

Financing Creative Workspace

These guidance notes were prepared by Marc Collett as part of a workshop at NFASP's conference in Liverpool, October 2008.

There are many sources of finance available for sustainable capital and revenue projects and lots of resources available to help guide organisations and businesses through the options available. The following is a summary of some of these along with links to other useful sources of information.

Sources of information on finance

The Development Trusts Association has substantial expertise in community share and bond issues and runs a programme supporting asset transfers into the community sector. Its website contains lots of information about these mechanisms. www.dta.org.uk

The Community Development Finance Association holds details of all member CDFI's (Community Development Finance Institutions) and core information about the products they have available. www.cdfa.org.uk

Government Funding: Central government has a website that details all grants and finance available to the community and voluntary sector through government departments. www.governmentfunding.org.uk

National Council for Voluntary Organisations (NCVO) (www.ncvo-vol.org.uk) has a new web resource, Sustainable Funding, which encourages the community and voluntary sector to explore and exploit a wide range of finance options. www.financehub.org.uk

Lottery Funding: The lottery distributors have a joint site that enables organisations to search for initiatives across all the lottery boards. www.lotteryfunding.org.uk

Business Link provides detailed guidance on a wide range of financing issues including grants and loans available to businesses. www.businesslink.gov.uk

Sources of finance

There is some evidence of finance being raised from the following sources to support creative workspace and similar projects:

Community share and bond issues are means of generating capital or revenue, usually to fund a specific project, by drawing on the resources of a local community or community of interest. For details go to www.dta.org.uk. Headingley Development Trust (HDT), an Industrial and Provident Society operating in the Headingley area of Leeds, is developing community-owned assets in the area through transfer and acquisition, running a number of community-based projects including a natural food store, deli market, café scientifique and developing a role in affordable housing provision. Its latest major project, HEART (Headingley Enterprise and Arts Centre) aims to develop a redundant primary school into an arts centre with a strong enterprise development element to it. HDT has approached the process of acquiring and developing the centre on three fronts: a community

share issue, launched in 2007; an asset transfer from the local authority; and an application to the Big Lottery Fund (Community Assets Fund) – and is well advanced now on all fronts. The outcome will be a community owned asset with performance, exhibition and events space, training rooms, a café and an arts and media business centre supporting 5-10 new businesses per year.

Third sector banks have developed in response to investors wanting to use ethical banking for their portfolios and the needs of the charitable, not-profit-distributing and charitable sectors, which were not well served by the high street banks. The main ones in the UK are Charity Bank (www.charitybank.org), Tridos Bank (www.tridos.co.uk) and Unity Trust Bank (www.unity.uk.com). Examples of creative workspaces accessing finance through third sector banks include: Farfield Mill (www.farfieldmill.org), London-based Artists Studio Company (www.ascstudios.co.uk) and Scotland-based WASPS (www.waspsstudios.org.uk).

Adventure capital fund, established with initial funds from the Home Office, has been one of the main providers of Patient Loans in England (long term investment with terms that cannot require immediate repayment) and has invested, or committed to invest, £16 million over 5 years; a substantial proportion has been targeted specifically at community-based workspace developments. The Adventure Capital Fund usually makes a combination of grant (maximum 40%) and loan available to successful applicants alongside business development grants and free business consultancy support. www.adventurecapitalfund.org.uk

Community development venture capital aims to use the methods of venture capital (equity investment and hands-on support to companies) to develop businesses that create jobs, entrepreneurial capacity and wealth, to improve the livelihoods of people on low incomes and to stimulate the economies of disadvantaged communities. An example is Bridges Community Ventures. www.bridgesventures.com

Venturesome offers loans and investment support to charities and other social enterprises where the requirements are too risky for a bank loan, but outside eligibility for a grant. In particular they support: bridging finance for capital projects; working capital; and development capital. www.cafonline.org

Futurebuilders is a government initiative designed to encourage social and community enterprises to develop stronger businesses, based on the delivery of services for and/or on behalf of public bodies. Typically, in delivering these services, social enterprises aim to deliver additional social benefits – training, community engagement etc – as well as delivery of core services. Futurebuilders offer investments in excess of £50,000 to support organisations to build their capacity to engage with the public sector around contract delivery. Investment is in the form of loans with some grant elements available. www.futurebuilders-england.org

Community Development Finance Institutions (CDFIs) are a new financial tool for social, economic and physical renewal in under-invested communities. They lend to and invest in deprived areas and underserved markets that cannot access mainstream finance. They are sustainable, independent organisations that provide financial services with two aims: to generate social and financial returns. Most CDFI's provide finance in the form of loans. They can provide funds for a range of things including working capital, bridging loans, property and

equipment purchase, start up capital and business purchase. The Community Development Finance Association (CDFA) supports these institutions. www.cdfa.org.uk

Shared equity. Shared equity stakes in workspace buildings are a common feature of developing finance packages for building acquisition and development. Equity stakes can be on the basis of cash investment, mortgage investment, or both, and, in some circumstances, sweat equity in a property. Most examples of shared equity are where two or more individuals or companies invest in a building and then lease the building or managed workspace provision directly. There is a self-help co-operative model of shared equity where a co-op raises 80% of the capital cost of a building on a mortgage and co-op members take a share of the equity in the final 20% cost of the project. The capital amount that needs to be raised from co-op members is relatively small with the costs of entry kept low. But there aren't many examples of creative workspace shared ownership schemes at any scale. One is a group in Liverpool, who own Annex Inc and Blundell Street Works; another a Manchester-based property developer ASK/ Abito who has developed an 'Own Front Door' scheme that allows tenants to take an equity stake in a building, either through an initial purchase or a lease conversion to purchase throughout the lifetime of the lease. They have two mixed-use (residential/office) development projects completed at Greengate, Manchester and Salford Quays and a workspace development in progress on Deansgate. Their products are aimed specifically at the small, knowledge economy businesses that can see real benefits from an equity share in a property.

Assets for pension provision. Shared equity or shared ownership of workspace property can be linked to SIPPs (Self Invested Personal Pensions) for sole traders/self employed creatives and to SSAS (Small Self Administered Schemes), open to Directors of companies. SSASs have some potential to convert commercial business premises into a pension. www.pensionsforartists.org.uk

Lottery funds. While there's no longer arts lottery capital, the Big Lottery Fund and the Heritage Lottery Fund (HLF) may provide opportunities in particular circumstances. The Grade 1 listed Bluecoat in Liverpool sourced £2.5m of its £12.5m redevelopment costs from HLF; its provision includes 24 creative workspaces. The Big Lottery Fund sometimes funds capital projects at community level and now acts as funds manager for the new £30m Community Assets Fund (see asset transfer). Several of the 36 'in principle' awards are arts and creative workspace projects including Ashfield Community Radio and Media Training, Battersea Arts Centre, Bermondsey Artists Group, Creative Studios Cumbria, LOOSE Music Collective in Halton, a community media centre in Barton on Humber and the redevelopment of the Mitchell Memorial Youth Arts Centre in Stoke. www.biglotteryfund.org.uk

Local Enterprise Growth Initiative (LEGI) is a government initiative that aims to release the economic and productivity potential of the most deprived local areas across the country through enterprise and investment, thereby boosting local incomes and employment opportunities, and building sustainable communities. LEGI will provide local authorities, in partnership with key stakeholders, with the freedom to best determine the needs, options and solutions for stimulating economic development in their area. LEGI is worth £300m for the first 3 years. Twenty nine local authorities have been successful in Rounds 1 and 2. A number of bids clearly signal an intention to invest in business centres and workspace projects in the target areas over the period of the programme. www.neighbourhood.gov.uk

European Regional Development Fund (ERDF). Like the arts lottery ERDF has contributed to many creative workspace developments over recent years but, again like the arts lottery, this source of finance is dwindling. However, there is one more round between 2007 and 2013, when England will get further investment of €3.2 billion of ERDF. This will include one Convergence programme in Cornwall & Scilly Isles and a Competitiveness and Employment programme elsewhere in England. There is a greater emphasis in this new round of programmes on concentrating and targeting funding towards city regions and fewer and bigger transformational regeneration projects at regional and sub-regional level. Each regional action plan varies in the sense that they are synthesised with the Regional Economic Strategy, but there is reference to site clearance and development (usually associated with large business and industrial park development) and to the provision of accessible, appropriate and affordable workspace premises in areas of greatest needs. www.erdf.communities.gov.uk

Rural Development Programme for England (RDPE) is jointly funded by the EU (the European Agricultural Fund for Rural Development) and the Government, and runs from 2007 to 2013. Whilst a considerable amount of the programme is focused on improving agricultural performance in England, there are specific measures and references at national level to capital investment in the creative industries through three specific measures: diversification into non-agricultural activities; support for the creation and diversification of micro-enterprises; and the encouragement of tourism. Support will be provided through grant aid towards: capital investment; start-up revenue costs; market research and feasibility studies; marketing support, product development, branding and design costs; technical support to help new businesses become established and to help existing businesses to consolidate and expand. The Regional Implementation Plans will be delivered in the regions according to their own regional and sub-regional priorities within the framework of the national priorities. The delivery partners for the RDPE are Natural England, The Forestry Commission and the Regional Development Agencies. www.defra.gov.uk

Landfill Community Fund (LCF) is designed to help mitigate the effects of landfill upon local communities. Under the LCF landfill operators can reduce their landfill tax liability by funding environmental or community projects (www.defra.gov.uk). The Fund makes some provision that has been utilised by creative workspace organisations, for example, the Watershed Workshops in Slaithwaite, specifically in the area of environmental improvements and improvements to listed buildings and improving townscapes. Funding of up to £50,000 is available for projects with local and regional significance and there is a 'proximity' criterion that has to be satisfied before an application can be progressed (projects have to be within 10 or 25 miles of a landfill or waste site depending on the scale of the project). The scheme is regulated by Entrust: www.entrust.org.uk;

More details on a range of issues affecting creative workspace development and management can be found at www.creativeworkspace.info

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