Cities 37 (2014) 92–103

Contents lists available at ScienceDirect

Cities

journal homepage: www.elsevier.com/locate/cities

Negotiating risk in property-based arts economic development: Exploring the innovative but untimely development partnership between the Seattle Art Museum and Washington Mutual

Amanda Johnson Ashley *

Community and Regional Planning, Boise State University, 1910 University Drive, Boise, ID 83725-1935, United States

ARTICLE INFO

Article history:
Received 30 November 2012
Received in revised form 27 October 2013
Accepted 10 November 2013
Available online 3 January 2014

Keywords:
Arts economic development
Anchor institutions
Public/private partnerships
Urban redevelopment
Property development

ABSTRACT

Property-led arts development (PAD) is central to urban policy and planning. The demand for physical arts infrastructure runs parallel with the public call for arts nonprofits to act more entrepreneurial in shaping and re-imaging urban space. Increasingly, these groups have become active property developers negotiating the risks and rewards of land development rather than remaining passive fundraisers of bricks and mortar campaigns. This shift in organizational identity raises questions about whether the politics of urban arts development have changed. This study asks four questions: (1) how are nonprofit arts organizations becoming more entrepreneurial in property development, (2) how are nonprofit arts organizations reshaping the urban landscape through development partnerships, (3) how are nonprofit arts developers responding to the 2008 economic crash, and (4) how does PAD align with new thinking on downtown development alliances? This research explores the innovative but failed land development deal between the Seattle Art Museum and the now-defunct Washington Mutual to build a joint tower in the central business district. Their atypical private/nonprofit partnership changed Seattle's downtown landscape through flexible ownership structures, generous planning incentives and off-budget municipal maneuvers. The lauded project turned sour when the homegrown financial institution collapsed, forcing the museum into debt with limited private or public sector solutions. While SAM overcame the immediate crisis, the case is a cautionary tale about the long-term risk of contemporary PAD. The case shows that innovative practices do not predetermine success. Further, the partnership study illuminates how contemporary arts investments reflect as well as contradict new thinking in urban politics literature about evolving patterns of influence in U.S. downtowns.

Introduction

Arts economic development or "culture as development" (Strom, 2003, 248) policy seeks to grow regional industries, revive crumbling places, stimulate neighborhood change, attract educated workers and raise cultural stature (Johnson, 2008). Property-based or physical arts development (PAD) is one of the more popular strategies focusing on a diverse set of bricks and mortar projects to achieve physical rehabilitation and coveted place transformation (Sagalyn and Johnson, 2013). This diverse project portfolio ranges from large arts anchors, such as flagship projects, to smaller efforts, such as live/work space. Debates abound about the politics of arts and urban development: critics question public investment in risky projects for the elite while others scoff at public expenditure for private arts and entertainment projects. The politics are more pronounced today due to uncertainty over resources, philanthropic patterns, civic leadership trends (Kwatinetz, 2011) and concerns about post-2008 ramifications.

Nonprofit arts organizations strive for greater organizational resiliency to counter these instabilities. They seek to become more entrepreneurial by transforming from "passive" fundraisers for bricks and mortar campaigns to "active" property developers negotiating the risks and rewards of land investment. Increasingly, this modified "business or corporate" behavior is expected for larger nonprofit arts organizations, which civic boosters champion as urban anchors or rooted "economic engines," alongside hospitals, universities, convention centers and sports stadia (Birch, 2010, 1).[1] In this new role, arts nonprofits seek new partners and funding mechanisms to support facility building rather than relying primarily on public institutions, individual donors, foundations or corporate marketing divisions. The PAD gamble pits the returns of land invest-

[1] The push for arts nonprofits to become more innovative is part of a broader call for nonprofit and community development organizations build internal and external capacity by developing new partnerships and projects, which are perceived as more entrepreneurial and complex (Vidal, 1997).

* Tel.: +1 208 426 2605.
E-mail address: amandaashley@boisestate.edu

0264-2751/$ - see front matter © 2013 Elsevier Ltd. All rights reserved.
http://dx.doi.org/10.1016/j.cities.2013.11.003

ment against the risks of internal and external shocks. The number of failed and failing projects suggests that innovative practices do not necessarily lead to successful outcomes.

As some arts organizations evolve from gracious recipients of capital campaigns to active property developers, this new reality raises the issue of whether the politics of arts development has changed, especially in downtowns where such large, consumption-driven projects require significant investment and political expertise. A research nexus emerges: exploring how PAD occurs and analyzing how it reflects broader conversations about downtown power and influence. This urban politics study explores this larger inquiry by asking four targeted questions: (1) how are nonprofit arts organizations becoming more entrepreneurial in property development, (2) how are nonprofit arts organizations reshaping the urban landscape through development partnerships, (3) how are nonprofit arts developers responding to the 2008 economic crash, and (4) how does property arts development align with new thinking on downtown development alliances?

A case study of the Seattle Art Museum's (SAM) innovative but untimely partnership with the now-dissolved Washington Mutual (WaMu) addresses these questions. The arts anchor and homegrown financial institution partnered on a joint development project to expand and centralize their presence in the central business district (CBD). Public and private leaders alike applauded the deal for its innovative structure that made it workable for both parties (Bargreen, 2003). The private/nonprofit partnership differed from the traditional model of public/nonprofit for local PAD by matching two of the city's oldest economic and cultural assets with a stake in the core. These rooted institutions reshaped Seattle's urban landscape by sharing risk and capitalizing on public development incentives. However, the project turned sour when WaMu collapsed, forcing the museum to find a private, market solution. While SAM survived the short-term crisis, the case underscores the risk of active PAD in an untested arena.

This study provides insight into how PAD occurs and under what conditions. The case makes an additional, and equally important, contribution in joining a conversation among urban politics researchers who consider whether different alliances and priorities are emerging in a changed downtown. On the one hand, SAM's move to – and later expansion in – the CBD reflects downtown trends toward a consumption center. On the other hand, its expansion and recovery mark partnerships that straddle both traditional CBD powerbrokers and contemporary downtown influentials. The case shows a more complicated picture in how these national trends manifest at a project level, and how these fluid partnerships emerge to remake and re-imagine the core. The case neither falls into Mossberger and Stoker's (2001) refined urban regime concept nor Strom's (2008) new downtown growth machine model. This study hints that an alternative approach may be needed to explain how large, high profile development projects occur. Moreover, it suggests that partnership analysis makes more sense for explaining downtown change at a project level. This grounded research is important for planners, policymakers and arts developers as they consider how to evaluate both projects and partners in an environment where the politics of arts and development has likely shifted.

Review of theory and literature

Translating the new politics of downtown development

Urban politics scholars study urban and downtown development through testing long-standing political economy models and/or providing greater insight on the processes and deals that remake the city. One group analyzes how cities combat the loss of people and industry through development models. They focus on a diverse set of function-oriented strategies, including flashy entertainment centers for visitors (Nunn & Rosentraub, 1997; Sagalyn, 2001; Strom, 2002), inviting retail programs for middle-class shoppers (Frieden & Sagalyn, 1989), highly marketed residential and mixed-use communities for high-end wage earners (Wolf-Powers, 2005) and coveted amenity portfolios for the idealized "creatives" (Florida, 2002). Some experience more fortune in their "Back to City" ambitions (Birch, 2009).

Critical scholars question the social, economic and environmental costs of both blunt and surgical urban revitalization by pointing to the obliteration and/or neglect of neighborhoods, the transformation of still productive industrial districts into residential playgrounds and the privatization of the city to create safer and more uniform places for tourists, suburban visitors and wealthy residents (Anderson, 1964; Eisinger, 2000; Fainstein & Stokes, 1998; Wolf-Powers, 2005). Often, this academic discourse draws on urban regime concepts (Stone, 1998; 2004; 2005) or urban growth machine theories (Logan & Molotch, 2007) to make sense about who, collectively, has the power to change the urban landscape under a given set of constraints and motivations.[2]

Some criticize the utility of growth machine and urban regime concepts despite their popularity. Mossberger and Stoker (2001) argue that regime terminology is "fuzzy," overused and erratic in its application as an explanatory mechanism. Sagalyn (2007, 11) notes that these theories are not necessarily a good fit for explaining public/private development because of its "idiosyncratic combinations of opportunity and risk" in negotiation and implementation. Several rich cases studies seek to correct this oversight. Frieden and Sagalyn (1989) illuminate the evolution of downtown retail development, tracing its evolution from a set of experiments to a concrete formula. Brown (2009) explores how public authorities evolve as institutions using urban industrial waterfronts as a lens. Fainstein (2001) elucidates the rise of property-development in public policy in reaction to new economic priorities in New York and London. Altschuler and Luberoff (2003) show five shifts in federal infrastructure investments in urban development. These longitudinal analyses illustrate the necessity of using individual planning cultures as a framework for explaining the character of project implementation.

Contributing to this ill-fitting match, scholars also argue that these urban politics models are problematic because their traditional meaning and application no longer fit the current development climate. Strom (2008, 37) posits that the "influence structure" has changed in light of downtown's new economic geography from a CBD to consumption center. She suggests that a new growth machine emerges where the "regional's economic [business] elite" no longer control the "downtown project." Nonprofits, real estate and public sector leaders are at the forefront with fewer resources and targeted objectives. Through studying "peak" downtown business associations in Atlanta, Baltimore and Philadelphia, Strom argues that the political economy conversation

[2] Definitions of urban growth machines vary (Logan & Molotch, 2007; Molotch, 1976; Strom, 2008). This study employs Strom's (2008, 39) downtown frame where "the redevelopment of the city's center is seen as the project of the most essential regional stakeholders who will reap immediate material and long-term symbolic advantages from a robust urban core." Strom, like many scholars, broadly identifies traditional actors in the urban growth machine as corporate headquarters, banks, newspapers, utility companies and department stores. Her contemporary definition centers on nonprofits, real estate developers and the public sector due to changing downtown land uses. Definitions of urban regimes also vary, and this study draws on Mossberger and Stoker's (2001, 829) version: "Urban regimes are coalitions based on informal networks as well as formal relationships with four properties, including partners drawn from governmental and nongovernmental sources requiring but not limited to business participation; a collaboration based on social production; identifiable policy agendas that can be related to the composition of the participants in the coalition; and a long standing pattern of cooperation rather than a temporary coalition."