space-finding needs of nonprofits in San Francisco. The site, which is underwritten by the San Francisco Partnership, the local

chamber of commerce, provides wide-ranging information without a fee, from lists of local capital-funding agencies and foundations to suggestions for planning and analyzing organizational space needs.

- **Available property listings.** The Partnership also gives free assistance to nonprofits looking for space in the city. It pays a fee for up-to-date listings on available properties, and when a group asks about finding a new home, it answers with information on the kind of space, location, cost, and so forth, that the group is looking for.

What's Working Now in New York

New York needs to look no further than its own backyard for some of the most innovative solutions to the perennial space crunch.

1. Art Groups as Developers and Landlords

Nonprofit groups such as the New 42nd Street are taking an entrepreneurial approach to the crisis, developing abandoned properties and taking in for-profit tenants, who subsidize the rents of nonprofit tenants.

Cora Cahan says business-savvy solutions are the wave of the future for arts organizations. She should know, as the executive director of the New 42nd Street, a nonprofit arts organization that opened up 14 rehearsal studios, office space for seven nonprofit arts groups, and a theater that seats 200. All of this is highly subsidized by income from for-profit tenants who are making money from the resurgence of 42nd Street, a resurgence kicked off by the opening of the New Victory Theater in 1995 by the New 42nd Street.

The organization began business in 1990 with what Cahan calls a "negative dowry," 99-year leases on seven derelict theater properties lining the then-seedy block of 42nd Street between Broadway and Eighth Avenue. Subsidized by the income generated from these seven properties, the group created a stunning, state-of-the-art facility built mostly to serve nonprofits.

Few arts groups have the advantage of the 42nd Street marquee location, but such arrangements can work for other organizations on a smaller scale. Cahan believes strongly that arts organizations should benefit financially when they spark neighborhood comebacks, and that local business owners who see profit should give something back to the arts, just as her commercial tenants do.

2. Subsidies for Rehearsal Space

One successful state program addresses the problem directly by offering grants to dance studios that make rehearsal time available to outside groups.

One stalwart program protecting low-cost rehearsal space is funded by the New York State Council on the Arts. Through the Rehearsal Space Subsidy Program, NYSCA provides grants to dance studios that are willing to rent at least a thousand hours a year to nonprofit dance groups at rents of not more than $10 an hour. The program is currently subsidizing space at seven studios in the city, including the new Mark Morris Company building in Brooklyn. That translates into affordable rehearsal space for thousands of artists a year.

As important as this program is, however, it doesn't begin to meet the need. Zvi Gotheiner's studio in SoHo was one of the studios in the program before it closed. Beverly D'Ann, director of the program, would offer subsidies to more studios if they existed. But they don't. As she says, "The rehearsal space problem gets worse and worse, because even the spaces we've funded in the past have been disappearing for a variety of reasons. And once they go, the space doesn't ever come back."

3. Moving the Back Office to the Boroughs

One arts intermediary group has responded to the flood of requests for rehearsal, performance, and administrative space by developing and running its own low-cost office space for arts groups.

Founded in 1972, the Alliance for Resident Theatres/New York (ART/NY) is a membership organization for nonprofit theater groups. With a burgeoning membership, the organization found itself besieged with requests not just for rehearsal and performance facilities, but also for administrative space. Virginia Louloudes, ART/NY's executive director, saw the Brooklyn Academy of Music's (BAM) real estate initiative, and decided to buy a building near BAM in Fort Greene. Aside from the lower prices outside Manhattan, she chose Fort Greene because of the presence of BAM and the excellent public transportation in the neighborhood.

Opening in 2000, ART/NY's building became an unqualified success. Its 20 offices were leased in just three weeks, and twelve more groups are now on a list waiting to get in. Groups are allowed to rent just the amount of space needed, at a highly subsidized price, and they share equipment such as fax and copy machines for additional savings. In order to meet operating costs, Louloudes and her group must raise $150,000 a year to supplement the low rents that make the building accessible to small arts groups. But the building is so successful that ART/NY is looking for another one to buy.

4. Arts and Community Organizations as Partners

Some arts and social-service nonprofits are finding it mutually beneficial to share resources and support each other's missions within the same community.

Roots and Branches, an intergenerational theater company, is housed in Manhattan within a major nonprofit social service agency, the Jewish Association of Services to the Elderly (JASA). JASA provides Roots and Branches with legal status through its own 501(c)3 designation, as well as office and rehearsal space and administrative support. Roots and Branches raises funds to pay its staff and production costs. Though space is tight at JASA, as at many nonprofits, it has made a long-term commitment to the theater troupe.

Arthur Strimling, director of Roots and Branches, says, "Senior services are mostly seen as services for people who are in some kind of crisis or have some serious need — they're about people's helplessness in some way. Here is a project that reaches out to people's spiritual needs, their cultural needs, and that presents a positive image of seniors to society." He emphasizes that the theater group is about art, not social services, and that it is artistically independent of the larger agency. But because his group is community-based, he says, it makes sense to be part of another agency serving much the same community. Furthermore, this community is made up of people who typically have very little exposure to the arts, and so the seniors who come to JASA have the added benefit of exposure to theater through Roots and Branches.

5. Creating a Cultural District

The Brooklyn Academy of Music has not only proved it possible to create a successful cultural nexus outside Manhattan, it has shown that such arts centers can serve as major engines for economic development.

Mark Morris and his dance company are the latest chapter in the continuing success story of an unlikely arts destination, in Fort Greene, Brooklyn. But the growing reputation and success of the Brooklyn Academy of Music over three decades has made believers of everyone.

In the 1970s and early 1980s, says former president Harvey Lichtenstein, he saw the neighborhood around BAM decline even while the arts institution itself thrived, and he wanted to give BAM a "context." BAM acquired the Majestic Theater (now named The Harvey) on Fulton Street in 1985, a year before the institution's 125th anniversary. More than a decade later, when Mark Morris, in a quest for a permanent home for his nomadic dance troupe, said he would consider coming to Brooklyn, Lichtenstein seized his chance. He formed the BAM Local Development Corporation (BAM LDC), and its first major act was to help Morris to buy a nearby derelict building from the state and to raise $5 million to rebuild and renovate it.

Now the BAM LDC is in the process of renovating its 300-seat Strand Theater, and also buying city-owned buildings in the immediate area, and planning buildings on BAM's two parking lots. The goal is to create a new geographic locus of performing arts creativity by matching both established and emerging groups with low-cost space for rental and purchase. BAM is so positive about the potential of this new mecca that the LDC is lobbying state and city officials to designate the state's first official "cultural district," with tax incentives for developers and landlords to lease and sell to arts groups, and incentives for the arts groups themselves to locate in the district.

Are there risks for the groups that leave Manhattan to come to a new neighborhood? Certainly, and one of them is that by relocating they will lose their audience. In response to that concern, the BAM LDC has created an Operational Transition Fund to subsidize the operating costs of groups while they rebuild their audience base.

Not all of the LDC's plans are viewed as a win-win for its home in Fort Greene. Businesses along Fulton Street and neighborhood residents are concerned that a BAM-designed arts community won't leave room for local merchants and existing culture. This visible opposition is lobbying hard for a more integrated plan.

Meanwhile, the answer to the question, Will the cultural district idea work? seems to be yes. The second big question — can it be done anywhere else outside Manhattan — is still up for discussion. Jeanne Lutfy, the LDC's executive director, points out the unique confluence of factors that allowed the BAM LDC to get off the ground: a major public transportation hub in the nearby Atlantic Terminal and two major bridges; the long and positive track record of BAM; the leadership of Harvey Lichtenstein, one of the city's living cultural legends; and opportunities to buy government-owned buildings at below-market prices, leading to the low rents that arts groups can afford.

This report was edited by Neil Scott Kleiman and Andrea Coller McAuliff. Additional research provided by Neil Scott Kleiman and David Fischer.