



2011 Cultural District Annual Report Executive Summary

In 2007, the Louisiana Legislature created the Cultural Districts (CD) program. It is based on the premise that tax incentives in areas designated as cultural districts would contribute to increased business opportunities through new markets and artist production for cultural products; renovations of older buildings; a greater sense of community identity; and increased property values. The CD program provides local governments with an additional tool for community revitalization by allowing them to nominate an area for CD certification based on the district's cultural assets or its potential to serve as a hub of cultural activity for the community.

The Cultural District program has been widely embraced in communities across the state as a program wholly compatible and complementary with many existing community and economic development programs and goals. Since its inception in May 2008, 59 cultural districts in 34 towns have been certified. The local governments have used the CD designation to attract people, businesses, and activities to the districts. In addition to the "branding" opportunities the program offers, state law also provides two targeted tax incentives: (1) the rehabilitation of older buildings may qualify for state historic tax credits and (2) the sale of original, one-of-a-kind qualifying works of art are exempt from state and local sales tax.

Annually local governments with certified Cultural Districts in their jurisdictions submit a report with information about factors related to cultural and economic development. This executive summary is a compilation and analysis of the Cultural District Annual Reports for calendar year 2011.

Rehabilitation–

One of the goals of the Cultural District program is community revitalization. Local government liaisons reported an estimated 469 commercial renovation projects and about 800 residential projects were begun in 2011 in CDs across the state. The growing number of residential projects is due in part to the purchase and repair of hurricane damaged homes. Most of these renovation projects are being made independent of tax credit incentives, though some of them are among the state historic tax credit projects reported below.

State Tax Credits for Rehabilitation of Historic Buildings–

State Historic Tax Credits are an important component of the Cultural District program intended to spark renovations and reuse of buildings for revitalizing communities and providing facilities for cultural activities. Since the program began in 2008 there have been 288 applications for commercial renovations of historic buildings in 30 different cultural districts in 11 parishes. 78 of those projects were completed by the end of 2011 representing an investment of \$194 million of Qualifying Rehabilitation Expenses and another \$67 million in associated costs. So, for \$48 million in earned tax credits in Cultural Districts the total dollars leveraged was \$261 million. There have been 61 applications for owner occupied residential properties. 32 of those projects have been completed, leveraging a total of over \$7.7 million in qualifying and associated rehabilitation expenses.

Sales Tax Exemptions–

Liaisons for the Cultural Districts reported approximately 480 businesses, 161 organizations, 901 events, and 3,165 artists benefitted from the sales tax exemption for original art.

Tax administrators in parishes that have Cultural Districts reported data to help track the impact of the sales tax exemption for original art. Data reported is for art/cultural businesses known to handle art and cultural products and therefore might be conducting some tax exempt sales.

Total revenue reported was just under \$1 billion.

Total value of tax exempt sales reported was just over \$9 million.

The volume of tax exempt original art sales reported is a small fraction of the overall income reported by art/cultural businesses. So, in 2010 the \$363,000 not collected by the state due to the original art tax exemption generated over \$9 million in art related sales to locals and tourists alike. The local sales tax varies by municipality between 3% and 5%, so a similar amount of sales tax was exempted at the local government level.

Hubs of Cultural Activity–

The Cultural Districts report a total of 1358 cultural events were held in 2011 with a total attendance of approximately 5.5 million people. While many cultural events in CDs are ongoing, liaisons report that attendance at art events is generally higher, sales at art markets are improved, and there is increased community identity.

Vacant Buildings–

29 districts reported stability, with almost no change in the number of vacant buildings; 22 districts reported the vacancy rate decreased by 2% - 20%; and 3 districts reported that vacancy went up by 1% - 7%. Overall the average was a 4% reduction in vacancy.

New Businesses -

This is among the most encouraging of the report results. CDs reported a total of 997 new businesses opened within the boundaries of their districts. Of those, 229, or 23% were art/cultural businesses. The same districts reported 315 businesses closed; 61, or 19%, of which were art/cultural businesses. That is a net growth of 682 businesses in districts that are targeted for cultural development. And even more impressive is the fact that the percentage, or density, of art/cultural businesses in our Cultural Districts is increasing!

Conclusion–

The Department of Culture Recreation and Tourism believes the successes evidenced in this report summary strongly support the initial premise for the creation of the Cultural District program. By incentivizing cultural development a community's economic development grows. With each application cycle new communities see certification as a way to spark cultural economy in their towns and neighborhoods. Dire state budget shortfalls each year since the Cultural District program was created have prevented pursuit of funding as originally planned. We expect the program will continue to thrive with the direction the state provides, the great volunteers, and creative determination to find resources. Eventually we hope to build even greater successes with funding to assist the Cultural Districts through state sponsored promotions and advertisement, initial startup grants, or competitive grants for infrastructure, promotions, or signage. The Louisiana Cultural District program is a model recognized by the National Association of State Arts Agencies and featured in the NEA and Mayors' Institute on City Design's (MICD) recent publication, *Creative Placemaking*. Louisiana takes pride in the creation and progress of this initiative.

**To learn more about the Cultural District Program ~ www.crt.la.gov/culturaldistricts
Or contact Gaye Hamilton, 225-342-8161**