

STATE POLICY BRIEFS

Tools for Arts Decision Making

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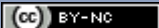


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STATE CULTURAL DISTRICTS

An increasing number of states are establishing arts or cultural districts: special zones that harness the power of cultural resources to stimulate economic development and community revitalization.¹ These districts can become focal points for generating businesses, attracting tourists, stimulating cultural development and fostering civic pride.

While numerous localities have established such zones in decades past, a relatively new policy trend is state-level leadership for cultural district development. An increasing number of states are adopting this policy model, in which a state authority actively encourages the establishment of cultural districts by certifying them, promoting their benefits and providing tax incentives for their development. At this time, eight states have such policies in place, leading to the establishment of 127 local districts. See [page 10](#) for an overview of both current and pending programs. This brief provides an overview of states' efforts, emphasizing the roles that various state agencies play and the factors that affect the success of cultural district policies.

State Designated Zones and Districts

A cultural district is one example of a special state designation designed to promote cultural or economic development. Here are other examples of zones and districts that states employ.

- **Main Street programs** assist cities and towns with downtown and neighborhood revitalization efforts.
- **Enterprise or empowerment zones** exist in economically distressed areas and offer special tax incentives to businesses that expand or locate in the zone.
- **Historic preservation zones** protect the architectural and historic integrity of designated localities, regions or landmarks.
- **Stadium and exposition districts** offer incentives for stadium and convention center construction and operation.
- **Zoo/aquarium/science/garden districts** provide support to natural and scientific institutions.

¹ The composition and character of cultural districts vary tremendously among – and even within – states. The policies explored in this brief all emphasize the arts, but often do so in combination with other cultural domains including heritage, historic preservation, recreation and entertainment. Activities within cultural districts also include a mixture of commercial and nonprofit ventures led by both individuals and institutions. This document uses the term *cultural district* to encompass all of this diversity.

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outcome goals

An increasing number of states recognize that a thriving creative sector is a powerful economic development asset.² Cultural districts are one creative economy strategy that states have adopted to boost their economies while realizing many other cultural and civic benefits. The intended outcomes of cultural districts extend beyond the arts and cultural sector to benefit all members of a community. Those goals may include:

Attracting artists and cultural enterprises to a local community. Artists, cultural institutions and creative enterprises all contribute to a community's economic potential. Not only do they generate direct economic activity, but artists and creative entrepreneurs also can infuse communities with energy and innovation, which enhance the economic and civic capital of a location.

Encouraging business and job development. Cultural districts can create a hub of economic activity that helps an area become an appealing place to live, visit and conduct business. A thriving cultural scene helps an area to prosper when consumers drawn to cultural attractions patronize other nearby businesses. This can result in the creation of new economic opportunities and jobs in both the cultural sector and in other local industries.

Addressing both urban and rural needs. Metropolitan and rural areas present distinct economic development concerns. Cultural districts are a highly adaptable economic development approach that can take a community's unique conditions, assets, needs and opportunities into account because each district is uniquely developed according to these factors.

Establishing tourism destinations. Cultural districts are marketable tourism assets that highlight the distinct identity of communities and encourage in-state, out of state, and even international visitors. Localities with strong related industries (such as restaurants, lodging and recreation) become especially attractive destinations for cultural, recreational and business travelers.

Preserving and reusing historic buildings. Some states use cultural districts as a way to stimulate historic preservation. Adaptive reuse and rehabilitation of older buildings through preservation tax credits can result in structural and façade improvements. Rehabilitated buildings and spaces are opportunities for affordable cultural work force housing, artist live/work space and new homes for cultural organizations that can serve as anchor attractions in a cultural district.

² [States and the Creative Economy](#). NASAA State Policy Briefs, Volume 1, Issue 1. 2005.

Enhancing property values. Cultural districts may revitalize and beautify cities, towns and regions. Many successful districts combine improvements to public spaces (such as parks, waterfronts and pedestrian corridors) with property development planning. These plans can include efforts to target the redevelopment of abandoned properties, rehabilitate historic sites, and recruit businesses to occupy vacant spaces or encourage the building of new mixed-use spaces. Together, these strategies facilitate a healthy mixture of business and residential activity and can contribute to reduced vacancy rates and enhanced property values.

Fostering local cultural development. The establishment of a district provides a focal point for celebrating and strengthening a community's cultural identity. Cultural districts provide localities with opportunities to highlight existing cultural amenities, as well as mechanisms to recruit and establish new artists, cultural industries and organizations.

state roles

States provide leadership and a helping hand in the creation and growth of cultural districts. State arts agencies are often, but not always, a leading partner. Regardless of what department or agency leads the cultural district program, the following roles are typical of state government:

Certify districts. Through the creation of an application, the development of qualifying criteria and pre-application workshops, a state develops a process that certifies and prepares a community to become home to a designated district. Standards, criteria and procedures for certifying districts vary from state to state and are often defined in enabling legislation. Legislation, if devoid of this language, could also name the agency or department responsible for determining standards.

Offer incentives to encourage business development. States use a variety of tax incentives to encourage business development within local cultural districts. Exemptions and credits for artists and businesses within a district encourage activity and contribute to a locality's bottom line.

Examples of [state incentives](#) include:

- sales tax credits or exemptions for goods produced or sold within the district;
- property tax credits or exemptions for qualified renovations or construction;

Common Collaborators

A variety of state agencies have been involved in state cultural district programs:

- department of economic development
- department of tourism
- division of cultural affairs
- historic preservation
- state Main Street office (may be government or nonprofit)
- small business administration
- state arts agencies

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- income tax credits or exemptions for artists living and working within the district;
- preservation tax credits for historic property renovations and rehabilitation;
- amusement/admission tax waivers for events within the district; and
- eligibility for special loan funds.

Facilitate local access to state assistance. States determine eligibility criteria for assistance, promote the availability of incentives and help localities understand guidelines and procedures. Local district coordinators then encourage the participation of local artists, businesses and developers.

Enhance the visibility of cultural districts. Through marketing and promotional efforts a state can help attract traffic and tourism to local districts. States can also play a role in developing program style guides that result in consistent, recognizable logos and signage throughout state districts.

Provide technical assistance and planning help. States can provide local districts with technical assistance and professional development opportunities and can assist with cultural and strategic planning efforts. It can also be a state role to convene leaders of local districts to help network and share best practices, innovative programs and administrative achievements.

Ensure broad and equitable program benefits. A statewide program helps to ensure that all communities in a state have the opportunity to develop cultural districts. Policies that allow for flexibility in the setting (urban, rural, suburban) and composition of districts make it possible for a wide range of communities – and therefore citizens – to reap the economic, civic and cultural benefits.

Foster a supportive climate for the arts and culture. One of the most important things a state can do to support cultural districts is to advocate for a state environment that values and financially supports the arts and culture as a public good. Demonstrating the value and impact of the cultural sector to government helps to make a case for continued support for district development.

common state challenges

States face a series of challenges that may impede the creation and success of a statewide cultural district program. Governing structures, political environments and social and geographic contexts vary from state to state but many have found it challenging to:

Pass enabling legislation. The first, and sometimes most difficult, challenge that a state faces is the passage of an enabling statute that sets policy for a district program and authorizes the use of state resources or incentives for that purpose. Successful legislation typically requires organized messages

about the benefits of districts, an influential leader within the legislature who is willing to champion the bill, and a cohort of constituents who can demonstrate willingness to participate in the program.

Provide financial support. Most incentives offered by states accrue to property developers, businesses or producers of goods within a designated district. Funding for the planning and management of the district itself is less common. Some grants from state arts or other agencies may provide funding for planning, projects or programs within a local district. It is important that cultural and community groups within a district learn about these forms of support and how to apply for funding.

Evaluate the program. An impediment to the long-term success of state arts and cultural districts is the lack of evaluative data. To fully understand the scope, depth and impact of these programs, states need to collect consistent data from local districts. Ideally, this data combines key economic indicators with data designed to measure each district's progress toward achieving the unique goals set forth in its plan. Given the administrative constraints on many local districts, consistent and comprehensive data is not always easily achievable.

Secure resources for state-level program management. Some states do not appropriate funds or personnel to manage or promote the state-level program. Instead, it becomes a job that is shared among agencies or added to an existing position. Allocating sufficient resources for state-level coordination can maximize the impact of a state's efforts to implement this type of policy.

Local Challenges

Every arts and cultural district is unique, but the following challenges can occur in districts large and small and in rural, urban and suburban areas:

- **Gentrification** is an unintended consequence of success. Displacement of existing residents can lead to the loss of a region's unique and authentic identity and diminish local support.
- **Staffing and administration** prove to be one of the most common challenges for local districts. Many districts are staffed as part-time or volunteer positions.
- **Financing and securing funding** for districts is one of the most difficult challenges a local district administrator faces. Even when creative partnerships are used to augment resources, funds for planning and promoting local districts can be difficult to secure.
- **Relevance to local residents** needs to be considered with equal respect to efforts that attract tourism. Districts face hardship when they do not have the support of their own community.
- **Long-term planning** contributes to the success of districts. Planning and evaluation of local efforts can be time consuming and demand extra resources but are crucial to sustaining a local district.
- **Speculators sometimes hold vacant properties**, making them inaccessible for purchase or use within a district. When owners of key structures keep central properties off the market, it may impede the progress of the district.

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Encourage consistent quality. States typically support individuality among local districts, encouraging each district to offer something that is culturally authentic, unique to its locality and appropriate to its economic circumstances. Along with accommodating this diversity, however, states also need to establish a common baseline of quality and success. This ensures that visitors to each district have a rewarding experience and ensures that districts will be sustainable over time. To this end, most states require that localities complete a certain level of planning and have strong local leadership in place prior to receiving certification from the state.

Integrate existing districts into a statewide program. While it is positive that a state already has vibrant thriving cultural areas, it can be a challenge to gain buy-in from a local district that has been operating on its own terms without state involvement. When starting a new state-level initiative, assess the planning, marketing and financing systems that may already be in place at the local level.

Adapt guidelines to both rural and urban needs. States can encounter challenges in the structuring and incentives offered in a cultural district because of the varying needs of urban, suburban and rural areas. Program incentives that are successful for urban areas, such as a focus on downtown revitalization, may not succeed to the same extent in rural areas.

state success factors

State cultural district programs define success from many perspectives. Programs can achieve success by promoting local cultural, economic and social assets, revitalizing downtowns and rural areas, unifying communities, engaging local residents through arts and culture, or attracting tourism dollars to communities within the state. Below are actions that can lead to such success:

Facilitate dynamic partnerships. States that engage in interdepartmental and interagency efforts can benefit from the experience, specialized knowledge and diverse points of view of all partners. Involving state arts agencies, historic preservation offices, departments of economic development and departments of tourism in collaborative efforts can make a state program stronger and equipped for future challenges. This can result in a greater diversity of services offered to local cultural districts.

Cultivate strong advocates for cultural districts and the arts in general. States that demonstrate the value of cultural districts to their state and local government as well as the private sector are more likely to see a receptive climate.

Provide professional development opportunities for local district managers. Managing a local district requires time and energy, as well as a specific blend of cultural and economic knowledge and skills. States that help to equip local district leaders with professional development, convening opportunities or

other forms of direct support improve local districts' chances of success.

Communicate the benefits of the creative economy. A supportive climate for district development occurs when all stakeholders understand the importance of the arts and culture to a state's economic future. A strong fact base about the economic benefits of arts and culture can help advocates and members of the cultural community to ensure that these messages are consistently and clearly communicated.

Secure support from both the public and private sectors.

Thriving cultural districts rely on a mixture of public and private resources, as well as the enthusiasm of many people who wield both economic and political influence in a state or locality. The success of any cultural policy requires support from elected officials – including governors, legislators, mayors and city council members. Other key people include the staff of elected officials and the leaders of key civic or educational institutions. In addition to public sector leaders, the commitment of private land developers, businesses and financial institutions is also critical, since these individuals are responsible for pivotal decisions and investments.

Success Factors for Local Districts

The ideas below have been identified as common success factors among local districts, and may serve as indicators for potential success:

- **A unique authentic identity** highlights what is special about the district and community.
- **Community support** of a district initiative helps to ensure continued success.
- **Strategic partnerships** leverage community resources.
- **Inclusive cultural and strategic planning** creates a vision for a cultural district with input from the broader community.
- **Sustainable artist live/work spaces** provide artists and entrepreneurs with a productive environment.
- **Committed developers** understand the power of arts and culture in community and economic development.
- **Anchor institutions and special events** become the cornerstones of a community and cultural district.
- **Artists are partners**, not products, and are valued as members of the community.
- **Artist recruitment is an organized effort** that shows how a community is willing to welcome new artists and facilitate their establishment.
- **High accessibility of venues and events** ensures that arts participation in the district is available to all community members and visitors.
- **Clear demarcation** of the district is reinforced through district boundaries, good signage and consistent use of logos, maps and other visual aids.
- **Space planning** sets priorities for land use and designs solutions for housing, transportation and accessibility.
- **Marketing and promotion** attract visitors, potential residents and new businesses.
- **Strong amenities** such as restaurants, lodging and recreation bolster arts districts and their communities.

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Combine support mechanisms to local districts, including artists, arts organizations and cultural industries. The designation of a district and incentives stated in legislation are just the beginning phases of a program. Successful districts combine partnerships, financing strategies and services in ways that catalyze community reinvestment and growth over time.

moving forward

As the nation continues to shift from an industrial manufacturing economy to one based on ideas, information and experiences, states increasingly recognize that the arts and culture are important economic assets. Statewide cultural district policies can be one part of a policy portfolio designed to help states capitalize on their cultural resources in ways that encourage economic prosperity and civic well-being.

The past decade has produced several examples of statewide cultural district and incentive programs. Numerous legislative proposals suggest that additional states will follow suit. To maximize their success, states exploring this policy strategy can:

- **Consult legislation and guidelines from other states.** See [page 12](#) for links to information on policies, programs and incentives.
- **Institute evaluation processes.** Whether this takes the form of economic impact data or qualitative feedback, collecting information on the success of the program can inform future efforts inside and outside of a state.
- **Share lessons learned.** NASAA serves as a clearinghouse for the ideas and experiences of states experimenting with innovative cultural policies. To learn more about state-level cultural district programs, or to share your own experiences, contact NASAA Chief Program and Planning Officer Kelly Barsdate, at kelly.barsdate@nasaa-arts.org.

additional resources

NASAA's Creative Economy Resource Center provides practical tools, timely information and strategic technical assistance to cultural leaders at the state and regional levels. The resources included here are designed to help state arts agencies make informed policy decisions about the creative economy in their state.

<http://www.nasaa-arts.org/Research/Key-Topics/Creative-Economic-Development/Creative-Economic-Development-Resource-Center.php>

Cultural Districts Handbook: The Arts as a Strategy for Revitalizing Our Cities, by Hilary Anne Frost-Kumpf, reveals how local cultural districts are established, the processes and players that can help define their shape and strategy, and how cultural districts can best reflect the unique strengths of cities as well as support local artistic and redevelopment goals.

<http://www.americansforthearts.org/NAPD/modules/resourceManager/publicsearch.aspx?id=9257>

Artist Space Development research conducted by Maria Rosario Jackson, Florence Kabwasa-Green and Christopher Walker of the Urban Institute addresses the process, support systems, key players, finance strategies and challenges for the development of artist spaces.

Artist Space Development: Making the Case, <http://www.urban.org/publications/1001176.html>

Artist Space Development: Financing, <http://www.urban.org/publications/1001175.html>

Creativity and Neighborhood Development: Strategies for Community Development by The Reinvestment Fund demonstrates how the arts and culture can be key ingredients in neighborhood revitalization. The publication calls for investing in community-based creative activity and offers investment ideas for three specific areas: creativity, development and knowledge.

<http://www.trfund.com/resource/creativity.html>

Perspectives on Cultural Tax Districts by the Western States Arts Federation and the Washington State Arts Commission details the proceedings from a seminar held in Seattle in February 2008. The participants of the seminar discussed the benefits, structure and impact of cultural tax districts and examined several proposed, unsuccessful and current tax districts.

http://www.westaf.org/Perspectives_on_Cultural_Tax_Districts_WESTAF_2008.PDF

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state-level cultural district policies

State	Legislation		Program Name	Established	State Authority
	Pending	Passed			
Indiana		●	Arts and Cultural Districts	2008	Indiana Arts Commission
Iowa		●	Cultural and Entertainment Districts	2005	Iowa Department of Cultural Affairs
Louisiana		●	Cultural Districts	2007	Department of Culture, Recreation and Tourism
Maryland		●	Arts and Entertainment Districts	2001	Department of Business and Economic Development: Program Administration - Maryland State Arts Council
Massachusetts	●		Cultural and Entertainment Districts	N/A	Massachusetts Cultural Council
New Mexico		●	Arts and Cultural Districts	2007	New Mexico Economic Development Department: New Mexico Main Street - Program Administration; New Mexico Arts - District Authorization
New York	●		Cultural Development Areas	N/A	New York Department of Economic Development
Rhode Island		●	Tax-Free Arts Districts	1998	Rhode Island State Council on the Arts
Texas		●	Cultural Districts	2005	Texas Commission on the Arts
West Virginia		●	Certified Arts Community	2005	West Virginia Commission on the Arts
West Virginia	●		Arts, Entertainment and Enterprise Districts	N/A	West Virginia Department of Commerce

Notes:

1. Many states have legislation that grants local government structures the power to establish arts and cultural districts, with no formal role played by state agencies or departments. Examples of this type of district legislation exist in, but are not limited to, Colorado, Ohio, Maine, Missouri, Mississippi, Virginia and Wisconsin. Similar legislation has been considered in Arizona and Washington. The Hawaii Capital Cultural District was established in 2003 by a joint proclamation from the governor of the state and the mayor of Honolulu. A resolution passed in 2005 officially designated the district. The resolution designates only the Capital Cultural District and does not provide language giving other communities in the state the opportunity for designation.

state tax incentives available to cultural districts

State	Admissions & Amusement Tax Exemption	Income Tax Credit	Preservation Tax Credit	Property Tax Credit	Sales Tax Credit
Indiana					
Iowa			•	•	
Louisiana			•		•
Maryland	•	•		•	
New Mexico		•	•		
Rhode Island		•			•
Texas					
West Virginia					

Notes:

1. The information presented above addresses state tax incentives only. It does not include grant funds from the state arts agency or other state departments. Some states provide technical assistance or planning grants to district organizers. In addition, some organizations or individuals within a district may be eligible for grant dollars for specific programs or projects. Visit the state arts agencies' Web sites for details.
2. The table includes all currently authorized programs. Indiana, Texas and West Virginia do not offer state tax incentives at this time.

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state program web sites

Indiana: [Statewide Cultural Districts](#)

Iowa: [Cultural and Entertainment Districts](#)

Louisiana: [Cultural Districts](#)

Maryland: [Arts and Entertainment Districts](#)

New Mexico: [Arts and Cultural Districts](#)

Rhode Island: [Tax-Free Arts Districts](#)

Texas: [Cultural Districts](#)

West Virginia: [Certified Arts Communities](#)

cultural district legislation

Indiana: [IC 4-23-2-4, 2008](#)

Iowa: [Department of Cultural Affairs Administrative Code, Chapter 9](#)

Louisiana: [Act 298, 2007](#)

Maryland: [HB 1006, 2005](#)

New Mexico: [HB 0606, 2007](#)

Rhode Island: [§44-18-30B, 44-30-1.1](#)

Texas: [HB 2208, 2005](#)

West Virginia: [Title 82, Series 10](#)

acknowledgements

This brief is based not only on a review of existing state statutes and guidelines, but also on extensive interviews with state program coordinators, local district managers, artists and organizations working in cultural districts. NASAA expresses our deep appreciation to all of the individuals who contributed their diverse perspectives, especially the staff leaders and program participants of the Maryland and New Mexico initiatives.

the national assembly of state arts agencies

The National Assembly of State Arts Agencies (NASAA) is the membership organization that serves the nation's state arts agencies. NASAA helps state arts agencies fulfill their many citizen service roles by providing knowledge services, representation and leadership programs that strengthen the state arts agency community. NASAA also serves as a clearinghouse for data and research about public funding and the arts. For more information on the work of state arts agencies, call 202.347.6352 or visit www.nasaa-arts.org.

State Policy Briefs synthesize research on key issues affecting the arts and state arts agencies. Designed to inform decision making at the state level, this series provides information on state arts agency policy alternatives and innovative strategies for serving the public. For information on ways to build political and constituent support for the arts, consult [*The NASAA Advocate: Strategies for Building Arts Support*](#).

The work of NASAA and of state arts agencies is supported and strengthened through funding and programming partnerships with the National Endowment for the Arts, which believes that a great nation deserves great art.