

Chasing Artists, Not Smokestacks

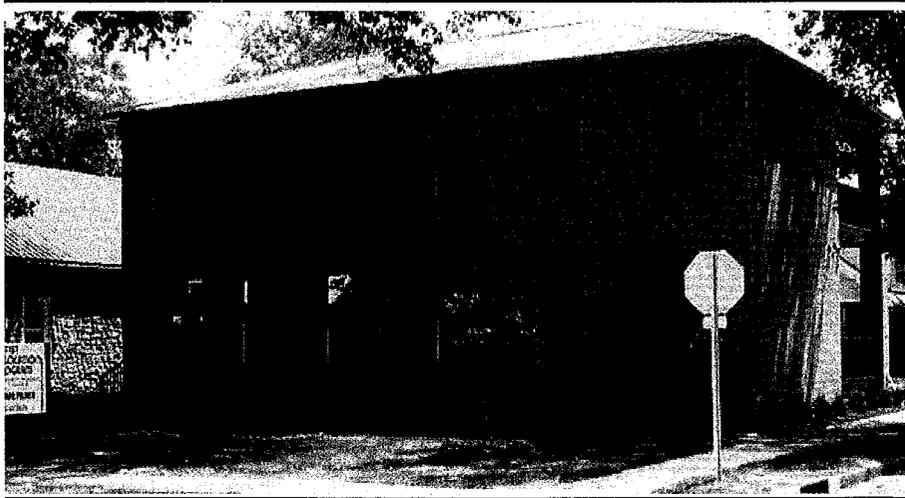
Paducah, Kentucky Artist Relocation Program

Paducah, population 26,000, seems an unlikely locale for an artist haven. Why have artists from as far as Hawaii and China chosen to uproot and make Paducah home?

The City, with the help of a visionary artist resident and a civically minded local bank, offered artists an unusually enticing carrot: homeownership in renovated historic buildings. In the process, Paducah leveraged \$30 million of private investment and triggered a complete turnaround for Lowertown, its oldest neighborhood once plagued by drug dealers, prostitution, and disinvestment.

In Paducah's Artist Relocation Program, artists apply to acquire and rehab City-owned properties. Proposals follow site visits and include cost and time estimates for rehabilitation and business plans. For qualifying artists, Paducah Bank provides low-interest loans for as much as 300% of the appraised value to cover purchase and renovation costs. The artists rehabilitate their properties, many setting up studios or galleries on the ground floor and living space above. As owners, artists earn equity and can't be evicted by landlords.

An artist's idea started the turnaround. Ten years ago most residents wouldn't even drive through Lowertown, a neighborhood four blocks from downtown and the Ohio River. Over 60% owned by absentee landlords, Lowertown's historic building stock had fallen into severe disrepair. Few townspeople wanted to invest in properties that could cost \$200,000 to fix up, because the renovated homes would sell for only \$80,000. Artist Mark Barone was an exception. Having rehabilitated two homes in Lowertown, he saw how its large spaces could accommodate artist live/work set-ups. In 1999, he envisioned the neighborhood's potential as an artist district. Barone's idea caught Mayor Albert Jones' attention, and in



2000 Jones drafted Barone to coordinate the Artist Relocation Program. With only a \$45,000 marketing budget and a \$29,000 salary, Barone went to work promoting the program to media outlets across the country.

The City undertook concerted efforts on several fronts. The Artist Relocation Program dovetailed with Lowertown's neighborhood land-use planning process. This allowed Paducah's Planning Department to change the City's zoning ordinances to permit both residential and commercial uses. They also designated Lowertown as a historic district and required that renovations follow design guidelines. By collecting on liens, and through auction and foreclosure, the City stepped-up efforts to acquire neglected properties. To discourage predatory landlord practices, the City enforced health and safety codes. With transportation enhancement grants totaling \$3 million the City invested in comprehensive lighting and sidewalk improvements for Lowertown.

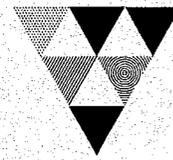
A local bank stepped up to the plate to fashion attractive financing arrangements for incoming artist owners. The City extended \$2,500 per artist to subsidize the cost of professional fees and architectural services and turned over property titles for as little as \$1. Paducah Bank matched program-qualifying artists with low-interest loans. Starting with a modest \$370,000 loan for a demonstration project that renovated three storefront buildings, Paducah Bank ramped up its lending to \$2 million within the program's first year, quickly recognizing the investment potential.

Now ten years into the program, Paducah celebrates its success story. With only modest public sector outlays, the City

leveraged a 10-to-1 return on public investment, thanks to Paducah Bank's unusual risk tolerance for artists. Within 25 square blocks, 70 artists rehabilitated 80 Lowertown properties and constructed 20 new buildings. Long-time residents who once avoided Lowertown now buy homes there, start small businesses, and patronize artists. Even in a sour real estate climate, renovated Lowertown homes now sell for a competitive \$250,000 or more. Eleven different awards programs have recognized Paducah as a national standout.

Lowertown's transformation did not come without friction. Townspeople, already wary of artist transplants, perceived incentive programs as unjust giveaways, even though many artists contributed sizable down payments and all are required to pay mortgages. Tenants and property owners viewed tough rental license requirements and code inspections as intrusive. The City's efforts to promote homeownership displaced some low-income renters, although the City increased the pool of properties that accepted Section 8 vouchers to mitigate this impact, and constructed three houses priced for low- and moderate-income families.

Paducah's artist-led renaissance faces sustainability challenges. The Artist Relocation Program is winding down. Although the City is still marketing eleven properties, only four of these have structures on them. A few of the original artist owners have sold their properties, recouping their investments. Over the coming years, the City may have to tailor new programs to keep Lowertown artist housing affordable and maintain its commercial arts businesses.



KEY TAKEAWAYS

- ▶ An artist who had rehabbed two homes envisioned turning around the Lowertown district by offering artists City-owned properties to refurbish.
- ▶ The City of Paducah changes its zoning regulations, acquires properties, and markets the program, teaming with a local bank that provides low-interest loans.
- ▶ A decade later, the City had leveraged \$30 million in private investment and attracted 70 artists who rehabilitated 80 Lowertown properties and constructed 20 new buildings, a 10-to-1 return on investment.