

NATIONAL CULTURAL DISTRICTS EXCHANGE



Cultural District Funding Structures

There are many ways cultural districts are financially supported. Here are several different types of funding structures that have developed to support a cultural district:

Business Improvement District: A business improvement district (BID) is a geographically defined area of local business. Businesses in the BID pay an additional tax (or levy) in order to fund projects within the district's boundaries. The BID is often funded primarily through the tax but can also draw on other public and private funding streams.

Example: Lakewood-W.Colfax BID, CO

<http://www.westcolfax.org/lakewood-w-colfax-bid>

Hotel/Motel Tax: Hotel-motel taxes are those that are added to state and local taxes when calculating a visitor's hotel bill. This tax is also referred to as Lodging Tax, Bed Tax, Hotel Occupancy Tax (HOT), and Transient Occupancy Tax (TOT).

Example: Project Financing Zone, Ft. Worth, TX

<http://www.star-telegram.com/2014/07/15/5972454/consultant-suggests-sweeping-changes.html#storylink=cpy>

Parking Lot District: A parking lot district (PLD) is usually in a geographically defined area of a downtown. Revenue is generated from a property tax on commercial and non-commercial property in the PLD; as well as parking fees and fines collected within the PLD.

Example: Bethesda Urban Partnership, Bethesda, MD

<http://www.bethesda.org/bethesda/arts-entertainment-district>

Urban District/Special Taxing District: Urban Districts or special taxing districts enhance intensely developed communities containing diversified commercial, institutional, and residential development. In some cases, revenue is derived from a tax on real and personal property and from maintenance charges paid by optional method developers within the urban district.

Urban District Example: Silver Spring, MD

<http://www.silverspringdowntown.com/go/silver-spring-urban-district>

Special Taxing District Example: Denver, CO

<http://scfd.org/p/about-scfd.html>

Special Improvement District: Property owners within a specific geographic area, usually a downtown, pay a special assessment/tax to fund the special improvement district.

Example: Columbus, OH

<http://www.shorthorth.org/>

Downtown Development District: These districts are generally created using state legislature as a governing authority. This authority gives the district the ability to create a referendum for the voters within the district to vote to assess themselves a tax to support the district.

Example: Hammond, LA

<http://dddhammond.com/Home/tabid/88/Default.aspx>

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Cultural Overlay: This is a unique type of cultural district that has appeared as a planning tool for the City of Seattle. The city defines this district as a “type of geographic zoning that offers incentives and imposes regulation intended to support and encourage the retention of existing and the development of new places for arts and culture activities in neighborhoods throughout Seattle.”

Example: Seattle Cultural Overlay District Advisory Committee Final Report
http://www.seattle.gov/council/attachments/codac/2009final_report.pdf

Community Development Corporation: Popularly known as CDCs, these are nonprofit organizations incorporated to provide programs, offer services, and engage in other activities that promote and support community development. Sometimes they also provide direct funding to organizations within the CDC. CDCs usually serve a geographic location such as a neighborhood or a town. They often focus on serving lower-income residents or struggling neighborhoods. They can be involved in a variety of activities including arts, economic development, education, community organizing, and real estate development.

Example: Northeast Community Development Corporation, Minneapolis, MN
<http://www.northeastcdc.org/>

Local Option Gross Receipts Tax: “A gross receipts tax (GRT) is essentially another type of sales tax. The main difference between a traditional sales tax and a GRT is that the former generally applies only to retail sales, while the latter applies to the sales made by companies at every stage of the production process. In other words, a GRT is a sales tax that applies to more types of transactions.” (*From the Institute of Taxation and Economic Policy*

http://www.itep.org/itep_reports/2007/03/broad-based-gross-receipts-taxes-a-worthwhile-alternative.php?gclid=CNWX9JXh7b8CFQgxaQod070AKw#.U9IF0iHD99A)

In New Mexico, qualifying cultural districts are able to use local option gross receipt tax (LOGRT) as one of the incentives to support the cultural district.

Tax Increment Financing District: A Tax Increment Financing district is a special purpose district and is used to reinvest added new revenue that occurs in the district back into the district through a special fund. Often these programs are used to finance public improvements that may include facades and facilities for the arts.

Example: State of Maine: An Act To Enable the Creation of Tax Increment Financing Districts for Arts Districts
http://www.mainelegislature.org/legis/bills/bills_123rd/billpdfs/HP086301.pdf

Corporate/Foundation Support: Generally corporations and foundations support cultural districts by directly funding events that take place within the cultural district. These events can be festivals, concerts, artist fairs, etc. Sometimes individual organizations/artists that are located within a cultural district also receive funding for their organization from corporations and foundations.

Example: Pittsburgh, PA Dollar Bank 3 Rivers Arts Festival
<http://www.3riversartsfest.org/about-three-rivers-arts-festival/current-supporters/>

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Government Funding Structures

State Government

Some states have grants from their state arts council to support certain activities or that support technical assistance within cultural districts.

1. Maryland: The Maryland State Arts Council offers arts and entertainment district technical assistance grants. To be eligible for grants, a district must be designated as State of Maryland Arts & Entertainment District. Funds may be used for professional consulting fees, professional development for staff to attend workshops/conferences, and the production of marketing materials.

<http://www.msac.org/grants/ae-district-technical-assistance-grant>

2. Massachusetts: The Massachusetts Cultural Council manages the Adams Arts Program grants that support partnerships of at least three organizations with specific responsibilities. One of the partners must be a cultural organization incorporated in Massachusetts. The program supports neighborhood revitalization, infrastructure for the creative industries, and increased participation and engagement by residents and visitors.

http://www.massculturalcouncil.org/applications/adams_implementation_guidelines.asp

Local Government

Many local governments do not offer direct support or funding for cultural districts specifically, but provide program planning, master plan development, economic development planning, etc. There are also a variety of techniques and tools that local governments may use to develop a cultural district, such as property tax abatement and tax credit:

1. Property Tax Abatement: A property tax abatement is the reduction of, or exemption from, taxes granted by a government for a specified period, usually to encourage certain activities such as investment in capital equipment. A tax incentive is a form of tax abatement. <http://www.businessdictionary.com/definition/tax-abatement.html>

Example: Kansas City, MO Crossroads Arts District

<http://www.bizjournals.com/kansascity/stories/2007/10/22/daily36.html?page=all>

2. Tax Credit: A tax credit will be provided on City real property taxes for properties wholly or partially constructed or renovated to be capable for use by a qualifying artist or arts enterprise located within the Arts & Entertainment District.

Example: Cumberland, MD Cumberland Arts and Entertainment District

<http://www.alleganyartscouncil.org/static.php?page=4>

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Other possible federal funding for Cultural Districts:

Federal Historic Rehabilitation Tax Credits

<http://www.nps.gov/tps/tax-incentives/before-you-apply.htm>

HUD 108

http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/108/factsheet

Public 63-20

http://www.fhwa.dot.gov/ipd/p3/defined/dbfo_6320.aspx

New Markets Tax Credits

http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5

SBA 7(a) Loan Program

<http://www.sba.gov/7a-loan-program>

SBA 504 Loan Program

<http://www.sba.gov/content/cdc504-loan-program-eligibility>

501c3 Bonds in CA (specific to California)

<http://www.cacommunities.org/private-activity-programs/501c3-nonprofit/>

USDA Rural Development

Rural Business Opportunity Grant (RBOG) http://www.rurdev.usda.gov/bcp_rbog.html

Rural Business Enterprise Grant (RBEG) http://www.rurdev.usda.gov/bcp_rbeg.html

National Endowment for the Arts

<http://www.nea.gov>

National Endowment for the Arts Our Town

<http://arts.gov/grants-organizations/our-town/introduction>