

New Partnership Seeks To Fund Artists' Businesses With Impact Investments

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Upstart Co-Lab is a startup itself, launching earlier this year. The Calvert Foundation is a leader in impact investing, making such investments accessible to ordinary investors--not just the wealthy. Artspace, also a nonprofit, develops live/work projects for artists around the country.

While not seeking to invest directly in works of art, the new partnership is intended to fund businesses that artists often own, being social entrepreneurs by nature.

Laura Callanan, Founding Partner of Upstart Co-Lab, says, art is a big part of the economy but not enough investment is being made there. "

The creative economy is more than 4 percent of the US GDP. But JP Morgan and the GIIN report that art and culture are 0% of impact investing. There are currently no tools, funds or manager strategies enabling impact investors to align their capital with the creative sector."

Callanan makes the case that artists are entrepreneurs who need access to the right kind of capital. "

Artists are social entrepreneurs and innovators. They are starting B Corporations and other social purpose businesses. But they are not always recognized as the innovators they are. That means they don't have easy access to patient and flexible impact capital to bring their ideas to scale. And it is challenging to build a sustainable creative life."

Kelley Lindquist, President of Artspace, focuses on place. "

The problem is that artists across America, and really across the world, consistently lack safe, affordable space in which to live and work. Artists are often low income and as the cost of housing increases, particularly in cities where artists live, they are increasingly priced out, leaving them with two main unacceptable choices: to leave their homes and/or work space, often forcing the abandonment of their livelihood; or resort to living or working in spaces that are affordable but unsafe."

These inadequate options can lead to tragedy, he adds. "We have recently--in Oakland--seen the dangers of this second path."

Callanan explains what Upstart Co-Lab is now doing. "

Upstart Co-Lab is looking to unleash more capital for creativity. We are exploring with strategic partners like Calvert Foundation, B Lab and Veris Wealth Partners how to adapt existing impact investment products, tools and approaches." She see creativity as a drive of sustainability.

Lindquist says Artspace sometimes repurposes existing structures and other times builds from the ground up. "Artspace works with artists and communities to develop and operate buildings that are safe and appropriate for artists and their families. Our projects include both adaptive reuse and historic preservation of spaces such as former warehouses and schools, as well as new construction designed specifically for artists."

Artspace, he says, is working to create multi-generational affordability. "

Our solution is a long-term fix. Rather than moving artists from space to space, following the whims of gentrification, to provide permanent anchors that remain artist-centric and affordable over generations."

Callanan says one of the biggest challenges she's faced is bringing the naturally entrepreneurial artists together with the less entrepreneurial funders. "

Cultural institutions, foundations making grants in the arts, and others who work in proximity to artists--but are not artists themselves--are often less entrepreneurial, less comfortable with harnessing the power of the markets, and lack basic investment literacy. There is effort required to build understanding and engagement among these likely allies. This requires time and patience. Their participation will help build the enabling infrastructure for artist-innovators."

Lindquist notes that access to capital for funding their projects is one of their biggest challenges. Of course, that is the purpose for the partnership with Upstart Co-Lab.

He also notes that attitudes toward art have been a traditional challenge, but believes that is changing. "

When we first started doing this work, it was a struggle to convince city leaders and others that artists are an asset to communities. That has shifted somewhat. One way of measuring that is that in the last year alone we received 170 calls from mayors, city department leaders, foundation staff and others asking for our help in stabilizing or growing their arts communities."

Callanan says it is still early days for Upstart Co-Lab to see the potential limits of the work. "

As our colleague Patricia Farrar-Rivas at Veris Wealth Partner has said, the conversation we have started about a creativity lens today is where the conversation about impact investing and climate change was 15 years ago."

She adds, "

We have set a three year schedule to implement five projects we think will prepare the system for a big shift. We are testing the potential and discovering the limits of our solution. The limitations of our approach will reveal themselves over the next few years."

Artspace's Lindquist notes with the benefit of more hindsight, that their work is primarily limited by their scale. "

By some standards, we've created a lot of affordable space for artists and arts organizations, but the need is vast. In cities with high housing costs, such as New York, Seattle, Santa Cruz, and the D.C. metro area, we receive thousands more applications for live/work units than we can possibly provide."

He notes that they are scaling up, but still can't meet the need. "The process of developing a project can take anywhere from 3 to 5 years, and while we have grown from developing one project a year to now having a dozen in development at any one time, it still doesn't meet the need nationally."

Jack Meyercord, Head of Impact Investments at Bienville Capital, says the new partnership will have a positive impact. "Impact investing, at it's core, is about generating a social return in addition to a financial return. Artists are innovators, social commentators and, in many cases, social entrepreneurs. Impact investing can unlock capital that allows artists to accelerate their creative endeavors, enhance the impact of their work and, in certain cases, create sustainable social ventures in the creative economy."

Callanan remains optimistic about the impact of Upstart Co-Lab. "

Upstart Co-Lab will chart its success through the new opportunities it opens for artist-innovators; the products, structures, and systems it puts in place to connect impact investors with the creative sector; and the engagement it fosters between social change makers and artists who share their goals."

Lindquist, too, is upbeat about the future despite the challenges and limitations. "

We know that the work we do has tremendous benefits to the individual artists and arts organizations for whom we provide affordable space. Artists are more productive and because some of the financial burdens are eased by the affordability, they are often able to devote more time and energy to their art and earn more of their income from that."

On Thursday, December 15, 2016 at noon Eastern, Callanan and Lindquist will join me here for a live discussion about the partnership and impact investing within the artist community. Tune in here then to watch the interview live. Post questions in the comments below or tweet questions before the interview to @devindthorpe.