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# CAPTURING VALUE AND PRESERVING IDENTITY

Executive Summary  
& Value Capture Tools

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Commissioned by the  
Global Cultural Districts Network



**GCDN**  
Global Cultural  
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# EXECUTIVE SUMMARY

## **Protect your Assets: How Cultural Districts Can Use Existing Assets to Build New Revenue Streams, Promote Equity, and Thrive**

Cultural infrastructure is a public good and, as such, generates value in ways that are consistent with other types of civic infrastructure. Just as new physical infrastructure like a bridge or transit line spurs unique opportunities for developing the surrounding areas, so too do investments in cultural infrastructure.

The purpose of this report is to describe how a vetted suite of public finance tools and inclusive practices can help cultural districts leverage existing assets to spur investment, create new revenue streams, and advance equitable development.

These tools and tactics fall broadly under the heading “value capture.”

## **WHAT IS VALUE CAPTURE?**

The idea that public actions should generate public benefits is the basis of value capture. As an emerging field of public finance, value-capture includes a set of tools that recover and reinvest uplifts in real estate value that are produced by public sector investments.

For example, in the case of public transit, investments are traditionally paid for by a combination of user fares and general taxes. Value capture taps a group of actors that do not typically contribute to these investments but still benefit: property owners and developers. These actors hold real estate that increases in value as a direct result of public expenditures. Value capture tools reclaim a portion of these benefits, which can cover the cost of providing public infrastructure.

## **DIRECT VERSUS INDIRECT VALUE-CAPTURE**

The report covers a wide range of potential value capture tools, grouped into two main categories: direct and indirect tools.

Direct value capture tools generate revenue from the use of an infrastructure asset. Bridge tolling is a typical example, where drivers pay a fee with each use. The revenue collected helps to offset the cost of construction, operation, and maintenance.

Indirect value capture tools reclaim some of the additional value created by public infrastructure. For instance, when a city expands its public transit system, this expansion raises the value of properties in the corridor along the new line. This uplift, in turn, creates opportunities for new revenue streams.



## DIRECT VALUE CAPTURE TOOLS

This section of the report describes a broad range of direct value-capture tools relevant to cultural districts, including a case study on the Southbank Business Improvement District.

- **Special Assessment Districts**

The Business Improvement District (BID) is one of several types of Special Assessment District (SAD), which also include Community Benefit Districts (CBD), Benefit District Design Overlay, and Tax Increment Financing (TIF). These are all concerned with the imposition of an additional tax or payment on properties within a defined geographic area in order to fund specific public improvement projects.

- **Tax Credits**

Tax credits are a useful tool for incentivizing community development, such as affordable housing, that might not occur if left entirely to market forces. Other potential tax credits include historic preservation and new market tax credits designed to increase the flow of capital to low-income communities through the provision of tax incentives.

## ASSET RECYCLING

Asset recycling is the monetization of public or non-public goods by, for example, selling or leasing assets to create revenue streams. Land banking, lease of public lands, and the monetization of green infrastructure are typical strategies.

## INDIRECT VALUE CAPTURE TOOLS

This section of the report examines several indirect value capture mechanisms and features two case studies: The Minnesota Street Project, San Francisco, and the Chinatown NYC – Special Zoning District.

- **Zoning**

The zoning category of tools includes upzoning, allowing for denser, use of space; inclusionary zoning, preserving a certain percentage of residential units below market rate; and the exploitation of existing zoning regulations to promote specific outcomes.

- **Development Rights**

This tool refers to the transfer of development rights, allowing communities to channel investment towards growth areas and air rights, which can be sold separately from the property itself.

## EQUITABLE ASSET BUILDING

The report concludes with a discussion of equitable asset-building focused on using value-capture tools to advance equity and promote broad-based community wealth. This section includes a guiding principle and set of complementary practices that can inform an equity-oriented use of value-capture tools in cultural districts.

### Core Principle:

Center equity and promote broad-based community wealth.

### Good Practices:

- Adopt inclusive governance structures and enable meaningful community participation.
- Integrate participatory and culturally relevant processes.
- Build on local assets and collaborate across sectors and issues.
- Exercise civic leadership and forge meaningful partnerships with government.
- Mitigate displacement (of residents and small and legacy businesses).
- Keep capital circulating locally.
- Encourage institutional learning.

This section also includes three illustrative case studies: Project Row Houses, Houston; Creative Land Trust, London; and Victoria Yards, Johannesburg.

## CONCLUSION

This report describes multiple value-capture tools that cultural districts can use to spur investment and create new revenue streams while protecting the local character and neighborhood identity. Value capture can close financing gaps by reclaiming a portion of the value generated by public investments. However, success depends on the institutional values and creativity exercised by those utilizing these strategies. Typically, value capture strategies are considered late in the planning process, if at all. By this time, more proactive parties are likely to have already captured the value generated. Therefore, strong leadership is required to integrate these strategies early enough to make a difference and driven to completion by a team comfortable with moving beyond business as usual.

# VALUE CAPTURE TOOLS

	Tool	Description	Primary User	Pros	Cons	Example	Spur Investment	New/Ongoing Revenue Stream	Advance Equitable Development
<b>DIRECT VALUE CAPTURE</b>									
Special Assessment Districts	<b>Business Improvement District (BID)</b>	A defined commercial area in which businesses self-impose an additional tax for area improvements.	Partnership among local businesses	Efficient means to capture local value and generate ongoing review streams.	Requires enabling legislation, strong coordination among district stakeholders, and transparency to ensure residents benefit.	South Bank Business Improvement District, London	●	●	
	<b>Community Benefit District (CBD)</b>	Similar to a BID but partnerships include local residents and community-serving organizations.	Public/private partnership - including residents	Efficient means to pool funds for local improvements identified in collaboration with residents.	Consensus building across different stakeholders can be challenging, if not supported by explicit decision-making processes.	Yerba Buena Community Benefit District, San Francisco		●	
	<b>Benefit District Design Overlay</b>	A public space design guideline intended to celebrate neighborhood identity.	Public/private partnership - including residents	Promotes neighborhood identity and culturally relevant architecture, design motifs, and spaces.	Design guidelines should be developed inclusively to foster a shared sense of belonging.	Little Tokyo Cultural District, Los Angeles			●
	<b>Tax Increment Financing (TIF)</b>	Uses anticipated future increases in tax revenues to finance current improvements that are expected to generate those increased revenues.	Public/private partnership	Generally used to channel funding toward improvements in underdeveloped areas.	Requires close examination of regulatory environment and approved uses and substantial administrative capacity and transparency.	Lincoln Yards, Chicago	●		
Tax Impacts	<b>Low-Income Housing Tax Credits (LIHTC)</b>	Incentivizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income residents, such as artists.	Public/private/nonprofit partnership	Provides significant funds for affordable housing in the United States.	The tax credit process is complex and can be complicated to administer.	Artspace, Mt. Baker Lofts, Seattle	●		
	<b>Historic Preservation Tax Credit (HPTC)</b>	Provides a 20% tax credit to property owners who preserve, rehabilitate, restore, or reconstruct historic buildings.	Public/private partnership	Viewed by many as a highly effective means to generate funds for cultural development and preservation.	Some critics believe these tools need to be updated to respond to contemporary trends, particularly around millennial residential preferences.	Kings Theater, Brooklyn	●		
	<b>New Market Tax Credit (NMTC)</b>	Provides a modest tax incentive to private investors who provide capital to community development entities.	Public/private partnership	Seen as an effective way to encourage new or increased investments in low-income areas.	Insufficient data available to understand the long-term impact of this tool.	Casa Familiar, Living Rooms at the Border Project, San Diego	●	●	
	<b>Arts and Culture-Centric Tax</b>	Some municipalities provide tax exemptions to cultural districts, while others divert taxes from sources such as hotel stays towards the local culture sector.	Public agencies	Generally seen as an effective way to generate funds for arts and culture, particularly in areas with high levels of tourism.	The equitable distribution of these funds has been challenged in some cases.	Hotel Occupancy Tax, San Francisco, and State of Maryland Cultural District Tax Incentives		●	
	<b>Anti-Speculation Tax</b>	A tax to discourage speculative investors from buying and rapidly reselling properties. Also used to prohibit or severely limit short-term rentals.		Can mitigate against rising rents and reduced owner occupancy.	Expanding pathways to ownership can be a more effective method	The City of Berlin recently enacted legislation that will freeze rents on more than 1.5 million apartments to mitigate the displacement of vulnerable citizens		●	
Impact Fees	<b>Developer Impact Fees</b>	A type of development exaction that requires real estate developers to contribute to public facilities, infrastructure, and/or services, either financially or in-kind.	Public/private partnership	Help to protect the local tax-paying community from having to shoulder the additional cost of additional public services by asking incoming developers and users to share those costs.	Significant capacity is needed to administer impact fees.	Between 2015-2016, the City of San Francisco generated approximately \$240,000,000 in fees, which were used to finance a variety of community amenities.	●		
<b>ASSET RECYCLING</b>									
Monetization of Public /Non-Public Assets	<b>Land Banking</b>	Public or community-owned entities created to acquire, manage, maintain, and repurpose vacant and foreclosed properties using a range of special powers.	Quasi-government entities	Flexible tool that can be used in diverse contexts. Work best when supported by a stable funding source, which can be difficult to secure in divested areas.	The process of land banking can be quite complex, requiring a range of institutional capacities and partnerships in order to be successful.	Genesee County Land Bank Authority, Michigan	●	●	
	<b>Lease of Public Land</b>	Cities can capture value by ceding control of public land to private developers through a ground lease or outright sale, with the condition that civic space is integrated into the development plan.	Public/private partnership	Enables cities to continue to control how it is used to create public benefit and can generate significant revenues for other public investments.	As this strategy requires the public to relinquish control of local assets legally, transparency and clear governance structures are necessary.	Brooklyn Bridge Park, New York	●	●	
	<b>Monetizing Green Infrastructure</b>	In addition to generating positive environmental benefits, green infrastructure can produce social, cultural, and economic value in the form of financial efficiencies and potential profits.	Building owners and operators	Can produce long-term revenue streams and stimulate public dialogue about environmental stewardship.	Strategic partnerships often required to gain the necessary expertise. Costs can be prohibitive to small scale operations.	Land Art Generator, Village of Arts and Humanities and Centennial Parkside CDC, Philadelphia		●	●
<b>INDIRECT VALUE CAPTURE</b>									
Zoning	<b>Upzoning</b>	A change in regulations that allows for more diverse, dense, and often higher-value use of space.	Public/private partnership	Many affordable housing advocates believe that increased density provides more options for low- and moderate-income residents which mitigates displacement.	Increased density will erode the distinct character and architectural heritage of an area.	Noma Neighborhood, Washington DC	●		
	<b>Inclusionary Zoning (IZ)</b>	Requires private developers to designate a percentage of units within a project as below-market rate in exchange for the right to build additional units, also called a 'density bonus.'	Public/private partnership	A popular way for cities to produce affordable housing through the private market and help a diverse mix of people live in the same neighborhood.	Affordable units will return to market rate after the required period, which can undo the gains made.	Community Rezoning Campaign, Chinatown, New York	●		
	<b>Creative Exploitation of Existing Zoning</b>	Cultural districts can take advantage of existing zoning that is advantageous to creative professionals - for example, regulations that allow light manufacturing and prohibit residential development.	Private developers (for-, or not-for-profit), private donors, and philanthropy	Limits competition for space in ways that can directly benefit creative enterprises. Does not require a change in zoning regulations.	The artists and creative professionals that work in this area may have to live further afield.	Minnesota Street Project, San Francisco	●		
Development Rights	<b>Transferable Development Rights (TDR)</b>	Market-based tools that allow communities to channel development toward designated growth areas	Public/private partnership	May stimulate investment in overlooked areas or where land is scarce. Can be a powerful tool for neighborhood preservation.	As a voluntary program, will only work when there is a sufficient number of property owners willing to buy and sell developer rights.	Benaroya Symphony Hall, Seattle	●		
	<b>Air Rights</b>	Permission to use or control the space above or below a structure, which land owners can sell separately from the property itself.	Public/private partnership - often with resident input	The sale of air rights can generate revenue for a variety of community serving projects, particularly when the space is located above public facilities.	Developers who buy these rights may use the space in ways that conflict with resident priorities and erode neighborhood character.	Seward Park Co-op, New York	●	●	

## ABOUT THE AUTHOR

**Kiley Arroyo** is a respected cultural policy, collaborative learning, and systems change expert based in the Bay Area. Over the past twenty years, she has led a diverse portfolio of initiatives in partnership with entities from the arts and culture, government, civil society, and academic sectors. This work has taken place in a combination of urban, rural, and indigenous contexts in the United States and internationally. Ms. Arroyo has published widely on the role of culture in contemporary policy issues, equitable development, and the advancement of racial justice.

Ms. Arroyo's career began as a teaching artist in public schools. Learning through intercultural exchange and creative processes remains central to her work with foundations, government, and cultural development actors. She has lectured at universities in the United and abroad on topics including comparative cultural policy, racial equity, systems transformation, and participatory democracy. In recent years, this work has focused on amplifying non-western, and indigenous approaches to whole systems care as a means to expand the library of cultural knowledge that informs just transitional efforts.

Ms. Arroyo has a Bachelor's degree in Art and Architectural History from the University of Oregon and a Masters in Cultural Policy and Management from University College Dublin. She is a Salzburg Global Seminar fellow and has pursued advanced training in racial justice facilitation, intercultural dialogue and conflict negotiation, complexity theory, and collaborative leadership. She is certified in permaculture design and is currently studying agroecology. Ms. Arroyo lives in Marin County, California, just north of San Francisco, where she likes to play loud music, dance, and paint on walls.

In 2007, Ms. Arroyo established the **Cultural Strategies Council (CSC)**, a vehicle for interdisciplinary research, collaborative learning, and creative systems change. This work builds upon a decade of working with cultural organizations, think-tanks, and government entities and realizing their shared desire to learn how to work together in new ways to advance social justice. The CSC aims to respond to that call by providing a combination of interdisciplinary research, collaborative learning, and systems change strategy to a unique array of entities working across sectors, geographies, and cultural identities.

This work is predicated on the belief that society's capacity to address complex issues, from racial injustice to climate change, relies on our ability to envisage, assess, and realize alternative futures cooperatively. Within this frame, justice is not seen as a static goal, but rather, a dynamic condition that requires diverse partners to recalibrate what they do and how they work – in response to changing conditions and led by those who have personal experience with the issues at hand. Collaborative learning that is context-sensitive and rooted in inclusive dialogue enriches this adaptive capacity, enabling experimentation, and the equitable distribution of power and wealth, today and over time.

Arts and cultural strategies can support this kind of transformational change by shifting the atmosphere, enabling individuals and groups to encounter difference, share experiences, engage in meaningful dialogue, develop mutual understanding, and find common cause – the foundation of meaningful collective action.



## ABOUT GCDN

The Global Cultural Districts Network (GCDN) is an independent, international association committed to improving the quality of urban life through the contribution of the arts, culture, and creative industries.

The network fosters collaboration and knowledge-sharing among those responsible for creative and cultural districts, quarters, and clusters in widely diverse contexts, providing rich and rewarding opportunities for cross-fertilization and exchange.

The forum engages leaders and opinion formers in culture and in urban development through convenings, research and collaboration in order to inform global, local and sectoral agendas.

GCDN is an initiative of AEA Consulting.

[For more information visit gcdn.net](http://gcdn.net)



## ABOUT AEA CONSULTING

AEA Consulting is a global firm setting the standard in strategy and planning for the cultural and creative industries. AEA is known for providing candid and impartial advice that draws on deep knowledge of the cultural sector as well as robust research and analytical insight.

Since 1991, AEA has successfully delivered more than 1,000 assignments in 35 countries, helping clients around the world plan and realize vital and sustainable cultural projects.

With offices in New York and London, AEA offers a talented, multidisciplinary team of professionals with proven practical experience who deliver personalized solutions to organizations in the arts, cultural, creative, and public sectors. AEA thrives on new challenges and approaches problem-solving with curiosity, creativity, and integrity.

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