

## Arts Impact Chats: Nichole Herbert Wood, Second Floor Studios

SEVA: Hi everyone and welcome to this recording of I think our fourth episode now of Arts Impact Chats by Arts and Culture Finance. My name is Seva Phillips and I work on the Arts and Culture Finance Initiative, which over the last 8 years has been incubated by the UK's innovation charity Nesta. Arts and Culture Finance is an impact investment fund manager. We raise funds from public, private and philanthropic sources, and then lend those funds to organisations in the cultural sector for a social as well as a financial return. This work is much needed in the sector since many cultural organisations find it difficult to access finance from more conventional sources such as high street banks. And access to finance is important because it allows organisations to invest in their activities and grow their cultural impact. Between 2015 and 2023 arts and culture finance provided over 10 million pounds of impact investment to over 50 organisations in the UK. From theatres to music venues to dance companies and museums, this project has enabled us to work with some truly incredible organisations led by some very interesting and inspiring people. And this is exactly what we'd like to showcase through this podcast.

SEVA: So today I'm really pleased to be joined by Nichole Herbert Wood, who is the co-founder and CEO of Second Floor Studios and Arts, which is a provider of affordable artist workspace across London and increasingly the wider southeast. Since 2010 Nichole has been working on a combination of art connected ventures with the management and delivery of studios for emerging and established artists and makers at the core. Nichole was honoured to be on the first cohort for the executive masters in cultural leadership with the Royal Academy of Arts and Maastricht University, in 2019. She's also been on the GLA's workspace advisory group between 2018 and 2021, I hope that's that's right Nichole. We want to make this recording interactive which is why we've made it an open invite. So we'd really encourage you, our listeners, to post any questions for Nichole and kind of join in the conversation as we go along. As we go through the recording, we'll try and get to as many of those questions as possible. So I hope that's all clear. I should say also that closed captions are available, I think you should be able to just turn those on by the feature in zoom. So, right, that's all of the preamble out of the way. Nichole, thank you so much for being on the podcast. And can we begin by just kind of learning a bit about Second Floor Studios and Arts and what it does, and how you became involved with it.

NICHOLE: So we're in our seventh operational year, I believe. Second Floor Studio and Arts came about because the founder Matthew Wood and his co-founder Kelvin Omar needed space to deliver theatre at that stage because Second Floor, you know arts, the arts is a theatre piece. And they started hiring buildings, they were hiring more buildings than they needed. So they had some extra rooms, they carved them up into studios. Matthew's also an artist and a ceramicist and it just evolved from there. It's that kind of classic founder model that's very common in our sector and then it's evolved over time. When I met Matthew, he was running the largest single site project in London, which was in Woolwich and I then got involved in the project. I think many people know that Matthew had quite a serious brain injury back in 2013 so when he had needed to take a step back, I then came forward and that's where I became chief exec of Second Floor Studios and Arts Limited. And also we've formed a community interest company as well because we find, with the way that Second Floor operates depending on who we're partnering with, be it a developer or be it a council, different company vehicles better suit those relationships. But fundamentally we provide

affordable workspace for Visual Artists, Fine Artists, Costume Designers, Makers. We are quite open in who we accept into the studios. We don't make a judgement on anyone's work. So we have a real wide-ranging group of practitioners with us and we are really focused on delivering. We used to do meanwhile, but we do so very very rarely these days. We've got one project that's meanwhile, but what we're trying to do is work on legacy and perpetuity.

SEVA: And when you say meanwhile, just for any listeners out there who are not familiar with what that means in this context, can you sort of explain what that means?

NICHOLE: So development cycles in London used to be about 10 years, so someone would say to you, here's an end of life building. Does it have a use for you for the next 5 plus years while I go through the planning cycle? And we would go, yeah, great, we'd come in, we fit it out. So we'd run it for 5 years, up to 10 years depending on planning cycles. So that's meanwhile, because you are using it for a bit while it's between uses. But the planning cycles now are much tighter and developers don't want to be sitting on land and not getting a revenue out of it. So meanwhile now, I had someone classic, they bought an office block and it was 50,000 square feet and you suddenly get excited, it's like, oh, that's interesting. And they're like, you can have it for 18 months. You're like, by the time I fitted it out, put people in it and I'm out again, it's no use to anyone and unfortunately with the climate crisis that we're in, meanwhile space, often that fit out ends up in landfill and it's not good use of materials.

SEVA: And can we just sort of do a little bit on the model for Second Floor Studios as well as artist studio providers more generally. So I think for a lot of lay people who, you know, are interested in the arts but aren't familiar with how or where artists work, this might be a slightly foreign and new idea, a new kind of concept. So can you explain what your relationship is between artists and developers maybe, or ultimate owners of properties.

NICHOLE: So you are asking me how they need to be housed and what facilities they need and how we build those facilities for them. Is that right?

SEVA: Yeah, I guess, yeah, exactly. So what problem do you solve, in the world, in London, for example, and how does it work exactly?

NICHOLE: Okay. Okay, so the big questions. Okay, so, fundamentally, at Second Floor Studios and Arts and personally I believe that our culture and our society is better for having artists in it. And cultural context within which we associate a sense of place isn't just through anchor organisations like galleries and education spaces. Now you think of towns and you think about atmosphere, you think about sensory elements, it's quite likely artists have created those sensory elements. So philosophically, first of all, we have to take a decision of 'do artists matter in culture' and we believe they do. And then you have to look at their life cycle and what happens within their universe to be able to understand what resources they need to support their function. And through my thesis research that I did at my master's, fine artists and applied artists tend to earn about 6,000 pounds a year from their practice. Makers, it's more like 10,000, to 11,000 a year. So what they're then having to do is build portfolio careers around that because their cost base is about 20,000 a year in terms of living in London, which is really tight and there aren't many of us that are really getting by on 20,000 a year in London. It's that tight, but that's where they're at. So if you take that as their income position, you know, they would be people that would be eligible for social housing.

So why aren't they eligible for social workspace? And that's effectively where we come in like a third sector, understanding the parameters within which they're operating and then giving them affordable workspace because we believe they have value in the context of society. And the way that we do that is that we take on buildings, we carve them up into self-contained workspaces that fall below the VOA threshold so they don't attract business rates and we rent them out on flexible terms to visual artists, fine artists, crafts and silo makers. Does that explain your question?

SEVA: Yeah, I think it does. And what is the VOA threshold that you refer to there?

NICHOLE: There's a valuation office authority. It depends on which government is coming in and how it flexes, but basically, if a single, self contained unit has a perceived value of rent of less than 12,000 pounds a year, it doesn't have to pay business rates. And that is absolutely critical to our sector. Because you can't charge an artist rent and then go, by the way, you've got to pay another 40% to the council for business rates. So that really is such a critical factor within the way that we look at our business model.

SEVA: So that affects the size of the spaces that you're able to offer.

NICHOLE: Yeah, so I can't go much over, in zone 2, I can't go much over about 340 square feet. Whereas in Sevenoaks, I could do something at 600 square feet because it's a completely different valuation. Out in High House Production Park, Purfleet, where we're trying to bring forward a massive maker site, I can do a studio that's about 550 square feet before I hit those thresholds because the price of the valuation's that different.

SEVA: And can you give us just an overview of how these opportunities for space come about? So how might you uncover an opportunity for a block of artist studios. How does that opportunity come about?

NICHOLE: It's kind of 3 routes, I guess, really. There's just building listings, you know, we had a really interesting one come through this week. You're just on the email list for commercial property agents. A lot of really fruitful conversations come through with property agents, with developers, really early calls with developers. There's not much point coming into a scheme when it's been built because it's not fit for purpose, designed for you and then you're not getting the value engineering in the process that you really want. The developer is a key relationship and the last one is working with councils closely. There's a lot of councils who have property assets that they have to retain, they can't asset transfer, they have to bring into use based on policy decisions and it's working in relationships with them to bring forward buildings in a way that reflects the needs of their local community and society.

SEVA: Right. That makes sense. And how many sites does Second Floor currently have and where are they?

NICHOLE: So, we're quite unusual. We own 63% of our property portfolio. So we have a large site in Deptford, we have a rental that we work on with Hyde Housing, you know, an affordable housing developer, we've got a good site there. We work with Quintaine up at Wembley Park and we are going to be doubling our size there next year, that's secret squirrel stuff at the moment so no-one on this call's allowed to pass that on yet, the ink's just

about to go down on the contract, and we have a site in Sevenoaks which is a joint venture with Sevenoaks District Council, and next year we are growing our portfolio by another 43-45%, we've got Wembley Park and then we have a new site coming forward in the Royal Borough of Greenwich, but I can't be more specific than that.

SEVA: That's exciting. So a lot of opportunities on the horizon for you.

NICHOLE: Yeah, they take years to bring into fruition. It's a slow burn. That's something I've really, really learned over the last decade of working in this sector is just how slow everything is as soon as property gets mentioned. And you test your patience and it's really difficult to be patient if you're in the situation that I was with you in 2016, where we were a studio provider without any studios and you're like, we really need the revenue to come in, we need to get this project open and it's property life cycles which are really quite slow and painful.

SEVA: Yeah, very long time. And what kind of artists and creatives do you have at your site? So can you give our listeners a flavour of the kind of work that takes place in the studios that you guys manage.

NICHOLE: I, this is the thing I find absolutely fascinating. We create these little white boxes and then people go in and just have these amazing explosions of talent and creativity and it's - Open Studios is a fantastic thing to behold because you go into all these different rooms and they're completely mind-blowingly different. And I'd recommend it to anyone, if you don't know, Open Studios is free. It's such a nice way to spend a couple of hours at the weekend and we've got Wembley Park Open Studios this weekend and then Sevenoaks the weekend after that. But the kind of artists that we've got, so you know, we have a blend. If I take the Foundry as an example, we've got starter studios there, so we've got recent graduates. We've got main studios, we've got ground floor studios which have got makers in them and then we've got creative industry, because we had to make the finances work around, so we have 20% which are creative industry. So creative industry, I might have someone like Lucy Hardcastle who's doing the most amazing rendered graphics for people like Adidas and Nike and she's doing the most phenomenal renderings and then a couple doors down in conservation I've got Mark Paget who's working for Bonham's and Sotheby's and Christie's, working on multimillion pound paintings and restoring them. And then he's next door to a painter who is, you know, an emerging artist and you know she's trying to kind of progress her work. And then you've got someone that's doing ceramics downstairs and sculpture. We've got Matt Hope with us. He's quite well known for his chandeliers, his NOX chandeliers. So you know little NOX canisters. He goes round collecting them and he makes them into these most phenomenal chandeliers.

SEVA: Wow, I'm not come across that.

NICHOLE: And it's, he won a European design award for them, they're just beautiful. And there's different types of NOX canisters, some of the canisters are pink and some of them are this green colour because they're medical grade I guess. And then you know you've got potters throwing the most phenomenal stoneware for some of the best restaurants in London, you know, and they're just throwing out, you know, a hundred plates at a time. And then you've got slipware and you've got sculpture. You know, we had a talk this week by Enrique Permes-Read, about his sculpture works with a group of patrons that came to sight,

you know, and the philosophical kind of elements that he's working on, the way he brings them into his work, you know, it's just amazing the breadth of talent and the breadth of conversation that these people are having through visual arts. It's really inspiring.

SEVA: So it's a real kind of gamut of art forms across the visual arts. And to be honest, I mean, I have visited the Foundry, I think when you guys first opened and whenever I visit studio spaces, I'm really blown away by the variety of creativity and talent and workmanship that happens in these places and it, to me, feels quite utopian almost because you, you know, you hope that in the future maybe we can all have opportunities to work like this and alongside different disciplines. So that's really great. And so you mentioned the open studios, how frequently does that happen? Is that sort of once a month to each of your sites?

NICHOLE: No, no, no, gosh, my members will hang me if I ask them to do it once a month, it's an annual undertaking, because we do require that everyone participates. There's nothing worse than saying, come to open studios and come to see our closed corridors. You know, if someone's made the effort to come to the site, we want you to have a great experience. So we do insist on everyone opening, so we only make that kind of demand on our studio members once a year. Yeah, the dates are already up for that for next year in May, so everyone can pencil that already in their diaries, but it's lovely because these are private workspaces.

SEVA: Makes sense. So I guess keep an eye out on your website, so this is the only opportunity really that you get to kind of step inside and see what's going on. And we've got a question from one of our listeners today, Stephen, who asks whether you ever have problems with getting tenants in or is the main issue with actually finding the spaces and buildings to house them.

NICHOLE: Okay, demand is exceptionally high and it's getting worse. We are over subscribed 4 to one, which is a very comfortable position to be in terms of the supplier of the space but I think it speaks volumes to the problems that we have. Then, particularly within London, we just have a massive under-resourced supply. There is not enough supply to go around. And you know, I was speaking to someone just this week at the studio viewing, a painter. She's not even moved into London yet, but she's already securing her studio because some of the studio providers have stopped even replying because they have nothing. We're different, we run an enquiry list rather than a wait list, there are some people that literally have been on the wait list and they're moving up one by one for the last sort of 5 years. We run a bit more of a dynamic process than that. We brought in an enquiry list and as soon as we had the studio we put it up on a predefined kind of live link and people can see that we've put it up and they can come and see the space, but the challenge is getting the projects online because of the cost involved in bringing a project forward.

NICHOLE: That's a challenge. And it's financing the sites and getting them at a sufficient scale. There's a new piece of Planning policy in London that kind of is a nudge in the right direction, but it's not there yet in terms of what it's delivering and we're starting to see some of the hiccups with the conception of the policy. So if you're just a developer and you're bringing forward that say for argument's sake, you know, a 300 something dwelling apartment block and whatever square footage that creates you've got to have 10% assigned to affordable workspace. That might only be 3,000 square feet and you cannot deliver

anything meaningful in 3,000 square feet once you've allowed for a kitchenette, a wash up and a toilet. The actual space you've got left to carve up into studios is not viable. And unfortunately, depending on which council you're working with, they don't let a developer aggregate those across projects. So the challenge you've got is finding projects of sufficient size and you won't get anything within zone 2 now that is, you know, 40,000, 50,000 square feet unless something exceptional has happened in the planning.

SEVA: And just sorry, just to give our listeners a sense of scale, what is 40,000 square feet or 50,000 square feet? Is there a sort of maybe a football pitch analogy that you can use or something?

NICHOLE: Alright, I'd have to get googling really quickly on that. Yeah, I'm not in an office so I can't get one my colleagues...

SEVA: Or actually, maybe a better, maybe a better analogy would be say a Tesco Express or a Sainsbury's local. How much square footage do you think is in a typical one? Or, 40,000 square feet. What does that look like?

NICHOLE: So it's a building that's probably about 300 metres long and about 3 stories high. That would be about 40,000 square feet, 300 metres, do I mean 300 metres? No, that's too long. I don't know, is the easy answer to that. This will be one for anyone listening out there who can do really quick maths and is really sort of spatially aware. Rachel Green, you're on this call. Can you bring out some sort of tape measure? Probably, maybe a small office block, like a 3 story, relatively small office block.

SEVA: Okay, let's move on.

NICHOLE: Yeah, we're not gonna, I think we should just move on. We're not gonna make that work.

SEVA: So, okay, well, next question, change of tack. Why do you think there is a crisis of affordable workspace? I suppose there are a number of ways you can begin to tackle that question, but maybe actually to start with a really basic premise. Why do artists still want to come to London? Maybe that sounds like a very kind of naive, stupid question, but can you spell out for us, what is the appeal of London as an early career artist.

NICHOLE: So I asked that question as part of my thesis research because I was like, why are you struggling? Why are you staying in London when you can go and have a much better quality of life outside London and afford more, and it seems to be a confluence of things. So it seems to be that, you know, you've got some really exciting educational institutions and you've got a cohort of about 2,500 coming out every year from art schools. So you've got that, you can see what's coming through in terms of what's the latest thinking from an age perspective. You've got the big institutions in terms of the galleries and what they're doing. You've got this, you've got everything in between and the smaller galleries. But you've got peer networks and that's ultimately, I mean, I know a few people that have gone to Margate and they've come back, you know, that whole kind of, you know, there was this thing about 5 years ago that everyone's gonna go and, you know, go to Margate and there's a mass exodus. Everyone's come back. Because of the connectivity. And just the energy,

London has an energy and it's infectious and it is inspiring and it's got this kind of gritty underbelly as well as being shiny. And you need both sides of that to make for interesting cultural interactions. And you know, the journey you can go on in an evening in London is just fantastic. You can go to amazing theatre, you can go and see some comedy, you can go and catch 3 shows, I mean, the intensity is why people are in London because they just feel disconnected when they're not involved in it. And I think as an established practitioner, you can successfully exit from London and still be extremely relevant and valued, but I think you have to establish your point of conversation and your point of influence before you do that.

SEVA: Right, that's interesting. So that's the demand side. And on the supply side, I suppose we're all familiar with the housing crisis, you know, when it comes to residential property. To what extent does that spill over? Or is reflected in the demand in the supply for commercial property like studio space.

NICHOLE: Yeah, you're right. You have extreme pressure on property and London. And you have intensification of use. So the site that our foundry project is on used to be a printworks, it was a triangle between 2 railway lines that was a printworks and it was industrial land. And the developer bought it up and convinced Lewisham Council to enable them to turn it into a mixed use site and Lewisham had great foresight in saying actually you can, but you've got to put back the commercial. And we'd encourage you to make it affordable because we don't think there's going to be other commercial uses for that area. So you have this kind of, and we were really lucky with the developer that we worked with, Anthology, in that they got that we were a soft commercial solution that would support the value of their residential property. So that works, but it is rare that you get a developer that will invest in bringing something substantial in at the ground floor because everything is driven by the profitability of the residential properties. And unless they're specifically instructed as part of the planning process to put in a big quantum of commercial they just won't. And that's the supply challenge, you've then got, you know, we were fortunate we bought under us what they call a section 106, which is where developers have to put back into the community, sort of in a very sort of layman's terms.

NICHOLE: But as a studio provider, because we charge affordable rents, we don't cash accrue. And if you don't cash accrue, you can't then put down massive deposits to buy sites. That's where the whole funding finance piece is so critical to this sector. Because if you want to secure a property and you want to take assets into effectively community ownership, you need the right finances and the right structure to support those acquisitions and they are very tricky to bring forward with the current available resources to us.

SEVA: Okay. Let's play that back. The issue being an affordable studio provider is that you don't accumulate cash as a private developer or private landlord might do, which means that you can't then be quick off the bat in seizing opportunities for taking on further properties. And so you're reliant on maybe grants or sources of affordable finance like social investment, for example to then take advantage of those opportunities.

NICHOLE: Yeah. Because if you're gonna charge affordable rent, really what you're covering is your cost base. You might have a small margin in there that you kind of put to one side for emergencies and if the roof goes. But the idea is that you're not in existence for profit. You're in existence to create value. And if you're not in existence to create profit, you're not

cash accruing, which means that when an opportunity presents itself or you could buy a site, we're looking at one at the moment, a really large size, when you're looking at buying a site you have also what you call when you get into commercial mortgage land, what they call loan to value ratio. You have to really, if you're an affordable sector, you have to be at a 60:40 LTV. If you got 60% borrowing, the only way to create 40% equity within the asset is to put cash down or you've bought it under market value or both. And to put cash down, you need to have cash accrued. And if you haven't cash accrued, that's not an option available to you. So the only option then is that you've bought below market value through a vehicle like a section 106.

SEVA: Right.

NICHOLE: But really what you need to do is to be able to cash accrue, is to have a lump sum to put in on the purchase to achieve the loan to value ratio and to make your borrowing less. And that's what we as a sector have been asking the GLA for, for I think it's the best part of 20 years now. We've been asking them for seed funding so that they effectively give us a chunk of money like say 500,000 and then in the legal framework they give us that money and then we agree to buy it out about 7 to 10 years later at a pre-agreed position. Because ultimately history shows that property increases in value. So you should be able to mortgage out, 7 to 10 years later, whatever you borrowed in that seed funding. And that's the piece that is really unsexy for those that do the finance, because it's a big chunk of money that's put to one side and you don't see it again for 10 years. It's not what people want to be offering us, but it's what we really need.

SEVA: Yeah, so just to play that back again for listeners because I appreciate that you know there's a few financial concepts being discussed here. So the idea is that you would have a sympathetic funder who'd lend you say half a million pounds and you would use that to take on property and develop property, hold on to it for 7-10 years, see the appreciation in value. And then there'd be a mechanism by which that seed funder could cash out with a bit of profit or bit of return on their initial investment. Do you see that, has that model ever been attempted in, well, maybe in other parts of the UK or anywhere abroad?

NICHOLE: I guess there's a broader question there about creative solutions to this challenge of providing affordable workspace to artists around the world. I haven't seen it as a model. I mean, they do some quite interesting stuff in Canada, but that's more that they underwrite the studio provider so they can take on large buildings. So that's an underwrite position rather than a cash position, but they do underwrite so that people can get into it. They used to have a really big fashion district and phenomenal warehouses which would make fantastic studios because they've got great windows down the side, they're not too wide, you just basically put a central corridor down. And you can see the local government underpinning, underwriting the studio providers and they've not had, to my latest knowledge, they've not had one fail. So there's people that are doing some quite creative stuff. The worst thing you could do as a solution is adding an extra layer of cost. There are concepts that have come out of the GLA which add an extra layer of cost into the process and that's not helpful at all.

SEVA: Okay, and, just in terms of, we've been talking a lot about affordability in the sector. Who decides what's affordable?



NICHOLE: So we've come up with this question a lot. I say we, so Second Floor Studios and some of the big studio providers in London, we all came together and went 'what is affordable' and actually we're finding that we want to control the narrative, we are the experts in the sector and we want to be the voice of the sector. So we formed something called LAASN, which is London's affordable artist studio network. And between us we represent a million square foot of space in London and we represent one in 3 artists, as in we house one in 3 artists in London. So LAASN has formed and it's basically an alliance of chief execs and it's been really helpful because we are discussing things like EPC that's coming forward. We're discussing how we're finding that councils are asking us more and more to provide community services rather than just the space. And we've looked at affordability and in London now I'm really sad to say but affordable is now 20 pounds a square foot and anything below that. It used to be about 13 pounds. But the way that we're now trying to get into asset ownership, we cannot deliver space at sort of 12 pounds a square foot when we've got such large mortgages on acquisitions that we're making. So we're finding that now it's, you know, anything that's below 20 pounds of square foot. Someone can join LAASN as an organisation if they've got 80% of their projects that are below 20 pounds a square foot. But that's the position at the moment. And we were really surprised between us. We all did some aggregates, you know, aggregating our rent positions and we were actually quite surprised that on aggregate, because there were a couple of buildings that were for whatever reason costing us so much more to run, maybe because leases work for renewal and we had to run those renewals. And so the rent had gone up. But our aggregate position is somewhere between 18 and 20 pounds.

SEVA: Right, okay, so just kind of slightly under the affordable rate.

NICHOLE: But something it's not is a percentage below market rates. And it's so important not to go into that narrative of a percentage below market rate. It doesn't mean, yeah, I'm not going to swear but it doesn't mean anything, to be below market rates. You know, I have gifted and Matthew has gifted because it's our limited company. We don't have to make these choices. Foundry, we have given back to society since we opened the foundry in 2019, 3 million in undercharged rents. So we could have charged 35 pounds of square foot but our mean there I think is about 17. So if you if you kind of extrapolate that out, we've gifted into the community 3 million in uncharged rents because we would not fill it with artists at 35 pounds a square foot, I could fill it with architects potentially, you know, that industry, but that's not the positioning that we choose. But yeah, affordable, you have to look at bottom up pricing and I go back to those numbers that I gave before about a fine artist or applied artist at 6,000 pounds a year and a maker at 11,000 pounds a year. You have to price up from that position, bottom-up pricing.

SEVA: Yeah, and is there any kind of regulation around this, you know, should there be, should we have more specific concrete definitions around what affordable is, do you think that would help?

NICHOLE: I'd like to see it and a lot of people back away from it because they say, oh, no Chelsea is really expensive and you know, Haringey is something different but if you go to bottom up pricing you can state what is affordable so yes, I would like to see more conversation about genuine numbers and there are some councils that are doing some really interesting things around workspace strategies and they're basically saying if as a

space provider you want council support in grants or another form this is the price range you need your end users to be experiencing your spaces at. And there are some workspace strategies, but they are borough by borough, they're not, like, in the London plan.

SEVA: To what extent is this issue affecting other cities in the UK?

NICHOLE: Through working with networks like CWN, I think there are

SEVA: Sorry, what's CWN?

NICHOLE: Creative workspace network. There are challenges and pressures that are starting, you know, everything that we've been experiencing in London is starting to hit the major cities. I mean there are great space providers like Wasp Studios up in Scotland and East Street Arts in Leeds and they're doing amazing things and they've perhaps been able to secure a bit more of their property than the guys in London have. But it's interesting getting on to calls and hearing them. You know, we've been supporting Bath Studios. Bath Studios perhaps weren't that concerned when they had an opportunity to buy this site and didn't and then it got bought by a developer who's decided to move them on and they're like, no, no, no, we've been here 25 years and you can see that there are some artistic organisations that are being caught out by land sale and developers and development cycles and they're not getting in on the conversation and they're not being protected by councils because perhaps they haven't lobbied for themselves. Well, I think the encouragement is, if there is anyone that's listening to this that is not in London, is to start lobbying now with your MP, your local councillors, your local community. So that if there is a development cycle that's coming your way that for whatever reason, you are put back into the new scheme, because you won't be able to stop the development from happening. You can't stop the wheels of change but you can make sure that you are reprogrammed back into that change.

SEVA: Right. There's an interesting comment from Stephen, one of our listeners, suggesting that it would be interesting to use bottom-up pricing to learn what rents for normal retail on our high streets should be, you know, to allow bakers, butchers, independent businesses to run viable businesses in towns. I think it's a really interesting question.

NICHOLE: I think we've got to stop market thoughts. You know, I mean, I trained as an economist, I understand free market, I get it. But it is failing us. And it is failing our high streets. And we have to make the argument for bottom up pricing, because we get so distorted by you know, the 1% and their wealth position. The distortion is quite profound and the only way we can stop it is to take that out of the aggregate position and bottom up price.

SEVA: Yeah, that's interesting. Yeah, because I suppose we often talk about paying what the market rate is, which is the price that someone's prepared to pay for something. But you know, should that be the overriding principle of economic organisation? So what someone is prepared to pay for something rather than how much it actually costs to produce something. I appreciate that it's probably not as simple as that, but it's curious.

NICHOLE: Because that's how you get into the troubles that we're in with the fashion industry. Because people are used to paying 5 pounds for a t-shirt because it's been made in a sweatshop. Because that's how capitalism drives it. But that's not ethical pricing and we

have to get into ethical bottom up pricing, however you want to call it, whether you want to structure it, but you've actually got to look at what it costs. Which is why you know if we had the resources we'd be looking at being a B Corp. Because you have to look at how your activity is impacting not just the bottom line, it's that kind of, you know, having a bottom line that actually takes the environment into account. A triple bottom line. You know, we've got to be more enlightened in how we approach solutions. And I mean, one of the sort of avenues of which to think about the climate crisis. It feels like we ought to be pricing in the cost of a lot of that, you know, all of those environmental externalities into our supply chains that feed into our, you know, products and services.

SEVA: So yeah, that's an interesting idea. I didn't really think that we would talk about bottom up pricing through affordable studio space provision.

NICHOLE: But it's so important as a conversation because it then really brings into real clarity what the price point should be. So, what's very difficult because you know you've got you've got these factors and it's really actually very simple if you take the right approach and you apply the right econometric modelling to it, which is bottom up. And then you get to your price position.

SEVA: Right. Yeah, that's interesting. I'd be, if there's any economists or, I guess, anyone actually on this call, it would be really interesting to hear your thoughts.

NICHOLE: I think it's a really interesting debate. Maybe we should have another, you know, maybe the Arts Impact Fund should be hosting an event that is discussing pricing and modelling and this whole concept of what is actual affordability. I'd back that.

SEVA: Thanks. Well, yeah, let's think about it.

NICHOLE: Sorry, I've made you up.

SEVA: No, no, no, it's pretty interesting. It's exactly why we're doing this. I just wanted to change gears a little bit and I talk about the relationship that artists and clusters of artists have with local communities. I think we've sometimes seen accusations of gentrification. And claims that, through working closely with developers, studio providers who bring in artists to a community, that they're at the vanguard of gentrification. What would you say to that?

NICHOLE: So I think if you look at gentrification and how it's kind of been perceived, it's the idea that you're switching out working class for middle class. You're moving the gentry up again. That is gentrification. And I think post World War 2, you saw a lot of intensification into centres of cities, with neglect to the urban areas. But as we're seeing the pressure go up in the inner cities, those urban areas are being revisited with investments. And that investment into urban development is what is causing the displacement. And I think what's important is not that there is that displacement, but whatever you design back in. I mean, you're right to be knocking down, you know, buildings that are not fit for purpose. And they're conceived to be these utopian, massive, you know, skyscrapers, but people actually want to live, at a human level. So you take them down, but it's how you retain communities while developing. And you know I'm not against developments as long as it's not art washing and green washing and all that kind of stuff that, you know, gets thrown around.

SEVA: Yeah.

NICHOLE: So I think artists will gravitate towards affordable workspace and it has been in these kind of suburban or kind of neglected commercial areas that they have made. And you know, this is I think a really interesting thing, because everyone talks about how much you know in maybe Hackney, the artists made it this really amazing interesting place. But then if you bring in vanilla development and get rid of the artist, it's no longer an interesting place. So why would you not bring them back into the cycle and make allowance for them to keep the vibrancy of the place. Well, I think artists are occupying spaces that are underutilised and that makes them more attractive when developers come in. But then you have to have the sense in the policy decisions so that you don't lose that vitality and that vibrancy, by having the artistic communities in place.

SEVA: Okay. Yeah, and also not alienating the local residents, the local community. And it feels like there's an opportunity there for those creators, for those artists, to bring the community on board through for example things like Open Studios. I wonder whether there are any other kinds of ways in which maybe, through your experience, you can bring the community on board. This connection between arts, culture and community and their role in place making has been a bit of a theme in this podcast. So yeah, I would welcome your reflections on that.

NICHOLE: It's, everyone's got really busy lives and when we try and go out to the community and engage with them and encourage them to come and kind of experience an artistic event for free, we don't get swamped. It's quite a process and what we found is, we have something called the Shared Skills Time Bank, which is where each of our studio members pledges an hour of their time every month to Second Floor to put out as internal mentoring between 2 members or to use externally within the community. And it's something that got completely flattened obviously as an idea over COVID but we're trying to revisit it. And it's really important that we don't just kind of helicopter in these ideas, that you actually build grassroots relationships. So actually what you need to do is you need to find a champion that's already in that community. And once you find them, you say, how can we work with you and what is missing and what would you like and do we have anything that would be of interest to you and you build those organic natural relationships over the long term.

NICHOLE: I mean we've got a little gallery in Deptford and we have something called the Painting Open and the Drawing Open once a year. Basically, you have to register for it and the first 100 people, their work gets hung. And it's been really lovely to slowly see local residents in Deptford come in and see the show because they've got a friend that's in it. And it's just those tiny little threads that you start pulling on that you hope will lead to something else. But it's also about having the resources to follow up those conversations. And, you know, we dedicated a whole month of the gallery in August a couple of years ago, before COVID, to a charity that came in and just ran children's workshops all day long for the surrounding residents. But I think we, you know, we struggled to get about 15 children to come to 3 creative workshops because there's not the trust and there's not that kind of understanding of why we're doing it. Which is on us to know how we can better communicate

and how we feel as we go forward, particularly into 2024, and we've got some finance put to one side to build the Shared Skills time bank.

NICHOLE: We need to find community champions. And we find them where they are and then ask how we can work with them and support them to build those bridges. And spill that understanding because you know the most exciting thing for me is if we have open studios and you know, some 15-16 year olds walk in they're not slamming STEM at school but they love doodling and they're really creative and they come in and they see Rod Hunt's studio. And he's this illustrator that's just done the Guinness World Record book covers and he's just done the Grand Prix circuit in, I think it was Saudi Arabia, and you know he's made an amazing living by being a creative and being an illustrator and it's that connection of inspiration between generations that I would really like us to see work on. And to encourage people to follow their creative path if that's how they're feeling naturally. I feel like there's a real opportunity with studio spaces to inspire young people. You know, we were talking earlier about, you know, the studio open days and how exciting it is to see lots of different artists, you know, at the same time, arts education is being squeezed out of schools. So. I you know, I don't think there's a quick fix solution here but it feels like where you have studio spaces in a town and you know a place it really makes sense to try to get as many young people to visit and see, you know, in an hour you could probably see a number of different art forms. As I said, when I first visited a studio I was probably in my late 20's and I thought, wow, if only I saw this when I was younger, maybe I would have been a real artist. School tours would be something we'd really welcome. Whenever we reach out to schools, they're under-resourced and have the logistics of getting kids through and health and safety and everything else. But we did some really interesting stuff over COVID, we did online sessions where we would have an artist present their work in their studio. The teacher would then use that as a starting point for the class to respond and do something in the style of the artist they'd just seen with their work and then present it back to the artist at the end of the day. And that was a really nice little piece to kind of access young minds to see that there are other options than STEM subjects, which I know is quite hard.

SEVA: Do you think there's also a challenge around the fact that most people know what a theatre is, most people know what a museum is or what to expect from a museum or an art gallery. But the idea of artist's studios is probably not that obvious to someone not, you know, from the arts world. So how many people really understand how it gets made and where it gets made and the importance of organisations like yours that provide that space.

NICHOLE: Yeah, and I think there's something to bring in here as well as around diversity, I was talking with someone who's sort of early twenties, who comes from an ethnic minority and she was saying to me, it was never in my radar what a studio was and studio provision and I wouldn't know that that would be the next step. So I would go to art school and then I would need a studio and she's just like it wasn't in my sphere of experience. And I was like, no you're right, I get that. I hear you. And I think we've experienced that over at Wembley Park when we opened, Wembley Park has a phenomenal community and it's very very diverse and our studios initially weren't representing that community but they are now, we now have 60% local postcodes and are, you know, in terms of the who's on site, it absolutely reflects the local community because it took the community about 5 years to work out who we were and why we were there. And it's when, you know, a local person gets a studio and then talks to their friends. But those things take, you know, it's taken 5 years to get to that

position. And I think the diversity element is really important in terms of education as well and how you plant those seeds of 'this is what you will need to take your practice forward'. And we're seeing in our Starter Studios, we've got some really brilliant people that have recently just graduated and we are seeing more diversity come through into the studios. But it is something that I think also needs to be proactively looked at.

SEVA: Yeah, absolutely. That sounds great. And so what's next for Second Floor Studios and Arts?

NICHOLE: Matthew and I were having a strategy meeting yesterday. We're going, so in 10 years time we'll be 60. How do we feel about that? So basically, we're growing about another sort of 45% next year, which is good. We would like to bring forward another couple of really big sizes because you get economies of scale once you get, you know, sort of 30,000 square feet upwards. So there's a big site that we're looking at in London that would be about 45,000 square feet. And we're trying to bring forward, we've had this brilliant architect called Andrew McMullen and his team design with us up to RIBA stage 2, a makers focused building because makers are getting pushed out of London. Because with the mixed use schemes you can't have stone masonry and glass blowing and sculpture at the ground floor because it upsets the residential, you have to curate who you allow on the ground floor. So we want to house makers and have just a building for them. And that would be a really big project to bring forward, but it requires about 10.5 million to bring it into being and we can only finance about 25% of that. So the rest has to come through grants, philanthropy, levelling up funds, whatever is going to be in the mix. So that again, we know we've got a brilliant building, we know we've got a really good concept, it's up to RIBA stage 2 thanks to Creative Estuary giving us some money to kind of work on that. But it's not ready to go because the finance isn't there. But a couple of those really big projects and their assets that you own, you then underpin the company and the organisation. And you can then potentially look yourselves to lending to another studio provider to give them the seed funding that I mentioned before, to secure their building. Because I think that's what you need to do as an organisation if you want to be responsible, you look at who else you can help that's behind you and build on it. You don't look out for yourself, you look out for who else is trying to do what you're doing.

SEVA: And build the ecosystem. Yeah, makes sense. Have you, over the last 18 months, with the price of borrowing kind of going through the roof and inflationary pressures following you know, the war in Ukraine and the wider kind of macroeconomic context, has it been harder to find the finance to actually build the schemes because of the costs of, you know, materials. Has it created a crunch?

NICHOLE: Yeah.

SEVA: Wow.

NICHOLE: Yeah, it's been disastrous. Our per square foot has gone from 43 to 65 and I've just had to walk away from buying a site that I'd already invested 7,000 pounds in in legals and architects fees. I've had to walk away because the bank is requiring a stress test at 10 percent.

SEVA: Right, wow. Okay. That's kind of unheard of in recent years, right?

NICHOLE: Yeah. But that's what the bank is requiring us to stress test at. So this site would have brought in about 12,600 pounds a month in revenue. My finance would have cost nearly 11,000 pounds a month.

SEVA: Right, so it's just on viable. Hmm.

NICHOLE: So you either go to the developer and go, you need to drop your price by like half. Or you go to the bank and go, can you do me a staggered mortgage? So you say, okay, I'm borrowing a million, but I'm gonna pay back 500,000 the next 25 years and then there's going to be a balloon that we're going to refinance at the end of it. It's just horrible. And that is a project that has been lost because of market factors, because of everything that's happening right now. We would be opening 3 projects next year but we're not.

SEVA: To end on a slightly more positive, more interesting note. Not that that wasn't interesting. That is really interesting. I just kind of, you know, yeah, don't wanna end on that basically.

NICHOLE: I can show you my dogs, they're all 3 of them sat here if you wanna have, like, a kind of a dog montage at the end.

SEVA: Well, if you could get them to bark, maybe you'll make a noise for our listeners and that would be good.

NICHOLE: Don't encourage them. They've been good as gold. One has been snoring quite loudly. I hope you haven't heard that anyway. Sorry, go on, your last question.

SEVA: No, not at all. Well, my last question was actually, I know you, you said that you trained in art. Did you have a creative practice before getting into this world and what was that? Because actually I don't think I've ever asked you that question, I'm not aware of it.

NICHOLE: Yeah, so, drawing is my thing. Yeah, I was tipped as, you know, I won scholarships to go to schools based on drawing, etc. But, family dynamics meant that I needed to go and get a job. So I couldn't study art at university and I went and did economics. It was pastels mainly. Yeah, pastels. I can't get on with paint as a wet medium. It just escapes me, but drawing I can kind of, I love colour. I'm a real colorist. I'm not today because we're doing this, but normally I do what they call dopamine dressing and you know, sort of bright pink or bright yellow or bright blue, I love colour.

SEVA: What kind of drawing?

NICHOLE: So drawing's my thing, but I'm quite content if I get to my sketch pad at 60 or 80 or, doesn't matter. I think you can be an artist and have actually maybe more interesting things to say the more you've seen about life. So I'm quite content with facilitating everyone else's artistic careers right now and I'm hoping that at some point it will be my time.

SEVA: Yeah, and by that stage you'll have lots of artist pals that will give you tips and feedback and help you put on a show.

NICHOLE: Yeah, well, hey, we've got our own gallery. So that is, I'm amazed that Matthew hasn't put on a gallery show of his own work yet. But maybe that just feels a bit too narcissistic for him. But yeah, we have all the tools and facilities and the contacts. But we don't have the time because we're busy. We're quite unusual as an organisation, we have 2 and a half staff for 140 odd studios. Whereas if you look at other studio providers, they've probably got 4 times that staffing, but that's how we manage to do it at the price that we do with the cost base that we do.

SEVA: Makes sense. Well, Nichole, thank you so much for, you know, joining the webinar today and being really kind of insightful and super interesting, I hope that people listening learn something new about the studio sector. Yeah, I will be just doing some edits of this conversation afterwards and hopefully this recording will go live in the next couple of weeks. But Nichole, yeah, once again, thank you so much for taking part. It's been a real pleasure to have you on.

NICHOLE: Thank you very much for inviting me. And yeah, if there's any questions that kind of come, people who've sort of seen this and they want to chat to me further, I'm always available to try and help nudge people along in their own journeys and their own challenges that they're facing. And sometimes they just need to speak to someone that's done it, to give them that kind of courage to go actually let's jump and let's go and secure that community asset and if I can help in any way then just let me know.

SEVA: Yeah, absolutely. I can attest the fact that you're a real champion, I think, for the sector and a real, you know, expert. So there's a lot of wisdom that resides within. Yeah, definitely, definitely reach out.

NICHOLE: One thing, yes, I think I don't recommend it. I really don't. You have to be a glutton for punishment. But, yeah, that's the life of a social entrepreneur.

SEVA: Brilliant. Thanks for that, what a beautiful way to close the call. Thank you very much.

NICHOLE: You're welcome.