

## City of Somerville

# Innovation City Program

## 2025 Innovation in the Arts Investment Round

The Innovation City program is intended to grow the supportive environments for Somerville micro-businesses incorporating innovation into their business model.

Somerville is known as a city of entrepreneurs and of artists. We have seen that innovators thrive in environments where they are supported by their landlord and their peers. In Somerville, business incubators have proven effective at supporting technology companies in climate technology and related fields and the Innovation City program has supported incubators to ensure that the next generation of entrepreneurs continue to find a home base here in Somerville. In 2025, we are excited to expand this support to the arts, where studio operators serve an analogous role to an incubator, by providing stable affordable workspace, as well as further supportive services from creating a community of diverse artists to connecting these innovative thought leaders to mentorship and funding opportunities.

As the innovation economy continues to grow in Somerville we aim to encourage access to these resources to Somerville entrepreneurs from diverse backgrounds, including those producing artistic work. The Innovation City support program for 2025 will aim to foster sustained affordable artist workspace with a supported community environment like our incubators provide to technology companies, ensuring arts innovators continue to find a home in Somerville for years to come and can leverage their networks to grow their confidence in the business side of artistic production.

The City of Somerville will seek to contract with a maximum of one eligible arts incubator in the 2025 round of the Innovation City support. The City of Somerville will seek to contract with or support an incubator for an amount up to \$600,000 total (\$300,000 for operational support only, or up to \$600,000 for acquisition support).

### **Incubator Eligibility.**

Only Somerville studio buildings/arts incubators may apply. An “Arts Incubator”, for the purpose of the Innovation City support program, is defined as a shared working space in which business services and resources are also provided. Applicants must offer a combination of the following incubator services:

The technical services offered must fall into the following categories:

- a. Access to shared technology, equipment, and prototyping/manufacturing facilities
- b. Business education and/or support services on topics such as marketing and branding, financial planning and management, contracting/procurement/legal services for artists
- c. Support in connecting to funding sources such as advertising competitions/requests for proposals/work opportunities to member artists

- d. Platforms for showcasing work to potential customers such as a shared website for all members, and hosting events for potential buyers like “open studios” days
- e. Community building and other “soft infrastructure” of peer networks

#### **Loan Details.**

The 2025 Loan Round may be utilized for operational support and/or real estate acquisition support and as a condition of the loan, the incubator must agree to provide affordable space for income-eligible artists for the duration of the loan, in the case of operational support loans or in perpetuity, in the case of acquisition loans.

#### **Operational Support.**

Up to \$300,000 may be used for ongoing operational support. To receive Operational Support funds, the City requests that the applicant submit information regarding the range of technical supports anticipated. If the applicant seeks to utilize the loan funds for operational support, they will agree to produce an annual report documenting their ongoing commitments to providing low-cost artist workspace and the continuity of technical supports throughout the lifetime of the loan.

#### **Acquisition Support.**

Up to \$600,000 may be used for property acquisition. If the applicant plans to utilize the loan funds for acquisition of a facility to open or expand the incubator in Somerville, the applicant must document that they have a pathway to sustainable operations during the lifetime of the loan and that there is a plan to prevent the displacement of current users of the building to be purchased.

In the event that tenanted properties are acquired, the applicant will include a statement on how they will work to prevent displacement for current tenants. It is the City’s expectation that no current tenant would be evicted as a result of the acquisition. In the event that a tenant would not fit with the future incubator’s purpose, a notice of lease non-renewal would be acceptable. As much as possible, acquisition should work to sustain current tenancies and reduce displacement pressures. Once the incubator takes possession of the building, any rent adjustments shall be communicated in writing and shall not take effect until the commencement of a new lease term.

#### **Affordability.**

In either case, an eligible incubator will be required to offer stable affordable artist workspace. A loan recipient must demonstrate their approach to assuring stable affordable workspace for artists and, subject to review by the City of Somerville, those expectations will be built into the loan terms and annual reporting requirements. Applicants will be asked to provide information regarding how the incubator will advertise and select tenants to receive access to affordable spaces. (*Will there be a means test for prospective tenants? Will there be a preference for those earning or intending to earn their sole or primary income from the work produced in the studio? Will there be a preference for those with a previous connection to Somerville?*)

## Loan Application and Post-Award Documentation.

Applicants must submit the attached loan application, which asks several questions that will guide the formation of an award and loan agreement. The chart below includes the documentation that will be required along with the application and the documentation that an awardee will need to produce at the time of award.

One of the sources the City is utilizing to offer the 2025 Investment Round is the Community Development Block Grants (CDBG), which is intended specifically to be invested in supporting low-income members of the community. In order to support the use of this funding, income verifications will need to be provided for each anticipated tenant that would meet CDBG requirements.

Documentation Required with Application	Documentation Required at the Time of Award
<p>Operational Support.</p> <p>1. Statement on anticipated Technical Supports</p> <p>Acquisition Support.</p> <p>2. Information on the property to be acquired</p> <ul style="list-style-type: none"><li>a. Proposed purchase price</li><li>b. Appraisal</li><li>c. Status of the property (i.e., vacant, tenanted, type of tenancy).</li><li>d. If tenanted a breakdown of current rents and remaining term on each lease.</li><li>e. Environmental Assessment Reports.</li></ul> <p>3. Information on the project</p> <ul style="list-style-type: none"><li>a. Organizational chart showing ownership structure, if applicable.</li><li>b. Proforma showing proposed sources and uses, including the City's projected loan, calculated specifically for the property in question, as basis for proposed purchase price.</li></ul>	<p>Acquisition Support.</p> <ul style="list-style-type: none"><li>a. Executed Loan Agreement, Promissory Note, and Mortgage</li><li>b. Executed and Recorded Deed Restrictions, including affordability commitment deed restriction.</li><li>c. HUD Eligibility Checklist (E.G. IDIS Setup, Hero's approval)</li><li>d. Income Verification Forms.</li><li>e. Evidence of insurance.</li><li>f. Business Formation Documents (Article of Incorporation, Operating Agreement, Authorizing Resolutions), if applicable.</li><li>g. Evidence of organizational Good Standing.</li><li>h. Title insurance policy naming City of Somerville as named insured.</li></ul>
<b>Ongoing Documentation for the Duration of the Loan</b>	
<p>1. Annual Report</p> <ul style="list-style-type: none"><li>a. List of the member Artists/Businesses served by the Arts Incubator each year</li><li>b. Account of the technical supports made available to member artists in the year and attendance/utilization of each service</li><li>c. Description of the change in rents that occurred in the course of the year for existing and for incoming tenants.</li><li>d. Description of the tenant selection process used to recruit new tenants</li></ul>	

**Loan Terms.**

The 2025 Innovation City round is being structured as a 10-year loan, with 0% interest for the first five years, with 1% simple interest thereafter. Full payment is due ten years after the signing of the loan. The OSCPD may choose alternative funding terms to better match the need of the project. If funds are used for a property acquisition, the City will secure its interest in the loan through a mortgage and a deed-restriction ensuring continued use as an arts incubator and affordability for member artists.

The portion of the loan provided through the Community Development Block Grant will be subject to HUD CDBG public benefits standards:

- Create or retain at least one full-time equivalent, permanent job per \$35,000 of CDBG funds used for all such activities or
- Provide goods or services to residents of an area, such that the number of Low/Moderate income persons residing in the area served by the assisted businesses amounts to at least one Low/Moderate income person per \$350 of CDBG funds used for all such activities.

The City may choose to modify these terms to suit individual projects.

**Selection Award Process.**

Applications will be accepted on a rolling basis, subject to funding availability, and must be submitted to [economicdevelopment@somervillema.gov](mailto:economicdevelopment@somervillema.gov). Awardees will be notified within two weeks of submission. Please also submit any questions to [economicdevelopment@somervillema.gov](mailto:economicdevelopment@somervillema.gov).

**City of Somerville**

# **Innovation City Program - Application**

## **2025 Innovation in the Arts Investment Round**

Incubator Name:

Executive Officer and Primary Contact Name(s) and Titles:

Mailing Address:

Phone for Primary Contact:

Email for Primary Contact:

*All applicants must be up to date on all Federal, State, and municipal fees and taxes prior to loan award.*

### **1. Describe your incubator**

- a) Mission Statement:
- b) What type of artist-businesses do you serve? Is there a specific segment of the industry you are targeting?
- c) What makes your incubator unique from others that target the same industry?
- d) How long has your incubator been in operation?
- e) How is your incubator incorporated? Please provide an overview of the leadership structure and team (staff, board, etc.), including an organizational chart.
- f) How many staff does your incubator have?
- g) What are your long-term goals for your Somerville incubator?

### **2. Loan Request**

- a) What is the total value of the loan request?
- b) How much for operational support and how much for acquisition support?

### **3. Describe your anticipated artist-member population**

- a) How many artist-members do you expect to serve in Somerville?
- b) How do your artist-members incorporate innovation in their business model?
- c) How many studio spaces are in the Somerville incubator? How many spaces are for single artists? How many spaces are shared? Estimate the maximum number of people who could be working from the incubator.

### **4. Operational Support. Describe the services you provide to your artist-members in the following categories:**

- a) Access to shared technology, equipment, and prototyping/manufacturing facilities
- b) Business education and/or support services on topics such as marketing and branding, financial planning and management, contracting/procurement/legal services for artists

- c) Support in connecting to funding sources such as advertising competitions/requests for proposals/work opportunities to member artists
- d) Platforms for showcasing work to potential customers such as a shared website for all members, and hosting events for potential buyers like “open studios” days
- e) Community building and other “soft infrastructure” of peer networks

**5. Acquisition Support. Please describe how the Innovation City loan from the City of Somerville fits into the funding for property acquisition.**

- a) Please provide information on the purchase price including
  - i. Proposed purchase price
  - ii. Appraisal
- b) Please provide a general sense of timing for the proposed transaction.
- c) Please provide information on the property’s current occupancy (vacant, tenanted, type of tenancy). If tenanted, please provide a breakdown of the units, current rents and remaining term on each lease.
- d) Please provide a proforma showing proposed sources and uses, including the City’s projected loan, calculated specifically for the property in question, as basis for proposed purchase price. Please provide backup documentation on each source, which could include loan commitment letters, grant awards, etc.

**6. Affordability. Please describe the approach you will take to managing affordability and stability for artist-members.**

- a) Please describe your approach to ensuring stable affordable studio rentals for artists
- b) Please describe your approach to marketing units
- c) Please describe your approach to tenant selection

The undersigned hereby represents and certifies to the best of his/her knowledge and belief that the information contained on this statement and any exhibits or attachments hereto are true and complete, and the undersigned agrees to promptly inform the City of Somerville Office of Strategic Planning and Community Development of any changes that may occur.

Name of Applicant\_\_\_\_\_

Date\_\_\_\_\_

Signature of Applicant\_\_\_\_\_

Tax ID#\_\_\_\_\_