

Policies to encourage cultural and arts districts

At the 6.30.09 meeting of the Arts Overlay Committee, area resident Phyllis Klein mentioned that she had compiled sources on the web that addressed in various forms the ways in which communities could encourage diversity in commercial zones, and in particular, arts uses. The following is a brief summary of a number of those sites and content.

Baltimore, Maryland: Station North Arts District

http://en.wikipedia.org/wiki/Station_North_Arts_District

Positives:

- Artists who live or work in Station North may qualify for certain tax breaks by filing Form 502AE (Subtraction For Income Derived Within An Arts and Entertainment District) along with their Maryland Tax Returns.
- Major tax benefits concerning building usage are also in place, with assessment freezes and building rehab credits to encourage growth.
- The Arts District designation in actuality benefits landlords and owners of real estate most; however these groups typically do not include performers, artists and musicians.

Negatives:

- Much like Soho before it, Station North is rapidly becoming less a center for arts and creativity, and more a trendy, gentrified neighborhood of non-artists.
- The City of Baltimore has consistently up-marketed Station North as an "artsy" locale; however no provisions exist for low-cost artist's housing or residencies.
- Artists who have lived in the in the neighborhood for years before the official designation have hardly ever been consulted, recognized or subsidized by the city that has cashed in on their cachet.

This is an interesting case study for us because, as noted, one of the problems encountered by the city is that rather than become a true arts-focused neighborhood, the city's marketing campaign has caused Station North to be viewed as a "hip and trendy" neighborhood by people in Baltimore. The neighborhood has seen, in addition to a growth in arts-related businesses and the number of artists residing there, substantial growth in restaurants, bars and upscale condos. This highlights the need that, for a district to truly be able to attract and retain artistic talent and businesses, it is prudent to include incentives that extends beyond mere zoning-related issues (most

frequently in the form of some kind of tax relief). I also noted that there were a number of zoning and building use restrictions put into place that are intended to foster the growth of an artistic community. Given this, I would be curious to learn if officials tasked with growing this district and furthering its intent view it as a success. Charles Street is unquestionably a better place to be (I've been there recently and can attest to that), but I wonder it is succeeding in its intent of being a true "arts" district.

Website of "Station North" is here showing strong identity and focus on arts events : <http://www.stationnorth.org/>

District of Columbia: The Deputy Mayor for Planning & Economic Development

<http://dcbiz.dc.gov/dmped/cwp/view,a,1365,q,569271,dmpedNav,%7C33028%7C,.asp>

Information contained here, regarding various incentives available to entrepreneurs who locate and open businesses within the District, will be difficult for the Committee to harness to further its goals, since such opportunities are available to businesses elsewhere in the District. Some items could be promoted (perhaps through the MCBA) as part of the Committee's recommendation to incentivize office development in the area to further daytime population growth, if that is a direction we decide to go. For instance, 14th Street straddles a primary and secondary "High Tech Development Zone" as defined by the District, which allows for certain tax relief for qualified high tech companies who locate there.

List of incentives currently available under DC law

- Technology: NET 2000
 - Tax incentives for high tech companies to locate in the city
- Targeted incentives: Enterprise Zones and Revenue Bonds
 - Enterprise zone – city can sell bonds to finance acquisition, construction and renovation of wide variety of capital projects; also wage credits, additional expensing allowances, zero federal capital gains tax rate on certain investments
 - Revenue bonds – below market interest rate loans to qualified private or nonprofit organizations for capital projects.
 - See also: <http://www.wdcep.com/>
- Employment Training Tax Credits
 - Not applicable
- Housing Development Incentives
 - Various programs for assistance to first-time buyers, low income, seniors, renters, etc.
- Finance Incentives for Nonprofits
 - Financing for low/moderate income housing; sale of single family tax delinquent properties to eligible applicants; multi-tenant program also

- Small Business Assistance
 - Help with obtaining financing; help in becoming federal/city contractor
- Development Incentives
 - Tax based incentives such as Tax Abatement to encourage employers to locate in the city, Tax Increment Financing (TIF) to finance “gaps” in a developer’s financing (O Street Market redevelopment has TIF support), and Payment in Lieu of Taxes (PILOT) used for infrastructure and parks improvement associated with large projects

Virginia: Virginia Arts and Culture Blog

<http://vaartsandculture.blogspot.com/>

Advice about how to run a successful cultural district & what works.

Discussion of pending VA legislation (HB1735) that would give VA communities tax and regulatory authority to develop arts and cultural districts through tax incentives, special zoning, permit process reform and exemption for ordinances.

Some incentives--particularly related to regulatory flexibility (in our situation, building height requirements)--are already in use along 14th Street. Others, such as gross receipts tax relief, permit process reform and reductions in permitting fees, are beyond the stated scope of the Committee (but could be brought before Councilmember Evans for consideration). The mix of commercial and retail that HB1735 seeks to achieve is quite similar to the mix currently being sought for 14th Street.

Pawtucket, Rhode Island

At the same blog, there was a discussion of how Pawtucket, RI used arts as catalyst for economic recovery by Herb Weiss, city’s Economic and Cultural Affairs Officer. “Pawtucket City officials went to the General Assembly [in 1998]and lobbied for the creation of a 307 acre district, encompassing 23 mills and sixty streets. Enacted legislation would allow artists living or working in this geographical area to receive state income tax benefits or the waiver of sales tax on one-of-a-kind art work sold...Rental rates are competitive and can be very enticing to artists. Rental space for studios in Pawtucket can be found for about \$5 per square foot (including heat) that would have cost upwards to about \$12 to \$18 in Boston's South End.”

The Pawtucket discussion is interesting, however a significant factor cited in the growth of Pawtucket’s artistic community was the "affordability in its rents", which is not something typically said about central DC spaces. The income tax relief and waiver on sales tax for one-of-a-kind artwork items are worth considering. Also, Pawtucket

employs a "Cultural Affairs Officer" to act as a liaison between the city agencies and members of the artistic community.

Providence, Rhode island

http://www.providenceri.com/ArtCultureTourism/tax_incentives-local.html

"The tax incentive program is designed for artists who are living within the Arts and Entertainment District boundaries and selling their work there, granting them state income tax exemption on all personal income from the sale of their art and allowing their work to be sold tax-free."

More info on RI is here: <http://www.arts.ri.gov/special/districts/>

This is a discussion related to the particulars of tax incentives offered to artistic-related businesses in Rhode Island. Specifically:

- for artists who live and work within a specified district, any sale of work created within the district is exempt from state sales tax.
- for artists who live and work within a specified district, any income they receive from the sale of work they have created within the district is exempt from state personal income tax (as outlined in RIGL 44-30-1.1).
- and, for gallery spaces located within the boundaries of a specified district, the sale of original, one-of-a-kind works of art are exempt from state sales tax, whether or not they were created within the boundaries of the arts district.

Maryland: National Assembly of State Arts Agencies Tools for Arts Decision Making: State Cultural Districts

http://www.nasaa-arts.org/artworks/creative_economy.shtml

Discussion of Maryland activities here: http://www.nasaa-arts.org/spotlight/stspot_1207.shtml

Benefits in Maryland designated districts include:

- Property credits for construction or renovation of buildings that create live-work space for artists and/or space for arts and entertainment enterprises,
- Income tax subtraction modification for artistic work sold by qualifying residing artists, and
- Exemption from the Admissions and Amusement tax.

Website also includes a link to 100+ page “current perspectives” document that includes presentations from a 2008 seminar. Much of the focus here is tax funding for cultural districts and how the taxing authority works, how expenditures are controlled. Significant links to economic studies and other scholarship.

Maryland: Highlandtown Arts District

<http://www.highlandtownarts.com/incentives.html>

This is the best page for providing the specifics of the Maryland law intended to foster cultural districts, including a link to the law itself, as well as implementing regulations.

Annapolis, Maryland: Annapolis Cultural Arts District

<http://www.ci.annapolis.md.us/info.asp?page=13174>

City Council Resolution on Annapolis Cultural Arts District – TEXT implementing the MD law for Annapolis

Prince George's County, Maryland

http://gateway-cdc.org/index.php?option=com_content&task=view&id=32&Itemid=63

Seems to be largely a directory of businesses that cater to the artistic community in the Maryland "gateway" region. The focus is on low cost housing for artists and loft spaces; also anchored by a museum.

Frederick, Maryland

http://www.businessinfrederick.com/economic_development/commercial_tax_credit_programs.htm

Designated as an Arts & Entertainment District by the State of Maryland, downtown Frederick is the area’s hub of arts, culture and entertainment. The A&E District offers several incentives for arts organizations and property owners, including an A&E

They use Property Tax Credit, an Artist Income Tax Credit, and the abatement of the A&E tax for qualified arts and entertainment establishments.

Racine, Wisconsin

http://createuptownracine.com/Arts_District.html

Racine Wisconsin uses an arts district to attract artists and helps them finance the purchase and rehabilitation of housing stock.

Michigan

http://smartcommunities.typepad.com/suzanne/2006/06/michigan_delibe.html

This article discusses proposed legislation for Michigan, and includes a number of tax credit ideas including:

- Income tax deductions of up to \$25,000 for working artists who live in the district,
- Income tax and single business tax incentives for property taxes incurred for properties rented or used for artist housing, gallery space and other arts and culture uses,
- A philanthropic state tax credit for individuals and businesses who donate to nonprofit organizations operating within districts, and
- A special single business tax incentive for development projects within districts.

General Information

Article (general) about the popularity of arts districts for economic development can be found here: http://findarticles.com/p/articles/mi_qn4183/is_20051207/ai_n15904061/

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