



CONSULTING REPORT:

# DANVILLE, VIRGINIA

Prepared for the

DANVILLE REGIONAL FOUNDATION



July 2015

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# Introduction

Like many other midsize cities, Danville has struggled to define itself in the post-industrial era. Danville, however, has two significant assets that most other communities cannot match: the Dan River, which has considerable potential as a recreational resource, and the



The Tobacco Warehouse District, looking west on Craghead Street toward downtown Danville

River District, a large area that includes the downtown business district, the Tobacco Warehouse District on the east side of downtown, and both sides of a five-mile stretch of the Dan River. The River District includes a huge amount of warehouse and mill space – 5.2 million square feet – that is mostly either vacant or underutilized, including the more than 500 buildings of the Danville Tobacco Warehouse and Residential District, a recognized national historic district. Some three dozen of these

structures are tobacco warehouses, factories, and related facilities, most built between 1870 and 1930 – an astonishing inventory by any measure. Most of the warehouses are similar in appearance, with red brick exteriors, high ceilings, large windows, and massive wood columns at regular intervals, which gives the Tobacco Warehouse District a remarkable sense of cohesion.

About five years ago, the City of Danville embarked on a comprehensive development plan for the River District. Much has already been achieved, including two phases of streetscape improvements; construction of a new public space, Main Street Plaza, that features a large fountain; improvements in traffic patterns; utilities upgrades; establishment of free public Wi-Fi hotspots on three blocks of Main Street; and more parking. The City has obtained state funds to create a pedestrian lane on a downtown bridge to connect the walking trails on the north and south side of the Dan River. A variety of other initiatives, including a branding campaign, are underway or in the works.

Among these initiatives is the recent scope of work conducted by Artspace to investigate the potential for adaptive reuse of one or more historic buildings for arts and related creative activities. The Danville Regional Foundation, which underwrote this work, asked Artspace to identify and provide basic financial estimates for three arts-related project concepts in the River District. From a group of suggestions offered by Artspace, the DRF selected three: a black box theater, a visual arts facility that includes some combination of museum space and/or artist studios, and a co-working facility.

The first of our two visits took place Oct. 29-31, 2014. The Artspace team – Roy M. Close, Vice President, Special Projects, and Anna Growcott, Consulting Associate – toured several warehouses, met with focus groups, and conducted a well-attended public meeting. During a second visit (Jan. 28-30, 2015), Bill Mague, Vice President of Asset Management, joined the team in a focused exploration of costs related to three potential project concepts. This report summarizes our findings, discusses the concepts individually and as a co-located cluster, and makes recommendations for next steps.

Artspace is grateful to the Danville Regional Foundation; to its President/CEO, Karl Stauber; to Fellows Ina Dixon and Elyse Jardine, who provided invaluable assistance throughout the process; and to the other members of the Core Group – Cara Burton of the Danville Museum of Fine Art and History, Telly Tucker and Corrie Teague of the City of Danville Office of Economic Development, and Rick Barker of Supply Resources. Kathy Hurt of the Concert Association/The Cancer Research and Resource Center of Southern Virginia, Catesby Denison of the Danville Area Association for the Arts and Humanities / Caswell County Planning Director, and Dr. Tiffany Franks, Averett University President, were also part of the Core Group and participated in the first visit, but due to time conflicts could not participate in the second visit.

## Findings

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Cities across America are trying to reinvent themselves by reviving their downtowns, and Danville is no exception. Danville is hindered by its size, lack of wealth, and relative isolation – the nearest large cities, Durham and Greensboro, are both about an hour away. But it is in a better position than most because it has a wealth of historic architecture, a large and relatively intact historic warehouse district (one of five National Register districts within the city limits), and a river with great potential as a recreational resource. It is not difficult to imagine this city as a significant tourist destination in a decade or two.

In our first visit in late October, we were particularly impressed by the size and quality of the historic building stock in the River District. The four large tobacco warehouses we walked through all appear to be excellent candidates for various adaptive reuse – commercial, residential, and/or cultural. Although we were told that some others are in much worse condition, our sense is that most of the major buildings in the Tobacco Warehouse historic district are not only salvageable but have strong potential for adaptive reuse.

We were also struck by what has already been accomplished. The DRF shares a beautifully renovated tobacco warehouse with Averett University's nursing and GPS programs on Bridge Street, which features historic cobblestones with new brick-paved crosswalks. A

block away at 554 Craghead Street, Rick Barker’s spectacular renovation of the 21,000-square-foot Piedmont Hardware Building was completed just in time for us to meet there in late January. At the west end of the district, the year-old and highly regarded Golden Leaf Bistro occupies a historic brick building. At the east end, the Crossing at the Dan is a new community gathering place. In short, the process of rebuilding downtown Danville is well underway. As Rick Barker says in a promotional video, “There’s a buzz about downtown Danville now.”

In addition to the four buildings in the Tobacco Warehouse District that we visited, we drove past but did not walk through several others, including the iconic White Mill on the riverfront. If the City can identify an interested developer of multi-family housing willing to invest in a project that also includes an arts center, the potential for a transformative project would be much greater.

One obstacle to developing an arts facility in the River District, however, is that the Danville arts community is fragmented. Artists and arts organizations tend not to see themselves as part of a larger group with common interests. One attendee at the Artist Focus Group observed that this was the first time everyone at the table had ever been in the same room together. The artists talked in positive terms about an “arts center,” which Danville lacks, but we often sensed that they were talking about very different things. We conclude that building consensus in this area will require some work.

## Concept 1: Black Box Theater

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**A** black box theater – that is, a small, flexible theater space – may make sense for the River District for several reasons. The “theater-in-the-raw” quality of black boxes makes them well-suited for older industrial buildings, often with no more than modest renovation. Their lack of fancy equipment means they are cheaper to build and operate, which reduces the financial risk factor. Their innate flexibility means they can be used for a variety of non-theater functions, such as business meetings and receptions, that can help subsidize their operation.

During our focus group sessions, Danville performing artists told us that in addition to using a black box for theatrical performances, they would program it with recitals, workshops, and rehearsals. They also saw the value in having a facility that would unify the performing arts and would be a resource for marketing other performances and arts events around town. Danville currently has no black box theater, so a venue of this kind would not compete with any existing facility.

What might a black box theater in Danville look like? For purposes of discussion, let us imagine a 5,000-square-foot facility with the following attributes:

- flexible seating and floor arrangement;
- sufficient space for 100 to 200 seats surrounding a 600-square-foot stage;
- potential to accommodate 250 to 350 standees for events or music concerts;
- a reasonably well-equipped lighting/sound booth;
- a dedicated backstage area with crossover space, a green room, and two to four dressing rooms for actors;
- a rehearsal room;
- a lobby containing a box office, restrooms, and coat storage;
- space and utilities for food and beverage service; and
- office and storage space.

What would such a facility cost to operate? The major expenses would be salaries. Based on our familiarity with other small theaters, we assume the need for a full-time Program Manager, a half-time Technical Director, a half-time Building Manager, and a quarter-time Marketing Director. Although ticket revenues and concessions can offset some operating expenses, it is safe to assume that a black box theater in Danville – as elsewhere – would not be a break-even facility and would need to be subsidized annually.

## CONCLUSION

We believe that a black box theater in the River District would draw audiences and strengthen the district. Because it would probably operate at a deficit, a black box theater would ideally be built as part of a larger development that includes other uses with which it can share common spaces such as lobbies, hallways, offices, restrooms, maintenance areas, and so forth. We will discuss this scenario in a later section.

## Concept 2: Art Center & Studios

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**A**rtists need studios. While it may be possible for a painter to set up shop in a corner of the basement or a writer to get by with a desk in a spare bedroom, most artists prefer a dedicated space where they can work and be in close proximity to other creative people. The only working studio space that currently exists in Danville is the one operated by the Museum of Fine Arts and History in the old firehouse behind the Sutherlin Mansion, and it is so crowded that an ancillary ceramics studio has been relegated to a back room.

Studios can be stand-alone facilities, but they are a particularly good fit with art museums. The concept of a River District development that includes space for both a museum and a

working studios operation deserves serious study. The museum would operate the working studios and use the earned revenue to help subsidize its programs and other operations. This concept could be combined with either or both of the other concepts discussed in this report to create an art center with strong appeal to a variety of constituencies.

## Concept 3: Co-working Space

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Co-working spaces are facilities that rent office space to self-employed individuals, small businesses, frequent travelers, and other “laptop nomads,” as the San Francisco Chronicle calls them, who work independently by choice or necessity. At a minimum, co-working spaces provide desks and/or work stations, Wi-Fi, printers, fax machines, scanners, and coffee. More elaborate ones offer amenities such as mailing services, private meeting rooms, kitchens, phone booths, storage lockers, and administrative support. Co-working spaces operate as membership organizations; memberships generally can be purchased by the day, week, or month and are scaled to match benefits. A co-working environment eliminates the isolation and multiple distractions experienced by many work-at-home freelancers, and it is more formal than a high-top at a coffeehouse. It also creates a social milieu: co-working members tend to be those who prefer to work independently alongside people who share that preference.

We believe that a co-working space makes good sense for the Tobacco Warehouse district for several reasons:

- Co-working spaces draw people to an area, which is a prime goal of the DRF for the River District.
- Unlike most offices, which strive to be reasonably polished, co-working spaces can have a raw aesthetic. Indeed, for many co-working members, the rawness of a co-working space – coupled with professional amenities – is an asset that it apart from conventional offices.
- Co-working spaces tend to be self-supporting and have the potential to operate at a profit; this makes them desirable partners or subsidiaries of nonprofit entities, which almost invariably operate at a loss.
- Danville does not currently have a co-working space. The Launch Place offers office space for six months to new businesses through its Seed Fund program, but one must apply to be a part of the program and agree to use the Launch Place’s business development and consultancy services. The nearest true co-working facilities are in Roanoke, some 90 miles away. This means a co-working space in the River District would not have to compete with an existing business enterprise – a scenario the community would prefer to avoid.

## THE DRF SURVEY

In September, in advance of Artspace's visits, the DRF conducted an on-line River District Co-Working Space Survey to determine whether a market for co-working space exists in the area. The survey, which was not specifically created for Artspace (though it was conducted in the hope that it might inform our conclusions), drew 53 responses. Among its findings:

- Only 29% of the respondents are familiar with the co-working concept (another 44% said they are "somewhat" familiar).
- 73% of the respondents prefer to work in a team environment.
- 85% currently work on their own or with a team of fewer than 10 people (of these, 46% would "definitely" enjoy a space "that offers office amenities without the corporate cost").
- 55% do not currently own their own office space (of these, 78% would like "the ability to have an office space").
- 83% of those who own their own office space would consider using a co-working space for conferences, meetings, or after-hour events.

These numbers suggest a small existing market for co-working space, but the low number of respondents who are familiar with the co-working concept also suggests that a robust marketing campaign could substantially expand the potential market.

## COST ASSUMPTIONS

Let us assume a 5,000-square-foot facility that serves 150 members who pay an average monthly rate of \$150. In practice there might be higher rates for members who prefer to reserve specific work stations as well as discounted rates for students, seniors, neighborhood residents, groups, and those who sign yearly contracts. The daily "drop-in" rate is \$25. If these numbers accurately reflect what the Danville market will bear, the facility would generate annual revenue of about \$270,000. In practice, we think it would take a new Danville co-working space several years to approach a membership of 150; but as the River District fills in, this is a reasonable goal. Once fully subscribed, a co-working facility should generate operating revenue significantly greater than expenses. Our model assumes a full-time Program Manager responsible for the overall administration of the facility, including marketing, and two or three part-time managers who are on site when the facility is open.

## CONCLUSION

Co-working space is a legitimate option for the district. It has the potential not only to pay for itself but to help subsidize any arts and cultural activities with which it shares space in a co-location scenario. A co-working facility in a historic warehouse would be a draw, an attraction, and a good neighbor for many other uses.

## Concept 4: Co-location

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Each of the three concepts discussed in the preceding sections has independent validity. But given that the River District is a very large area with a huge amount of space, we think Danville would be smart to consider a new facility that combines two, or better yet all three of the concepts, and perhaps others as well, to create an arts complex with the potential to become more than the sum of its parts.

The benefits of co-location begin with lower operating expenses through:

- shared spaces, such as conference rooms, kitchens, restrooms, lobbies, elevators, and hallways;
- shared equipment, such as copiers and fax machines;
- shared utilities, such as Wi-Fi and heat;
- shared staff, such as office managers, building managers, and IT specialists;
- better opportunities for artistic collaboration among institutional tenants and their artists;
- greater access to spaces needed infrequently or occasionally, such as performance venues;
- more cooperation and less competition for scarce resources;
- a larger and stronger arts community – an “ecosystem of partners,” as one writer put it – in a single location; and
- more prospective audiences and hence more potential economic clout.

There is ample room for such a complex in any of the four large warehouses we toured, each of which has more than twice the area needed for an arts center that houses all three concepts – that is, a black box theater, a museum with galleries and working studios, and a co-working space. The smallest of the four, the Dimon Building, has almost 48,000 square feet; the largest, the three-story Davis Warehouse, has nearly 75,000. By contrast, the co-located arts facility we use as an example has only about 20,000 square feet; it would fit comfortably in one floor of the Davis, leaving the upper two levels for compatible uses, such as apartments or offices for creative businesses.

Although co-location works best when all parts come together at once, it would be possible to phase in a co-located project over several years, building the common spaces as part of the first phase. If phasing is a desired option in Danville, the order will depend in part on the agendas of institutional partners and of course on the progress of a capital campaign that will require a good deal of cooperation and coordination. It is worth noting that co-working and



working studio facilities are comparatively inexpensive to set up, and the sooner they can begin to contribute to the bottom line, the better.

## CAPITAL COST ASSUMPTIONS

Let us assume an arts center consisting of a black box theater, a co-working facility, and a museum/working studio facility of 5,000 square feet each, plus 5,000 square feet of common space, including a lobby, restrooms, hallways, a loading dock, and so forth. Although these numbers are placeholders, we think that they are in the ballpark and that a 20,000-square-foot facility would have both sufficient critical mass and reasonable room for growth. To keep the discussion from being tied to any one building, let us imagine the arts center as the sole tenant of a hypo-thetical building with a total area of 20,000 square feet.

In Table 1, the building acquisition cost of \$5 per square foot was chosen because it is in the mid-range of the list prices for the four large warehouses we toured. The “base costs” are those associated with acquiring and rehabbing the building; “capital costs by tenant” refer to the specific costs associated with the individual facilities.

<b>Table 1: Summary of capital cost assumptions 20,000-sf arts center</b>		
<b>Base costs</b>	<b>Cost</b>	<b>Total</b>
• Building acquisition (\$5/sf)	\$100,000	
• Remediation	\$500,000	
• Construction to “vanilla shell”	\$2,300,000	
• Design	\$540,000	
• Soft costs	\$150,000	
<b>Total base costs</b>		<b>\$3,590,000</b>
<b>Capital costs by tenant</b>	<b>Cost</b>	
• Black box theater	\$540,000	
• Museum/artist studios	\$200,000	
• Co-working space	\$80,000	
<b>Total capital costs by tenant</b>		<b>\$820,000</b>
Contingency (15%)		\$661,500
Start-up and operating reserve		\$500,000
<b>Total project cost</b>		<b>\$5,561,500</b>

In terms of capital costs, the bottom line is a project of between \$5 and \$6 million – a significant sum, but certainly not an unreachable goal in view of the many funding resources available for projects in historic districts. The August 26, 2011, Technical Memorandum #4 submitted to the City of Danville by BBP & Associates LLC identifies nine federal, state, and local incentive programs, including the following:

- Federal and state Historic Tax Credits, both administered by the Virginia Department of Historic Resources, which can provide up to 45% of eligible expenses, including both hard and soft construction costs.

- Enterprise Zone incentives, which are aimed mainly at businesses; most of the Danville River District is a qualified Enterprise Zone.
- Virginia Tobacco Indemnification and Community Revitalization Commission Economic Development Program, a package of seven grant programs designed to help communities in Virginia’s historic tobacco growing regions achieve economic revitalization.

## OPERATING EXPENSES

One of the benefits of co-location is that shared space generally costs less to operate than the same amount of space in more than one facility: from copiers to conference rooms, one is almost always cheaper than two or three. Co-location makes it possible to share some staff costs as well.

In Table 2, we show the operating cost of each main tenant, not including its programming, add \$15,000

to reflect the base cost of operating an additional 5,000 square feet, and reduce the sum of these numbers by 10% to reflect the overall savings to all tenants of sharing space. It goes almost without saying that this is an arbitrary number; until more is known about the project concept, tenants, and programs, it is probably safe to say that the fiscal savings of co-location are likely to be less than the benefits, as measured by artistic cross-pollination, attendance, and catalytic impact.

Table 2: Summary of annual operating cost assumptions, 20,000-sf arts center		
Common space (\$3/sf x 5,000)		\$15,000
Black box theater		\$180,000
Museum/artist studios		\$150,000
Co-working space		\$180,000
Less co-location savings (10%)	(\$51,400)	
<b>Total annual operating cost</b>		<b>\$473,600</b>

## CONCLUSION

A multi-tenant arts center in the River District would provide the strong cultural attraction the Foundation seeks in the area, and it would help make the district a livelier, more appealing adjunct to downtown Danville. If strong partners can be persuaded to participate, their involvement will undoubtedly make for a project that is stronger in every way. Moreover, there is every reason to think that such an arts facility could be funded.

## Next Steps

Danville is in a good place to move forward with an arts project in the River District. A project involving a new black box theater, a museum with galleries and working studio space, and co-working space to help subsidize the project’s operation should be able to

count on the support of the City, funders, and institutional partners. It would bring significant attention to the River District, and we believe it would catalyze additional development. The planning process can begin as soon as civic leaders and the Danville arts community agree to proceed with a project. We think the following steps make sense:

### **1. Form a community-wide arts association**

Several artists told us that Danville artists and arts leaders rarely get together and that a major barrier to audience-building is a perceived lack of visibility for arts events. This is a problem that the arts community itself can do something about. A community-wide arts association can help all its members by providing marketing assistance in a variety of print, electronic, and social media, helping them articulate their space and programmatic needs, and keeping them informed of community events that impact their work.

### **2. Establish the project concept**

The first step is to identify a project concept that responds to the community's vision for a cultural facility in the River District. The key question to ask – for its answer will inform all subsequent decisions – is which uses make the most sense in the context of the district and the community as a whole. Although financial considerations may ultimately require modifying the concept, they should not drive it now. This is a time to dream big dreams.

### **3. Conduct market research**

Market research will help focus planning on the uses that have the greatest chances of success and eliminate or delay those least likely to thrive in the district. The goal of the market research should be to test the hypothesis that a market exists for the proposed concept – and, if not, to modify the concept accordingly.

### **4. Identify operators and tenants**

If a facility is built, an operator or operators will have to be identified. The logical candidates at this early stage are the anchor tenants, whoever they may be. Alternatively, a new nonprofit umbrella organization could be created for this purpose.

### **5. Establish a Planning Committee**

Someone has to take charge of the process. The DRF can do so until a Planning Committee has been formed, but in the final analysis this must be the community's project, not the Foundation's. Ideally, the committee should have representatives from the City, the Foundation, potential partners, one or more residents of the River District, and a developer and/or architect with experience in historic rehabilitation.

### **6. Identify funding sources**

The DRF should serve as the Planning Committee's liaison with the philanthropic world. As

noted in the report, a project in the River District should qualify for a number of major federal and state grant programs as well as funds controlled by the City.

### **7. Work with the OED to identify and obtain site control of a building**

The four large warehouses we visited are all for sale, and at least three of them appear to be excellent candidates for adaptive reuse. Danville is fortunate in that there is sufficient building stock in the River District to reduce the likelihood that any individual owner can hold out for an exorbitant price.

### **8. Consider affordable live/work housing for artists as an option**

Market rate housing is also an option. The goal should be to create attractive residential units that make Danvillians and others want to move to the River District.

### **9. Support popups and other activities.**

The best way to make the public aware of an arts project in the pipeline is to begin programming arts activities as soon as possible. These can be interactive Candy Chang-inspired chalkboards that encourage pedestrians to write down their thoughts and ideas (for a sampling, see [candychang.com/projects](http://candychang.com/projects)), light shows, temporary exhibitions, street performances, and any number of other events that bring people to the area.

## **CONCLUSION**

Danville's Tobacco Warehouse District is a historic neighborhood filled with remarkable buildings that has already begun to climb back from its low point. Although vacant buildings still outnumber those with tenants, change is underway and it is palpable. The district's problem, in short, is a problem of public perception, and community leaders are in the process of addressing it. The same can be said of much, if not all, of the larger River District.

We think that an arts project of the kind proposed in this report – something with several components, a variety of audiences, and sufficient size to fill the first floor of a large building with activity at all hours of the day and evening – has an excellent chance not only of succeeding on its own terms but also of catalyzing additional redevelopment in the district. It will have an even better chance if the community's leading cultural and educational institutions choose to get involved in developing and operating it.

As we have seen, a 20,000-square-foot facility can be built for something in the range of \$5.5 million. Like almost all arts organizations, it will probably need an annual fund drive to balance its books, but it need not be a drain on community resources. And to the extent that it drives additional development in the district, it will be a solid long-term investment.