
CAPTURING VALUE AND PRESERVING IDENTITY

A report by Kiley Arroyo

Commissioned by the
Global Cultural Districts Network



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CONTENTS

Foreword	4
Executive Summary	7
Introduction: What is Value Capture?	11
How to Use This Report	13
VALUE CAPTURE TOOLS	14
Direct Value Capture	17
Asset Recycling	26
Indirect Value Capture	30
Equitable Asset Building	37
Closing Considerations	50

FOREWORD

For the past four years, GCDN has commissioned an annual piece of research on a topic of interest and concern to our members. Topics so far have included branding, public safety, governance, and social impact. These reports are all available to download for free on our website. Our goal is that the research, while academically robust, should be in form and content of direct and practical use to the network. We try, with each successive commission, to realize this ambition more fully.

Our 2020 report addresses strategies for ensuring the protection of core aspects of the character and identity of a cultural district as it becomes “successful.” Success, as defined by many stakeholders, inevitably involves increases in land values that can often begin to erode aspects of the district’s core identity and displace the cultural activities and community members whose presence initially created the identity of the place. This is a dilemma at the heart of planned districts - something that is often discussed in the margins of meetings and sometimes in tones tinged with fatalism.

GCDN comprises a group of organizations that are ‘purposive’ – they are engaged in tasks that are intended to further a set of given institutional goals. Many of these objectives concern the protection or promotion of the ‘character’ of the district they exist to serve. What is meant by ‘character’ is usually a complex balance of elements that give a place its distinctive identity. Some of the primary elements are related to the cultural activities that are located there – often a mix of production and consumption. Other elements include the district’s urban plan and architecture, its history, its mix of land use, and, perhaps most importantly, the unique composition of its residents, visitors, and workers.

In few cases does the district control these elements; at best it can influence them, as one actor in a complex mix of actors alongside property owners, ‘market conditions’, and government agencies, etc. The district is likely to be more effective if it is clear about its goals; if it understands the range of tools and levers at its disposal; and if it has persuasive materials at hand with which to influence the disposition of other actors. Clarity about goals is sometimes hard won, particularly with respect to land values. Districts often seek both an uplift in land values – a visible indicator of urban development – and to avoid the displacement of artists and other cultural producers, as well as other groups that give a district its identity. This is often a balancing act that requires nuanced judgement and meaningful collaboration with existing populations. While some experts argue that ‘gentrification’ is inevitable, our research and the broader literature on equitable development demonstrates it need not be.

A consolidated source of advice on the finance mechanisms, public policies, and equity-centered practices that can be used by cultural districts to influence character and to capture the value created by the district and its core ‘assets’ is not currently available. To be effective, these strategies need to be implemented early in the process of development and change, and before land values rise. These tools, levers, and devices include land banks, community land trusts, proactive zoning measures, inclusive governance structures, community benefit agreements, cooperatives, subsidized housing, and workspaces, among others. Where district leaders do have experience

with these tools, many lack relevant case studies to support their use and collaborations with strategic partners.

As a first step in addressing this general territory, GCDN has commissioned a synthesis of available research and illustrative case studies of good international practice for our members and the wider community. The author, Kiley K. Arroyo, Executive Director of the Cultural Strategies Council, has been intimately involved with the arts and culture, public policy, and equitable development sectors for the past two decades, in the United States and internationally. She has overseen a diverse portfolio of initiatives with entities from the arts, government, civil society, academic, and private sectors, in urban, rural, and Indigenous contexts.

This research project had been commissioned and was already well underway when the Covid-19 pandemic struck. Its nature as a review of existing literature allowed us to complete it with relatively little disruption. In fact, the role of the pandemic in revealing the extent to which many communities lack resilience and equitable access to vital resources seem to render this topic even more timely.

We hope this robust review of the field will be relevant and useful to GCDN members and, indeed, anyone wishing to understand more about this important aspect of cultural policy and urban policy planning. The time to experiment with tools and tactics that can shape the future is upon us, particularly as we reimagine how equitable development can be supported moving forwards.

Adrian Ellis
Chairman
Global Cultural Districts Network

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.

INTRODUCTION

WHAT IS VALUE CAPTURE?

Value capture is an umbrella term covering a range of public finance tools that enable communities to recover increases in land or property value resulting from public investment and other government actions.¹ Also known as “value sharing,” it is rooted in the notion that public actions should generate public benefits. By capturing this value, subsequent investments can serve the broader community, fund other types of development, enhance local amenities, and enrich public services. Cities around the world have deployed these tools. For instance, Sao Paulo, Brazil, has raised billions of dollars by auctioning development rights on the stock market through an instrument known as CEPACs. Hong Kong employs a “rail plus” model to facilitate public/private partnerships and shared profit schemes between the local agencies and developers to target new investments along rail lines. In the United States, land value capture is funding infrastructure at San Francisco’s [Transbay Transit Center](#) and [Hudson Yards](#) in New York.

Image:
Hudson Yards,
New York City

Value-capture tools have been in use since the Roman Empire and continue to generate capital for development projects across Europe, Asia, Latin America, Australia, and the United States. In the United States, California has used these tools to finance parks, gymnasiums, and other public facilities. Latin American cities also have a long tradition of using value capture. Over the past 20 years, Bogotá, Colombia has been using a *contribución por valorización* to amass nearly one billion US dollars from levies imposed on private developers.²

Municipalities around the world employ value-capture mechanisms because they offer a targeted method of closing financing gaps and incentivizing private investment in specific areas. Though most commonly used to finance transportation, value capture is a topic of growing interest in other areas, and particularly among actors searching for new ways to fund infrastructure more efficiently and equitably. Economists view this revenue source as *efficient* because beneficiaries of infrastructure improvements are required to pay for part of the related investment costs. Furthermore, they are seen as *equitable* because they do not privilege those who did not contribute to the increase in value. Instead, these tools can help to ensure that all residents, particularly those who have been historically marginalized, benefit from redevelopment efforts in their communities.

¹ Value Capture and the Property Tax: <https://www.lincolnst.edu/key-issues/value-capture-property-tax>.

² The Potential of Land Value Capture for Financing Urban Projects: <https://publications.iadb.org/en/potential-land-value-capture-financing-urban-projects-methodological-considerations-and-case>.

Political economist Henry George observed during the Gilded Age that private landowners were reaping the benefits of urban development through no effort of their own, but rather from exploiting public investment and societal change. In his 1879 book, *Progress and Poverty*, George asserted that public investment should generate public benefit. He proposed a land-value tax, which would enable communities to recover and reinvest land-value increases resulting from public actions. Nearly a century later in Europe, French philosopher Henri Lefebvre articulated a similar sentiment. In his 1968 book, *Right to the City (Le Droit à la Ville)*, he argued that the wealth of the city is created through collective action, and therefore should not advance private gains. With wealth disparities widening, property values skyrocketing, and public space disappearing around the world, George and Lefebvre's appeal for shared prosperity continues to resonate.

Today, a new generation of equitable development advocates are reviving these ideas for the 21st century and exploring how value-capture tools can spur investment, create new revenue streams, celebrate neighborhood identity, and strengthen community resilience.

HOW TO USE THIS REPORT

This report summarizes a range of value capture principles, tools and tactics, and ways they can help to preserve the character of cultural districts. While not exhaustive – the web of complex forces shaping the global economy and their implications for real estate and cultural development is formidable – this report profiles a set of promising practices to deepen GCDN members' knowledge of what possibilities exist and how these strategies can potentially be beneficial.

There are no standard ways to describe or categorize these tools, so suggested strategies have been organized in ways that cultural district leaders might understand more intuitively. The following section describes a suite of tools that can capture value directly or indirectly from new and existing developments. A set of principles and complementary practices follows, which can support the equitable use of these tools. While not every mechanism will apply to every context, the range of interventions should be broadly applicable.

Methodology

This literature review is the result of a modest landscape scan of secondary sources that speak to GCDN's primary research question. Primary data were also collected to deepen our analysis. A questionnaire was administered to GCDN members to gauge their knowledge of and experience with relevant tools and to solicit ideas about the resources we might examine.

A range of search terms was employed to develop a database that drew from sources produced in the past ten years, including academic literature, professional associations, foundation reports, news articles, not-for-profit research, and conference proceedings, as well as context-specific recommendations from GCDN members. References in English provide the primary basis of this review; however, wherever possible, articles in Spanish and French were also examined. From an initial collection of nearly 250 works, a subset of 125 resources was selected and synthesized for this review.

VALUE CAPTURE TOOLS

	Tool	Description	Primary User	Pros	Cons	Example	Spur Investment	New/Ongoing Revenue Stream	Advance Equitable Development
DIRECT VALUE CAPTURE									
Special Assessment Districts	Business Improvement District (BID)	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	<div></div>	<div></div>	
	Community Benefit District (CBD)	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		<div></div>	
	Benefit District Design Overlay	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			<div></div>
	Tax Increment Financing (TIF)	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	<div></div>		
Tax Impacts	Low-Income Housing Tax Credits (LIHTC)	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	<div></div>		
	Historic Preservation Tax Credit (HPTC)	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	<div></div>		
	New Market Tax Credit (NMTC)	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	<div></div>	<div></div>	
	Arts and Culture-Centric Tax	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		<div></div>	
	Anti-Speculation Tax	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		<div></div>	
Impact Fees	Developer Impact Fees	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.	<div></div>		
ASSET RECYCLING									
Monetization of Public /Non-Public Assets	Land Banking	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	<div></div>	<div></div>	
	Lease of Public Land	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	<div></div>	<div></div>	
	Monetizing Green Infrastructure	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		<div></div>	<div></div>
INDIRECT VALUE CAPTURE									
Zoning	Upzoning	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	<div></div>		
	Inclusionary Zoning (IZ)	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	<div></div>		
	Creative Exploitation of Existing Zoning	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	<div></div>		
Development Rights	Transferable Development Rights (TDR)	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	<div></div>		
	Air Rights	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	<div></div>	<div></div>	

Click on the table to be redirected to the corresponding section of the report

DIRECT VALUE CAPTURE

TAX ASSESSMENT OR USER CHARGES

Cultural districts can capture value directly for infrastructure projects through a combination of interventions that can spur investment and generate ongoing revenue streams. These strategies are broadly defined as Tax Assessment or User Charges and include Special Assessment Districts (SADs), Usage Fees (also called Developer Impact Fees), and Tax Credits.

In most parts of the world, local governments use a variety of means besides taxation to generate revenue, including fees and assessments. A tax is simply a charge against an individual, landowner, or business that pays for services and facilities that provide public benefits. An assessment is a compulsory charge levied upon property to pay for public improvements, such as roads, that benefit the property owner. The philosophy behind these special assessments is to link the cost of public improvements to those who specifically benefit from the enhancements. The most common forms of these place-based value capture mechanisms are outlined below.

SPECIAL ASSESSMENT DISTRICTS (SAD)

- Create New/Ongoing Funding
- Advance Equitable Development

Special assessments are a core part of the development finance toolbox. Special assessment districts (SAD) apply an additional tax on properties within a defined geographic area in order to fund specific public improvement projects.³ This 'beneficiary-pays' model works by adding (or 'assessing') an additional levy on top of the existing property or sales taxes for property owners within the district.⁴ As such, it requires coordination among local stakeholders who must consent to the additional tax, based on the expectation that they will benefit from future public investments. When successful, this tool creates a new and ongoing source of revenues that can be used for a variety of purposes.

Cities frequently establish SADs to fund public projects that are already underway and in areas that are economically stable (and thus capable of making additional investments in infrastructure). Capturing value through local means is generally seen as a more efficient way to pool funds than more cumbersome processes involving public agencies, provided local stakeholders can reach agreement. While some SADs require governance structures to include a diverse cross-section of community interests, including residents, others are more exclusive, focusing on only those parties that pay fees. It is for this reason that some criticize SADs, particularly Business Improvement

Image:
Chase Center,
San Francisco

³ Value Capture in the Commons: <http://civiccommons.us/2018/11/value-capture-commons/>.

⁴ Special Assessments and Development Finance: <https://www.cdfa.net/cdfa/cdfaweb.nsf/pages/special-assessments.html>.

Districts (BIDs, see below), as being undemocratic, as they tend to concentrate power in a geographic area.⁵ Furthermore, while SADs can contribute to benefits such as reduced crime rates and increased property values, these outcomes can also lead to unintended consequences that disproportionately impact vulnerable populations.⁶

In the United States, the Atlanta BeltLine transformed a 22-mile corridor of unused railroad infrastructure into a central greenway with the aims of stimulating economic development and improving public health. The project is financed by the redirection of increased property-tax revenues above an initial baseline into a special-purpose Tax-Allocation District (TAD) fund. The BeltLine cuts across low-, middle-, and high-income neighborhoods, whose property values have increased as a result of the project. Unfortunately, no provisions were made from the outset to protect low-income residents, causing them to face rising taxes and rents at a time when the supply of low-cost housing in Atlanta is diminishing.⁷ This example highlights the importance of applying an equity lens to the use of these tools and ensuring that a diverse cross-section of stakeholders are empowered to help determine if their benefits truly outweigh their costs.

While several variations of SADs exist, our review suggests that BIDs are the most common variant, followed by Community Benefit Districts. These strategies are similar in that they seek to improve and promote a defined part of a city, whether largely commercial in function, residential, or some combination thereof. However, these variations on SADs differ in how they are governed and generate revenues.

A **Business Improvement District (BID)** is an area that levies an additional tax on top of existing taxes in order to fund improvements to the area. As the name would suggest, BIDs are typically created in business-heavy parts of towns to help promote commercial activity by funding improvements in the district. They also usually function as independent not-for-profits.⁸ Property owners within these districts voluntarily impose a fee to fund a set of agreed-upon services and improvements within the district.⁹ BIDs exist around the world, though they are sometimes known by different names, such as *sociétés de développement commerciale* in Canada, or City Improvement Districts in South Africa.

A **Community Benefit District (CBD)** encompasses a neighborhood with a significant residential component.¹⁰ Like a BID, property owners within these districts voluntarily impose a tax to fund a set of agreed-upon services and improvements within the designated area. However, the governance structure of a CBD is decidedly more inclusive, since residents and community-serving organizations also pay into the fund. Hybrid versions of this model are emerging, such as the Creative Enterprise Zone (CEZ) in Saint Paul, Minnesota.¹¹ As the name suggests, the CEZ aims to preserve and promote

5 Business Improvement Districts and the Constitution: The Troubling Necessity of Privatized Government for Urban Revitalization: https://repository.uchastings.edu/hastings_constitutional_law_quaterly/vol38/iss1/3/.

6 San Francisco Department of Planning, Community Benefit District Case Studies: https://archives.sfplanning.org/documents/1684-Appendix_D_Community_Benefit_District_Case_Studies.pdf.

7 Reclaim Value Capture for Equitable Urban Development: <https://www.metropolitiques.eu/Reclaim-Value-Capture-for-Equitable-Urban-Development.html>.

8 Special Assessments and Development Finance: <https://www.cdfa.net/cdfa/cdfaweb.nsf/pages/special-assessments.html>.

9 *Ibid.*

10 Union Square Business Improvement District Overview: https://www.visitunionsquaresf.com/sites/default/files/_/pages/Union_Square_BID_FAQs.pdf.

11 Minneapolis–Saint Paul Creative Enterprise Zone: <https://creativeenterprisezone.org/our-story>.

the area’s historic and creative character by ensuring new investments do not displace artists, manufacturers, and creative entrepreneurs. In both cases, organizing residents and business owners around shared goals can increase their political capital, alongside new financial resources, which can help to ensure future developments occur in a manner that is consistent with the community’s vision.

BENEFIT DISTRICT DESIGN OVERLAY

● Advance Equitable Development

While not a value-capture tool *per se*, in some cases districts apply additional public-space design guidelines to promote neighborhood identity and encourage equitable development. In Los Angeles, the Little Tokyo Cultural District employs a Community Design Overlay – a mechanism to amend existing zoning based on a community’s vision and desires relating to the design, form, and character of a particular place.¹² The overlay was implemented partly in reaction to increasing development pressures, including the forthcoming Regional Connector light-rail station, and as an additional means to demarcate the area. The overlay contains recommendations that encourage the incorporation of culturally specific architecture and design motifs, pedestrian-friendly spaces, and spatial arrangements that enable diverse uses and contribute to public life.

TAX INCREMENT FINANCING (TIF)

● Spur Investment

First introduced in California in 1952, Tax Increment Financing (TIF) creates special tax districts around targeted redevelopment areas from which future tax revenues are diverted to finance infrastructure improvements and/or development.¹³ Municipalities use this tool to stimulate development in distressed areas with high potential for revitalization.

TIF is predicated on the notion that public investments in infrastructure and services will induce private development, which in turn will lead to higher property values, more employment, and additional tax revenue. Since this economic growth would not occur other than for upfront investments made by the public sector, cities aim to capture new property tax revenue to pay for the investments that sparked the growth.¹⁴

Unlike special assessment districts, TIF does not increase tax rates, but instead allows municipalities to earmark property tax revenue from increases in assessed values within a designated area.¹⁵ Once an area is designated for redevelopment, the property taxes are “frozen.” Then, as redevelopment happens, the property value rises and is

12 Community Design Overlay: <https://www.metro.net/projects/tod-toolkit/community-design-overlay/>.

13 Tax Increment Financing Explained: <https://www.citylab.com/equity/2019/10/tax-increment-financing-explained-tif-economic-development/597313/>.

14 Tax Increment Financing Primer: <https://cbcny.org/research/tax-increment-financing-primer>.

15 Tax Increment Financing: <https://www.lincolnst.edu/publications/articles/tax-increment-financing>.

reassessed. The uplift in value is then directed back to pay for the public improvements that enabled the area to be revitalized, such as street repairs or sidewalks. TIF can be used for a period of 15–20 years.¹⁶ Municipalities can borrow against a district’s future property tax revenues to help fund other public works.

The structure of TIF programs varies considerably among municipalities, with differing requirements about the percentage of blighted properties a district needs to contain; how long the program can exist; and use of the associated revenues. Advocates appreciate this flexibility, which enables TIF to self-finance different kinds of infrastructure projects without raising taxes. However, this tool is not without its detractors.

Critics believe TIF deserves scrutiny because the mechanism diverts city tax revenues from schools and other essential community services to the private sector or the pet projects of city officials.¹⁷ Such, it is argued, has been the case in Chicago. In 2019, the Grassroots Collaborative served as co-plaintiff in the first-ever lawsuit against the city in what they allege as misuse of TIF in the Lincoln Yards Project. Plaintiffs believe that instead of stimulating equitable development in low-income communities, TIF has largely served to aggravate inequities, intensify gentrification, and concentrate benefits in wealthy neighborhoods. Thanks to the advocacy of Chicago’s grassroots organizations, the city has made reforms to the TIF system – notably, the introduction of greater transparency and public oversight.¹⁸

TAX CREDITS

- Spur Investment
- Advance Equitable Development

Tax incentives play a crucial role in most cities’ cultural development strategies. Governments can use these tools to incentivize beneficial forms of community investment that might not be feasible if left solely to market forces. Such developments include affordable housing, historic rehabilitation, and commercial development in distressed areas. In the United States, these tools include the Low-Income Housing Tax Credits (LIHTCs), Historic Preservation Tax Credits, New Market Tax Credits, and an emerging set of credits associated with renewable energy.

While tax credits differ in their focus, they are alike in that developers make commitments that align with the programs’ particular aims. Regulators award developers tax credits in exchange for advancing those goals, which they can sell to investors to acquire the necessary funds to complete the project. Many view tax credits as a valuable resource because they benefit a diverse cross-section of stakeholders. Investors gain competitive returns, developers gain access to capital to complete a project that may not have otherwise been practicable, and communities benefit from critical investments that would not occur without enhanced incentives.

16 Tax Increment Financing Explained: <https://www.citylab.com/equity/2019/10/tax-increment-financing-explained-tif-economic-development/597313/>.
17 The Trouble with TIF: <https://www.citylab.com/solutions/2018/09/the-trouble-with-tif/569815/>.
18 This Lawsuit is Putting a Racial Equity Lens on Economic Development Incentives: <https://nextcity.org/daily/entry/lawsuit-is-putting-a-racial-equity-lens-on-economic-development-incentives>.

Low-Income Housing Tax Credits (LIHTC) provide a tax incentive to subsidize the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants.¹⁹ In use since 1997, the LIHTC is the most important resource for creating affordable housing in the United States today, contributing to the development of 3.13 million housing units.²⁰

The Minneapolis-based Artspace, a nonprofit developer, uses the LIHTC to create affordable live-and-work spaces for artists and cultural organizations throughout the United States. This type of development keeps housing affordable for the lifetime of the development – ideally in perpetuity – which helps to safeguard the presence of artists and cultural activities in diverse communities.

In the United States, the Federal Historic Preservation Tax Incentives Program, commonly known as the **Federal Historic Tax Credit program (HTC)**, provides a 20 percent tax credit to property owners who undertake a substantial rehabilitation of a historic building in commercial or other income-producing use, while maintaining its historic character.²¹ Overseen by the Secretary of the Interior through the National Park Service, the HTC encourages private-sector investment in the preservation, rehabilitation, restoration, and reconstruction of historic buildings.²² The federal HTC is one of the most successful community revitalization programs in the United States, having leveraged \$102.64 billion in private investment to preserve 45,383 historic properties since 1976.²³ Research by the National Park Service and Rutgers University demonstrates that HTC projects can stimulate measurable increases in property values, draw new businesses, attract new residents, and enlarge tax bases.²⁴

A team of public and private partners that leveraged multiple sources of finance, including the HTC, oversaw the award-winning transformation of the Kings Theater in Brooklyn.²⁵ Similarly, the Wallis Annenberg Performing Arts Center utilized the HTC for the rehabilitation and adaptive reuse of the historic 1933 Beverly Hills Post Office into a striking cultural center.²⁶

Established in 2000, the **New Market Tax Credit (NMTC)** increases the flow of capital to businesses and low-income communities by providing a modest tax incentive to private investors. The NMTC is an effective financing tool valued by businesses, communities, and investors across the United States, where it is primarily in use. Since 2003, the program has distributed \$23 billion in credits, supporting projects in all 50 states, the District of Columbia, and Puerto Rico.²⁷

19 What the Low Income Housing Tax Credit Is and How it Works: <https://www.taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work>.
20 HUD Office for Policy Development and Research: <https://www.huduser.gov/portal/datasets/lihtc.html>.
21 Tax Incentives for Historic Properties: <https://www.nps.gov/tps/tax-incentives.htm>.
22 Secretary of the Interior’s Standards for the Treatment of Historic Properties: <https://www.nps.gov/tps/standards/treatment-guidelines-2017.pdf>.
23 Tax Incentives for Historic Properties: <https://www.nps.gov/tps/tax-incentives.htm>.
24 <https://forum.savingplaces.org/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=2760da39-a570-d5bb-99b6-5247c42f6fd4&forceDialog=0>.
25 Catalyst for Change: <https://bklynr.com/kings-theatre-lands-new-york-state-historic-preservation-award-ditmas-park/>.
26 Wallis Annenberg Center for the Performing Arts: <http://www.historicresourcesgroup.com/projects/wallis-annenberg-center-performing-arts/>.
27 What are New Market Tax Credits and How do They Work?: <https://www.taxpolicycenter.org/briefing-book/what-new-markets-tax-credit-and-how-does-it-work>.

Casa Familiar, a community development agency located in the historic heart of San Ysidro, a predominantly Latino community in the City of San Diego, is using NMTC to finance its Living Rooms at the Border project. Working in collaboration with local government, financial institutions, and philanthropic partners including ArtPlace America, the 13,469-square-foot mixed-use project includes affordable housing, social services, and cultural facilities. This work also provides for the restoration of Our Lady of Mount Carmel Church, which Casa Familiar is transforming into the *El Salon* multimedia theatre performing space.²⁸

ARTS & CULTURE-CENTRIC TAX SCHEMES

● Create New/Ongoing Funding

Some cities provide tax exemptions for art and culture districts as well as taxes on hotels within the downtown area – for example, the transient occupancy tax in San Diego and San Francisco’s hotel tax. In Maryland, official designation as an arts and entertainment district comes with a combination of tax incentives, including property tax credits on qualifying renovations, income tax credits for artists working in the area, and waivers for for-profit businesses on state-imposed admission taxes.²⁹

Image:
Valencia Street,
San Francisco



28 Casa Familiar: <https://www.casafamiliar.org/2018/12/living-room-project/>.
29 How to Finance Cultural Districts: <https://www.americansforthearts.org/sites/default/files/Culture-Districts-Financing.pdf>.

DEVELOPER EXACTIONS: IMPACT FEES

- Create New/Ongoing Revenue Stream
- Advance Equitable Development

Developer exactions are the financial responsibilities local governments place upon developers to provide some or all of the physical improvements necessitated by their development projects. Impact fees, the most common form of developer exactions, are required contributions by the private sector to cover the cost of additional public infrastructure and services. Typically, governments levy these fees as a one-time, up-front charge, and receipt of payment is a precondition of public approval to develop land.³⁰

Impact fees help protect the existing (taxpaying) community from having to shoulder the additional cost of added public services by asking the developer and incoming users of new spaces to share such costs.³¹ Developer exactions can assume different forms, such as the preservation of a certain percentage of land to public use, construction of improvements such as a new road, or a financial contribution towards the cost of a new recreation center. For example, the City of San Francisco has levied impact fees on developers for decades. Between the years 2015–2016, \$237 million in fees were collected and used to finance transit system upgrades, bicycle infrastructure, and public space improvements.³²

Fees paid at the outset of a project enable municipalities to access capital earlier than if they had to wait for incremental service charges or property tax revenues. Further, these fees generally generate a net positive – or in the worst case, neutral – fiscal impact.³³ That said, the successful use of impact fees requires that a municipality can adequately estimate the infrastructure cost implications of prospective development, which can be technically challenging, along with negotiating these rates with developers.

30 Urban Regeneration: <https://urban-regeneration.worldbank.org/node/14>.
31 Ibid.
32 Value Capture and Land Policies: <https://www.lincolnst.edu/sites/default/files/pubfiles/value-capture-and-land-policies-chp.pdf>.
33 Urban Regeneration: <https://urban-regeneration.worldbank.org/node/14>.



Image:
South Bank, London

CASE STUDY SOUTH BANK BID LONDON

BUSINESS IMPROVEMENT DISTRICT

In London, the South Bank Business Improvement District demonstrates how cultural organizations can participate in BIDs in ways that drive economic growth and help nearby communities thrive.³⁴ In 2014, South Bank Employers' Group (SBEG), a partnership of 18 major employers in the area, created the BID to help regenerate the area, improve visitor experiences, and diversify both its uses and its revenue streams.

The BID includes a dense concentration of cultural organizations, including the Southbank Centre, National Theatre, BFI Southbank, and others who contribute £3.8 billion per year to London's economy.³⁵ SBEG provides the BID with management and operational support, along with access to well-established revenue streams and the expertise of the South Bank Partnership, a group co-chaired by the two local MPs and including all key stakeholders in the area's management and development.³⁶ This ensemble of partners brings strategic value to the BID in the form of political capital, professional expertise, and access to different financial resources.

³⁴ Improving Places: https://www.london.gov.uk/sites/default/files/improving_places_web.pdf.

³⁵ *Ibid.*

³⁶ Evolution of London's BIDs: https://crossriverpartnership.org/wp-content/uploads/2019/04/Evolution_of_Londons_BIDs.pdf.

The South Bank BID's efforts have been seen as successful. The BID promotes the South Bank as London's culture center and conducts audience research to inform its strategies. Local cultural organizations value the BID's work in these areas, as it helps to show the economic importance of culture in London.³⁷ Property values have risen in the area as the BID attracts new businesses. Working in partnership with the Living Wage Foundation and London Citizens, South Bank BID has launched Living Wage South Bank, a commitment to building broad-based community wealth. The BID supports employers of all sizes to work towards accreditation as Living Wage employers.³⁸ This initiative is particularly relevant to arts-and-culture professionals whose historically modest incomes render them particularly vulnerable to displacement.

The South Bank BID provides a useful example of how this value-capture tool can provide a vehicle for multi-stakeholder partners to aggregate their resources. The resilience of the entities involved is strengthened, and their collective capacity to experiment with new approaches to urban development is expanded, even in the face of a shifting political and fiscal climate.

However, as BIDs take on more diverse activities such as the South Bank's efforts to build community wealth, parallel investments are recommended in order to ensure sufficient administrative capacity and availability of relevant expertise. In some cases, this knowledge can be sought from those who have personal experience with the issues the activities are intended to address. These perspectives may fall outside of those typically empowered to share decision-making processes within BID governance structures. Evolving these structures in ways that are more representative could enhance their relevancy and impact. Furthermore, integrating artists and, more specifically, their ability to reframe issues and facilitate creative processes, could also improve internal planning, decision-making, and consensus building.

³⁷ Improving Places: https://www.london.gov.uk/sites/default/files/improving_places_web.pdf.

³⁸ Evolution of London's BIDs: https://crossriverpartnership.org/wp-content/uploads/2019/04/Evolution_of_Londons_BIDs.pdf.

ASSET RECYCLING

Cultural districts can work with partners, particularly municipal agencies, to sell or lease public or non-public assets and monetize green infrastructure in ways that generate ongoing revenue streams. The most direct way to capture increases in real estate value is through land control. Cultural districts can use a variety of instruments, including public policies, ownership, and revenue-generating mechanisms, to achieve this end. Those using these strategies should have a clear understanding from the outset of who the intended beneficiaries of the value captured are. Without this focal point, gains made can inadvertently intensify the very pressures public-serving entities, like cultural districts, aspire to alleviate.

LAND BANKING

- **Spur Investment**
- **Advance Equitable Development**

Land banks are public or community-owned entities created to acquire, manage, maintain, and repurpose vacant and foreclosed properties using a range of special powers, such as the ability to buy and hold property tax free, clear title and back taxes, and dispose of property in accordance with the needs and aspirations of the existing community.³⁹ When thoughtfully executed, land banking can return land to productive use, helping to unlock the value of problem properties and converting them into assets for community revitalization.⁴⁰

Land banks exist around the world, with most located in the United States. In 2013, the Philadelphia Land Bank was established by the city council to acquire and revitalize vacant properties.⁴¹ A distinctive feature of this project is affordable housing targets, which proactively addresses the current and future needs of the community by ensuring half of all parcels are accessible for low-income households. Undeveloped residential parcels are activated with community gardens and cultural programming.

LEASE OF PUBLIC LAND

- **Spur Investment**
- **Create New/Ongoing Revenue Stream**
- **Advance Equitable Development**

It is common practice for municipalities around the world to engage in partnerships with private developers, leveraging public land like equity in return for a share of the

³⁹ Land Banking: <https://www.communityprogress.net/land-banking-faq-pages-449.php>.

⁴⁰ *Ibid.*

⁴¹ Philadelphia Land Bank: <https://www.phila.gov/departments/philadelphia-land-bank/>.

uplift in property values through different types of lease agreements. Public land can include a range of property types, from post-industrial waterfronts to national parks and the ground beneath cultural organizations like libraries. Cities can capture value by ceding control of public land to private developers through a ground lease or outright sale, with the condition that public benefits are integrated into the plan.⁴²

Because this strategy requires the public to relinquish control of local assets legally, transparency and oversight are necessary to make sure that land use adequately represents their interests and remains a public good. The Brooklyn Bridge Park, in New York, provides an excellent example of how partners can achieve this outcome and monetize public assets in ways that yield a significant source of revenue.



Image:
Brooklyn Bridge
Park, New York City

Brooklyn Bridge Park monetizes public land through an innovative value capture tool, Payment in Lieu of Taxes (PILOT), that yields a sustainable revenue stream to support community-oriented uses. This tool works in virtually the same way as a developer impact fee, the main difference being that, in this instance, value is being captured by monetizing public lands and, as such, can be seen as a type of asset recycling. The state of New York provided land for Brooklyn Bridge Park under the condition that it be entirely self-sustaining. In response, project leaders implemented a value capture strategy in which 9% of the site was set aside for the development of a hotel and residential units. Today, 96% of the park's operations and maintenance funding comes from a 97-year ground lease with a private developer and PILOT (payment in lieu of taxes) revenues.⁴³

⁴² Value Capture in the Commons: <http://civiccommons.us/2018/11/value-capture-commons/>.

⁴³ Condos that Fund a Brooklyn Park: <https://www.brooklynbridgepark.org/blog/news-media/condos-that-fund-a-brooklyn-park>.

MONETIZING GREEN INFRASTRUCTURE

- Create New/Ongoing Revenue Stream
- Advance Equitable Development

Increasingly, public infrastructure incorporates eco-conscious strategies that aim to adapt to and mitigate climate change. In addition to capturing obvious environmental benefits, green infrastructure can generate economic, social, and cultural value. For example, solar systems can decrease energy use and associated expenses. Owners of buildings equipped with these systems can employ power purchase agreements (PPAs), which provide investors with rights to the revenue produced by solar systems for up to 20 years.⁴⁴ This revenue can offset other maintenance costs, including placemaking efforts that include environmentally sensitive enhancements to public space. Multiple studies have shown that public spaces have significant physical, psychological, and emotional impacts on people who spend time in them. For instance, tree canopies have been linked to increased property values and positive health impacts.⁴⁵ Montreal Sustainable Cultural Districts and Little Tokyo Cultural EcoDistrict demonstrate these practices well.⁴⁶

The nonprofit Land Art Generator, a ‘solution-based art practice,’ demonstrates how green infrastructure can double as compelling civic design and provide aesthetically enriching sites for shared experience. As new forms of energy generation become closer in proximity to the real estate they power, aesthetic considerations may help drive their acceptance. Land Art Generator aims to accelerate the transition to post-carbon economies by providing models of renewable energy infrastructure that add value to public space, inspire, and educate—while providing equitable power to thousands of homes around the world.⁴⁷

Image:
Little Tokyo,
Los Angeles

- ⁴⁴ Value Capture in the Commons: <http://civiccommons.us/2018/11/value-capture-commons/>.
- ⁴⁵ Green Infrastructure and the Sustainable Communities Initiative. U.S. Department of Housing and Urban Development: <https://www.hudexchange.info/resource/4443/green-infrastructure-and-the-sustainable-communities-initiative/>.
- ⁴⁶ Sustainable Cultural Districts: <http://ville.montreal.qc.ca/culture/en/toward-sustainable-cultural-districts-companion-kits> and Little Tokyo Strengthens its Identity: <https://www.smartcitiesdive.com/ex/sustainablecitiescollective/las-little-tokyo-strengthens-its-identity-planning-cultural-eco-district-written/239971/>.
- ⁴⁷ Land Art Generator: <http://landartgenerator.org/project.html>.



INDIRECT VALUE CAPTURE

Cultural districts can also capture value indirectly by leveraging zoning policies and selling development rights in exchange for contributions from developers.

ZONING

● Spur Investment

Though sometimes seemingly invisible, zoning plays a critical role in shaping the environments in which cultural districts reside. Governments agencies have different degrees of authority to enact zoning policies, which define how societies organize space in ways that are compatible with a particular purpose. As such, zoning has developed a complicated relationship with market forces and social dynamics. Thoughtful zoning can help to maintain an area's unique character or transform space for different uses that impact diverse populations.

Development projects, large and small, often require changes in zoning. Local governments frequently use these zoning changes as an incentive for private developers to make needed improvements to public infrastructure. The ability to capture the value generated by a flexible zoning scheme is a precondition for the successful use of other revenue-generating tools. A selection of tools that can benefit cultural districts is listed below.

Upzoning is a change in regulations that allows for a more diverse, dense, and often, higher-value use of space. Lack of density pushes home prices up for both those who can afford single-family homes, as well as those who now have to fight harder to access affordable options. Some believe that upzoning protects mixed-income neighborhoods, which in turn, enhances their cultural vitality.⁴⁸

Inclusionary Zoning is a popular way for cities to produce affordable housing through the private market.⁴⁹ This tool requires private developers to designate a certain percentage of the units within a project as below-market-rate, in exchange for the right to build additional units. Inclusionary zoning can help to ensure neighborhood diversity; however, affordable units will return to market rate after the required period, which can undo the gains made.⁵⁰ In contrast, value-capture tools like community land trusts can provide permanent affordability. Cities could enact a similar spatial levy to incentivize developers to set aside space for use by artists or cultural organizations, in exchange for animating their projects in ways that attract certain kinds of prospective tenants.

In some cases, cultural districts can use **Creative Exploitation of Existing Zoning** and work to preserve regulations that are advantageous to creative enterprises, such as

⁴⁸ Upzoning: <https://www.sightline.org/upzoning/>.

⁴⁹ Inclusionary Zoning: <https://www.citylab.com/equity/2018/07/citylab-university-inclusionary-zoning/565181/>.

⁵⁰ Value Capture and Land Policies: <https://www.lincolnst.edu/sites/default/files/pubfiles/value-capture-and-land-policies-chp.pdf>.

light industrial use policies. As cities lose manufacturing industries, so too go the spaces in which they work. In cities like New York, these facilities have provided space not only for large assembly lines but also for small-scale artisanal producers.

New York has historically been home to a large population of such enterprises, demonstrated by facilities such as the Greenpoint Manufacturing and Design Center and the enormous Brooklyn Naval Yards.⁵¹ However, the stability of these spaces is under significant threat. According to the New York Industrial Retention Network approved rezonings removed 23.4 million square feet of industrial space from New York City between the years 2001 and 2008. Accompanying these changes is the loss of studios where many artists and designers create their work.⁵²

By contrast, in places where zoning for light manufacturing remains, cultural advocates, including philanthropists, can exploit this regulation, as is being done in San Francisco. The city, like many, is undergoing a rapid transformation, displacing artists, galleries, and a vast network of cultural organizations. Aspiring to do something about this, philanthropists Deborah and Andy Rappaport set about establishing a permanent home for this ecology of entities.

⁵¹ Brooklyn Naval Yard: <https://brooklynnavyard.org/> and <https://gmdconline.org/>.

⁵² Making Buildings Work: <https://urbanomnibus.net/2012/05/making-buildings-work-the-greenpoint-manufacturing-and-design-center/>.



Image:
Minnesota Steet
Project, San
Francisco

CASE STUDY

MINNESOTA STREET PROJECT SAN FRANCISCO

CREATIVE EXPLOITATION OF EXISTING ZONING

Located in San Francisco’s historic Dogpatch district, Minnesota Street Project offers economically sustainable spaces for art galleries, artists, and related nonprofits. Inhabiting three warehouses, the project seeks to retain San Francisco’s contemporary art community in the short term while developing an internationally recognized cultural district moving forward.⁵³ Securing space in San Francisco’s white-hot real estate market was no small feat, but the Rappaports had a clever idea. Rather than compete with developers, who are quick to snatch up rezoned industrial sites now capable of residential use, they would focus on those light manufacturing zones that still exist.

The Rappaports scoured the city before finding the three Minnesota Street buildings, located in a special zoning district that allows production, distribution, and repair-based uses. Crucially, developers cannot convert these light industrial warehouses into office or residential space. This designation enabled the Rappaports to avoid competing with private investors and to acquire all three buildings without asking for special favors from the city, since arts use is well within the parameters of the zoning codes.⁵⁴ In doing so, the Minnesota Street Project represents a novel example of how to leverage existing zoning as a value-capture strategy.

⁵³ Minnesota Street Project: <http://minnesotastreetproject.com/about>.
⁵⁴ *Ibid.*

TRANSFERABLE DEVELOPMENT RIGHTS

● Spur Investment

Transferable development rights (TDR) are market-based tools that allow communities to channel development toward designated growth areas. In doing so, the public sector and other civic institutions can spur investment and generate revenue, especially in markets with scarce land.⁵⁵ With TDR, city leaders identify a redevelopment zone and then issue and auction off bonds. The bonds entitle developers to additional building rights, such as constructing taller buildings than the law would typically allow. Profits from the sale of these bonds are then invested back into the same redevelopment zone. In Brazil, CEPACs (Certificates of Additional Construction Potential, in Portuguese) are a form of development rights that can be bought on the securities exchange. Since 2004, São Paulo has generated over \$2 billion from CEPACs to fund infrastructure projects.⁵⁶

AIR RIGHTS

- Spur Investment
- Create New/Ongoing Revenue Stream

Air rights refer to the permission to use or control the air space under or over an existing structure. Landowners can sell or lease air rights separately from the property below. Attempts to reclaim space for development have emerged by building over a wide range of assets, from train stations to schools. Also known as unused floor area ratio,⁵⁷ air rights equal the difference between a building’s total floor area and that which it is zoned for. The unused space, or “air,” can be leased or sold.⁵⁸

Calculating air rights associated with a given cultural district can be a complicated process, requiring consultants to review building rights and the local zoning code. However, selling these rights can be lucrative – but it can also threaten neighborhood character and cultural identity. The Seward Park Co-op in New York’s Lower East Side neighborhood demonstrates this tension. In 2018, residents of the cooperative housing project rejected a \$54 million air rights sale that would have cleared the way for a pair of condo towers.⁵⁹

⁵⁵ Transfer Development Rights Toolkit: <https://www.smartgrowthamerica.org/app/legacy/documents/transfer-development-rights-policy-toolkit.pdf>.
⁵⁶ How São Paulo Uses Value Capture to Raise Billions for Infrastructure: <https://www.citylab.com/solutions/2014/05/how-sao-paulo-uses-value-capture-to-raise-billions-for-infrastructure/371429/>.
⁵⁷ FAR is the measurement of a building’s floor area in relation to the size of the lot/parcel that the building is located on. FAR is expressed as a decimal number, and is derived by dividing the total area of the building by the total area of the parcel (building area ÷ lot area).
⁵⁸ Air Rights: <https://www.planning.org/pas/reports/report186.htm>.
⁵⁹ Seward Park Rejects \$54 Million in Air Rights Sale: <https://patch.com/new-york/lower-east-side-chinatown/seward-park-co-op-rejects-54-million-air-rights-sale>.



Image:
Chinatown,
New York City

CASE STUDY CHINATOWN NEW YORK CITY

INCLUSIONARY ZONING

For over a century, New York City's Chinatown has been the center of the Chinese community in New York: a hub for both old and new immigrants who gravitate to the neighborhood for its housing, jobs, and vibrant culture. However, like many other New York City neighborhoods, Chinatown is not immune to the forces of inequitable development. The area's location in Manhattan and proximity to affluent neighborhoods like SoHo and the rapidly gentrifying Lower East Side make it increasingly attractive to developers looking to build hotels and luxury housing, as well as new businesses catering to a non-immigrant clientele.

Chinatown is among the last affordable neighborhoods in New York City for working-class people, including artists. Many landlords in Chinatown are seeking to raise rents, deregulate rent-stabilized units, and sell buildings to private equity firms that often deploy predatory practices to push tenants out.⁶⁰ These forces have already displaced thousands of Chinese residents and small businesses in recent years, permanently altering Chinatown's distinct identity.

In 2010, a coalition led by the Asian community-organizing group CAAAV, launched a community rezoning campaign. The coalition believed that zoning could be a valuable tool for preserving the community's unique character and protecting it from destructive over-development.⁶¹ In 2011, the alliance published the "Reimagining Rezoning" report to advocate for community benefits as the City rezones neighborhoods.

The report encouraged the Department of City Planning to create a Special Zoning District encompassing all of Chinatown that includes strong anti-demolition, anti-harassment, and anti-eviction provisions. The designation would also subject new development and business permits to a community review process. The coalition also advocated that a suite of equitable development principles be integrated, including protections for long-time residents and small businesses, and the involvement of Chinatown residents throughout the rezoning process.⁶²

The Special Zoning District also helped to resolve inconsistencies in the existing zoning code. At the time, regulations in Chinatown allowed for developments that were significantly larger than almost all existing buildings. This mismatch was due to the difference between the current and allowable floor area ratio. This threatened historic buildings and public spaces, which tend to be on a more human scale. The difference between the size of current buildings and the size allowed through redevelopment was a powerful incentive driving the demolition of historic structures and the displacement of affordable housing and workspaces for small businesses.⁶³ The coalition believes that contextual zoning that aligns with existing neighborhood identity and functions would address these issues and establish the same protections for the Chinatown community that the City had already granted many other neighborhoods.

When rezoning efforts are foregrounded in community residents' needs and priorities, it can be a powerful way to stimulate investment without destroying the unique character and cultural identity of a place, including the vitality created by its residents and legacy businesses. In Chinatown, the campaign continues. Today, advocates continue to assert that a new vision for rezoning is needed if the City is to protect and revitalize the neighborhood equitably.

61 <https://caaav.org/wp-content/uploads/2010/03>.

62 Asian American & Pacific Islander Anti-Displacement Strategies: <https://aapr.hkspublications.org/2017/07/12/ourneighborhoods/>.

63 Ibid.

60 Asian American & Pacific Islander Anti-Displacement Strategies: <https://aapr.hkspublications.org/2017/07/12/ourneighborhoods/>.

EQUITABLE ASSET BUILDING

By centering community and practices that promote broad-based wealth creation, cultural districts can help to foster conditions that enable the equitable use of value-capture strategies. A relationship exists between the principles that guide any development project, the practices that are employed, and the ways that existing policies are either leveraged or challenged. Value-capture tools are just that: tools. The principles that guide their use determines who they benefit and how. A suite of complementary practices expresses these principles, which are enriched further by well-aligned public policies.

Image:
Victoria Yards,
Johannesburg

Despite their often progressive origins, the use of value-capture tools to advance equity (in the social justice sense) is still emerging. That is not to suggest that creating community benefits and market gains are mutually exclusive propositions. However, if those who use these tools fail to center equity from the outset and make an explicit commitment to strengthening local communities, this outcome will not be achieved automatically.

Below is a guiding principle and suite of complementary practices that can inform and reinforce an equity-oriented use of value-capture tools in cultural districts, and potentially in any form of community development. By embracing these elements in combination, cultural districts can generate and recirculate vital forms of community capital, celebrate neighborhood identity, and strengthen community resilience.

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.**



ADOPT INCLUSIVE GOVERNANCE STRUCTURES AND ENABLE MEANINGFUL COMMUNITY PARTICIPATION

Alongside cities and businesses, community involvement brings a balancing “third force” to development processes and negotiations.⁶⁴ Building trust among these parties is essential if cultural districts aim to advance equity. By sharing power and decision-making authority through inclusive governance structures, cultural districts can empower community stakeholders to identify local priorities and solutions.

There are several examples of cooperative governance structures for cultural districts. For example, the Marseille-based *La Friche la Belle de Mai* employs a cooperative company with a collective interest model, which enables new forms of collaborative governance. In 2007, *La Friche* changed from being a public voluntary association to become a Cooperative Company of Collective Interest (SCIC: *Société Coopérative d'Intérêt Collective*). Created in 2001, the SCIC combines elements of for-profit and cooperative business models, with the goal of creating local, social, and economic benefits. *La Friche's* SCIC includes residents, business owners, donors, site users, and cultural and civic leaders.⁶⁵ As a cooperative, all members have the right to participate in decision-making processes, including determinations of how value might be captured and reinvested locally.

Inclusive governance models that integrate accountability mechanisms such as community benefits agreements (CBAs) can also enhance the equitable use of value-capture tools. CBAs are voluntary contracts signed by community groups and developers that exchange specific benefits for project support. In Chicago's South Side neighborhood, the Obama Community Benefits Agreement Coalition requires that those who live around the proposed site for the new Presidential Library benefit from that investment. The draft CBA calls for project leaders to set aside jobs for residents, protect low-income renters and homeowners, support Black businesses, and upgrade area schools.⁶⁶ CBAs can also include development protocols that celebrate the unique character and cultural identity of a place, as can be seen in Detroit's Eastern Market.⁶⁷

INTEGRATE PARTICIPATORY AND CULTURALLY RELEVANT PROCESSES

Community participation is a hallmark of equitable development and is critical to sustaining successful community change. The involvement of artists, designers, and culture-bearers in the crafting and implementation of community organizing and visioning efforts can inform the fair use of value-capture tools. Many scholars believe that the inclusion of local artists leaves lasting benefits, including the development of local stewardship, capacity, cohesion, and more equitable distribution of economic gains.⁶⁸

64 Cities Building Community Wealth: <https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/CitiesBuildingCommunityWealth-Web.pdf>.

65 La Friche la Belle de Mai: <http://www.lafriche.org/en/history>.

66 Obama Community Benefit Association: <http://www.obamacba.org/>.

67 Amid booming development, how will Eastern Market keep its food identity?: <https://www.modeldmedia.com/features/em-master-plan-121719.aspx>.

68 Creative Placemaking and Expansion of Opportunity: https://kresge.org/sites/default/files/library/cp_white_paper_2_for_posting.pdf.

Community development is an ongoing process that can be both energizing and challenging. Strong relationships across stakeholder groups coupled with pleasurable ways to collaborate can help cultural districts navigate uncertainty and promote cultural rights. United Cities Local Governments has created an extensive database of good practices for those readers who would like to explore this topic further.⁶⁹

BUILD ON LOCAL ASSETS AND COLLABORATE ACROSS SECTORS AND ISSUES

The successful and equitable use of value capture relies on understanding the wider operating context, including the cultural, political, and social assets that one might wish to leverage. This perspective is consistent with asset-based community development (ABCD), which aims to identify and marshal new forms of internal (endogenous) power while leveraging and maintaining local control of outside (exogenous) forces and resources.

Mapping the range of tangible and intangible cultural assets in a community provides a more nuanced understanding of the context in which development takes place and the resources it can leverage and enrich. Cultural asset mapping empowers groups to conduct prospective assessments of the potential impact, positive or negative, that an intervention may have, which can mitigate unintended consequences. By generating a detailed baseline of current conditions, asset mapping can also support meaningful evaluation processes, during or after development happens.

The process of cultural asset mapping enables groups to share different perspectives on what they view as valuable and inherent to their sense of identity. This perspective is consistent with *creative placekeeping*, or the active care and maintenance of a place and its social fabric by the people who live and work there.⁷⁰ By fostering a sense of belonging, placekeeping is not only focused on preserving buildings but keeping the cultural memories associated with a locale alive while supporting the ability of local people to maintain their ways of life as they choose. Recognizing residents as experts with critical insights about the past, present, and possible future of places can inform which value-capture strategies are most appropriate to use within a given context and how they can create positive social returns.

69 United Cities Local Governments, Culture Committee Database of Good Practices: <http://obs.agenda21culture.net/en/home-grid>.

70 Creative Placekeeping and Cultural Strategies to Resist Displacement: <https://usdac.us/blogac/2017/12/11/creative-placemaking-placekeeping-and-cultural-strategies-to-resist-displacement>.



Image:
Project Row
Houses, Houston

CASE STUDY

PROJECT ROW HOUSES HOUSTON

ASSET-BASED AND ARTIST-LED CULTURAL DEVELOPMENT

Project Row Houses began in 1993 in Houston's Third Ward neighborhood. Seven visionary artists, including Rick Lowe, recognized the latent potential in a block and a half of abandoned shotgun houses. Where some saw poverty, these artists saw assets and an opportunity for creative cultural development through artist-led initiatives and land banking.

Anticipating the real estate speculators that would surely come, Lowe and his partners established a community development corporation. They then set about purchasing 22 homes in a strategic pattern that would make it difficult for market-rate developers to assemble a cohesive project in the neighborhood. Lowe admitted this wasn't a simple task, with one of the biggest impediments being residents' reluctance to refuse the "big money" offered by developers.⁷¹ Ultimately, he convinced property owners they possessed the capacity to redevelop the area on their own and in ways that could preserve its identity as a vibrant center of African American culture in the process.

⁷¹ Creative PlacetaKing: It's a Thing: <https://alternateroots.org/creative-placetaKing-its-a-thing/>.

The community-led processes that Project Row Houses employs are a novel approach to asset-based community development.⁷² Taking a comprehensive and bottom-up approach that empowers resident participation enables this project to generate social, cultural, and economic capital. Today, Project Row Houses functions in multiple ways that serve residents and the creative community. These elements are woven together with an evolving array of site-specific exhibitions and programs made by artists-in-residence.

The founders of Project Row House drew inspiration from two specific artists: Joseph Beuys, a German renowned for his experiments with "Social Sculpture," which explored how people shape the world around them; and Dr. John Biggers, who challenged African American stereotypes and how architecture influences community identity.⁷³ The idea that cultural identity is never static but, like the creative process, continually evolves through inclusive participation continues to inform the evolution of Project Row Houses.

Project Row Houses demonstrates how artists can enhance the effectiveness of traditional value-capture tools by reinterpreting their use. Tools are by nature value-neutral, and it is incumbent upon those who use them to determine who they benefit and how. The artists responsible for Project Row Houses understand that creative organizations, including cultural districts, can use art as a catalyst to facilitate constructive dialogue about neighborhood identity and change.



Image:
Project Row
Houses, Houston

⁷² Building communities from the inside out a path toward finding and mobilizing a community's assets: <https://journals.sagepub.com/doi/abs/10.2190/PD41-GKWW-RU7X-M7Y4?journalCode=qcha>.

⁷³ Project Row Houses: <https://projectrowhouses.org/about/mission-history>.

EXERCISE CIVIC LEADERSHIP AND FORGE MEANINGFUL PARTNERSHIPS WITH GOVERNMENT

The effective use of many value-capture tools relies on there being supportive public policies in place. Taking time to learn about how advocacy works in one's context and policymaking processes is key. Mapping the regulatory landscape can help identify opportunities that advance public policy objectives in ways that benefit cultural districts – for example, allowances for special use districts. Tracking public policies related to development can also highlight key personnel and potential political allies with whom districts can forge strategic relationships. Developing ways to measure and communicate how cultural districts can contribute to public priorities and resilient communities will also prove to be useful practice.

Working in aggressive real estate markets increases the need for cultural districts to have powerful political allies. The High Line, in New York City, provides an excellent example of how groups can develop the political capital necessary to be successful. The High Line assembled a “political Facebook” of influential elected officials and city representatives with track records of supporting similar projects.⁷⁴ Additionally, the High Line hired a DC-based lobbying firm with significant infrastructure experience so that it could negotiate toe-to-toe with powerful developers and the expensive law firms that represent them.

Cultural districts can demonstrate civic leadership by operating as platforms for cultural democracy by providing a venue for inclusive dialogue about community issues. Ideas generated can facilitate inclusive decision-making, from participatory budgeting to proto-policymaking and placemaking. These insights can also support institutional learning and inform strategies undertaken by districts, further enhancing their relevance and adaptive capacity.

Innovation labs are an increasingly common feature in urban infrastructure, such as the Urban Labs program led by Civic Innovation Lab in Lahore, Pakistan, Mexico City's *Lab para la Ciudad*, Kenya's Innovation Garage, and many others. What these entities share is a commitment to promoting civic participation through creative programs that aim to ensure public policies represent and benefit diverse constituencies. Cultural districts are well positioned to use programming as a similar means to promote cultural democracy.

MITIGATE DISPLACEMENT (OF RESIDENTS AND SMALL AND LEGACY BUSINESSES)

The overarching purpose of this review is to identify tools that can enable cultural districts to capture the value they generate in a manner that celebrates local character. This goal suggests that culture and neighborhood identity are inherently valuable, and by extension, the combination of actors – including residents, small-business owners, and creative professionals – who bring these districts to life. Therefore, minimizing their vulnerability to displacement is central to preserving the character of cultural districts. Cultural districts may not always be in a position to mitigate displacement directly. Still,

⁷⁴ High Line: Best Practices Toolkit: <https://network.thehighline.org/research/>.

leaders can advocate for practices that strengthen the ability of residents and local businesses to remain should they wish.

Affordable housing advocates encourage the *Three P's* approach to **Residential strategy**, which includes protections for current tenants, preserving existing housing, and producing additional units. Since renters tend to be most vulnerable to the effects of neighborhood change, rent controls and anti-eviction measures can provide important protections. The City of Berlin recently enacted legislation that will freeze rents on more than 1.5 million apartments to mitigate the displacement of older and low-income residents, including creative professionals.⁷⁵ Anti-speculation policies that prohibit or severely limit short-term rentals can also protect low-income residents. However, useful as these strategies are, most advocates believe that expanding pathways to ownership is the most effective way to stabilize the character and identity of neighborhoods.

Community land trusts (CLTs) offer a proven alternative to market-based approaches, empowering local ownership and producing permanently affordable housing. Today there are over 250 CLTs in the United States and many more around the world. Research has found the CLT to be the most robust housing approach to ensuring permanence in periods of both market growth and recession.⁷⁶

A CLT is a not-for-profit organization grounded in the principles of permanence, affordability, and community control of local assets. The governance of a CLT includes a mix of residents, technical experts, and allies who share a commitment to upholding these aims. CLTs work by acquiring land through trusts and maintaining ownership of it permanently. The trust then provides homeowners with a long-term lease. While individual households can own and build structures, the land itself remains under trusteeship, protecting it from market vagaries. When the homeowner sells, they earn a portion of the increased property value. The remainder is kept by the trust, preserving the affordability for future low- to moderate-income families.

⁷⁵ Berlin Freezes Rents for 5 Years in a Bid to Slow Gentrification: <https://www.theguardian.com/world/2019/jun/18/city-of-berlin-backs-plan-to-freeze-rents-for-five-years>.

⁷⁶ Favela Community Land Trusts: <https://catcomm.org/wp-content/uploads/2020/03/Favela-Community-Land-Trust-Sustainable-Housing-Model-for-the-Global-South.pdf>.



Image:
South Bank, London

CASE STUDY

CREATIVE LAND TRUST LONDON

COMMUNITY LAND TRUSTS

In London, the new Creative Land Trust is exploring how the CLT model can provide workspace to artists at low rates and help studio providers purchase workspaces.⁷⁷ Like many cities, London is witnessing the dramatic loss of inexpensive workspace, displacing artists, threatening local economies, and eroding the cultural vitality of communities.⁷⁸ Recognizing that affordable workspaces are vital incubators for London's creative industries, contributing an estimated £47 billion (US\$60 billion) to the city's economy annually and enriching society as a whole, city leaders set out to see what they could do.⁷⁹

In 2016, the Mayor of London, Sadiq Khan, formed a task force to analyze the viability of a creative land trust to provide the city's artists with affordable creative workspaces. The group's central challenge was to determine how this model could ensure that London continues to benefit from creative production in the context of increasing pressure on property. In 2019, they established the Creative Land Trust in partnership with public and private stakeholders, including artists, developers, and local authorities.

⁷⁷ Culture for Londoners: https://healthystreetscom.files.wordpress.com/2019/06/culture_strategy_may_2019.pdf.

⁷⁸ Investing for Good, A Creative Land Trust for London: <https://cornerstonecapinc.com/investing-for-good-a-creative-land-trust-for-london/>.

⁷⁹ *Ibid.*

Operating as an independent social enterprise, with support from the Mayor, Arts Council England, Bloomberg Philanthropies, and Outset Contemporary Art Fund, the Trust aims to secure 1,000 affordable workspaces by 2024.⁸⁰ The Trust will support the acquisition or long-term leasing of creative workspaces that are at risk, thereby building a network of permanent spaces that will remain affordable in perpetuity.⁸¹ Once spaces are acquired, the Trust offers various models of ownership and rental agreements, from outright purchases to leases set at an average of £15 per square foot per year but no higher than £19 per square foot per year.⁸²

The Trust is also testing how it can leverage grant funding to attract impact investors, who seek a blend of financial and social returns in areas of thematic or geographic alignment. The investment will be structured as debt, offering a fixed rate of return to investors over an initial term, expected to be between five and seven years. While the Creative Land Trust is in its infancy, emerging research demonstrates the social and economic value of preserving space for creative production *and* consumption across the city. Time will tell whether this model is both scalable and replicable; however, early signs are promising.

⁸⁰ Mayor Launches Groundbreaking Creative Land Trust: <https://www.london.gov.uk/press-releases/mayoral/mayor-launches-groundbreaking-creative-land-trust>.

⁸¹ Investing for Good, A Creative Land Trust for London: <https://cornerstonecapinc.com/investing-for-good-a-creative-land-trust-for-london/>.

⁸² Creative Land Trust: <https://www.creativelandtrust.org/support-studios>.

COMMERCIAL STRATEGIES

Small and legacy business, including creative enterprises, can also benefit from many of the strategies above. Integrating artists into existing facilities, including studios in publicly owned properties, can mitigate displacement. Spaceworks NYC is a nonprofit development organization that offered artists workspace inside of public libraries. Operating within publicly owned buildings enables Spaceworks to offer these studios to artists for approximately 75 percent less than the market rate.⁸³

Adaptive reuse of heritage infrastructure can also produce additional space for creative enterprises. The Pier-2 Art Center, located in southern Taiwan's Kaohsiung City, provides one such example.⁸⁴ In 2000, a group of government authorities and artists successfully transformed an abandoned warehouse complex into an enormous creative park. The Pier-2 Art Center includes a variety of studio and performance spaces and creative businesses, as well as an international artist-in-residence program subsidized by the municipality.

In some instances, legacy businesses are being officially recognized or placed in trusts in recognition of their contribution to the cultural identity of places. Efforts to protect the *bares notables* of Buenos Aires or the Stonewall Inn in New York demonstrate this approach well.⁸⁵

Small businesses benefit from access to flexible, low-cost financing and tailored business support. San Francisco's Mission Cultural District offers this type of community loan fund, called *Fondo Adelante*.⁸⁶ This is the largest such fund for the growth of Latino-owned businesses in the United States. Funds enable creative enterprises to make the necessary investments needed to adapt to a rapidly changing neighborhood.

KEEP CAPITAL CIRCULATING LOCALLY

Cultural districts promote buy-local campaigns and adopt local-hiring and procurement strategies. Through building an ecosystem where tenants thrive as a community, Victoria Yards in Johannesburg presents a uniquely integrated urban cultural complex that is as much about social development as it is a commercial enterprise. One element of this strategy includes providing internships to area youth and prioritizing residents in hiring practices.⁸⁷ East Bank, an emerging cultural and education district located in Queen Elizabeth Olympic Park employs a similar approach to building meaningful opportunities for youth and adults who live in the area. Pilot projects are underway that aim to diversify the creative and culture industries by providing area youth with robust professional development opportunities with world-class institutions located within the district. Youth engage in 6 to 12 month, paid internships that rotate across partner institutions, which include BBC, Victoria and Albert Museum, Sadler's Wells East, University College

⁸³ SpaceWorks NYC: <https://spaceworksnyc.org/>.

⁸⁴ Pier 2 Taiwan: [https://pier-2.khcc.gov.tw/eng/home02.aspx?ID=\\$2001&IDK=2&EXEC=L](https://pier-2.khcc.gov.tw/eng/home02.aspx?ID=$2001&IDK=2&EXEC=L).

⁸⁵ Buenos Aires, Barres Notables: https://turismo.buenosaires.gob.ar/en/article/historic-cafes_-Trust for Public Lands: https://www.tpl.org/blog/national-monument-declared-at-stonewall-inn.

⁸⁶ Fondo Adelante: <https://medasf.org/category/fondo-adelante/>.

⁸⁷ Victoria Yards: <https://www.victoriayards.co.za/>.

London East, and UAL's London College of Fashion. In addition, East Bank organizations are required to hire a percentage of staff locally and encouraged to connect residents to opportunities outside the district as well.

Some cities are investing in their creative workforce to make sure that traditional skills aren't lost. In New Orleans, NewCorp Inc. is reviving the historic buildings and craft traditions prevalent in the 7th Ward while creating economic opportunity. New Corp Inc., along with the New Orleans Master Crafts Guild, offers residents master-craft apprenticeship training and case management support that result in construction certifications and paths to employment. Graduates assist with the rehabilitation of historic residential buildings which NewCorp plans to provide to residents at subsidized prices. This strategy is buoying a significant but waning craft tradition that contributes meaningfully to New Orleans's distinctive architectural character and heritage.⁸⁸

This review also revealed a resurgence of worker cooperatives as a means to promote members' work and increase their profitability. One noteworthy example is Fairbnb.coop, a cooperative that promotes community-powered cultural tourism. The self-proclaimed non-extractive vacation rental platform reinvests 50 percent of its revenues to support local community projects.⁸⁹ Born in 2016 in Venice, membership in the cooperative is growing quickly across Europe in response to rising rents for locals and what some view as the "Airbnb effect", which refers to negative impacts driven largely by real estate speculation.

⁸⁸ Neighborhood Change: https://kresge.org/sites/default/files/library/kresge-white_paper_neighborhood_change_fnl.pdf.

⁸⁹ Fairbnb.coop: <https://fairbnb.coop/>.



Image:
Victoria Yards,
Johannesburg

CASE STUDY VICTORIA YARDS JOHANNESBURG

COMMUNITY WEALTH-BUILDING

Victoria Yards, located in the eastern suburbs of Johannesburg, is grounded in a commitment to developing community capacity and wellbeing as the neighborhood evolves.⁹⁰ Since 2016 the formerly derelict yards have been transformed into a kind of greenhouse to incubate new relationships, ideas, businesses, and shared experiences.

Victoria Yards takes a comprehensive approach that prioritizes collective wellbeing, sustainability, and a culture of active citizenship. Investing in physical aesthetics, residents' personal growth, and a broad mixture of community-serving uses advances this vision. The Yards are now home to diverse tenants, from big and established to young and informal. There is space for creative production and exhibition, as well as training, socializing, and cultivating – quite literally – produce for local consumption.

Sowing seeds of the future wellbeing of the local economy and providing the community with fertile ground in which to thrive is central to the Yards' neighborhood-serving mission. Victoria Yards demonstrates how investments in social infrastructure can enrich and help to sustain other types of development by transforming people's perception of place and their capacity to shape its future.

⁹⁰ Victoria Yards: <https://www.victoriayards.co.za/>.

Community wealth-building aims to attract, retain, and recirculate community capital within a locale. This approach promotes broad-based ownership and anti-displacement of residents, community organizations, and small businesses. Inclusive governance empowers these actors to shape local decisions and engage in civic processes. Workforce development components and preferential hiring and procurement strategies expand economic opportunity for those rooted in place, particularly those with community-serving business models. Cultural districts can advance community wealth-building by advocating for tenant protections, supporting local businesses and investment schemes, and providing space for diverse uses.



Image:
Victoria Yards,
Johannesburg

CLOSING CONSIDERATIONS

This review reveals diverse ways that cultural districts can use value-capture tools to spur investment, create new revenues, and protect and promote local character. While value capture is not a silver bullet, it can close financing gaps by reclaiming a portion of the value generated by public investments, regulatory changes, and shifting demographics. Associated principles and practices can create an enabling environment for the equitable use of these tools.

Value capture is more likely to succeed when considered early in any planning process. Furthermore, the effective use of these tools depends on several factors that cultural districts should consider – ideally at the outset of a project – when identifying which tool(s) might be appropriate. Important issues to be considered include:

- **Equity:** How will this tool benefit residents, small businesses, and cultural organizations?
- **The enabling environment:** Does existing legislation allow for the use of this tool for this purpose?
- **Stakeholder support:** Is there sufficient support from the community? Local government? Developers?
- **Institutional capacity:** Does the required administrative and regulatory expertise currently exist within the institution?
- **Potential revenue yield:** Do the financial benefits of using this tool exceed the associated transaction costs? If so, how stable might the benefits be over time?

Value-capture tools can provide new ways to fund capital investments and operations; however, they differ in the timing of their respective revenue streams. Therefore, take care to align goals, timelines, and tools on a case-by-case basis.

The use of value-capture tools benefits from strong leadership and can require a shift in institutional culture. Due to their innovative nature, these tools do not always appear in the typical toolbox for cultural development. Therefore, integrating these techniques may require an institutional commitment to moving beyond business as usual to trying something new.

The benefits of value-capture strategies can also advance equity objectives through the “beneficiary pays” principle, which can stimulate community participation. Widespread engagement can serve as a robust accountability mechanism, ensuring reinvested benefits help to strengthen the surrounding area. Collaborating with community members on equal footing may also be new for some districts, underscoring the value of strong leadership and clear goals.

Holistic planning should intentionally link public-policy levers to institutional practices that align with community priorities and expressly shared principles. Artist-led processes that draw on local culture can optimize the equitable use of value-capture tools and tactics. This insight suggests that cultural districts can both benefit from these tools and serve as a resource to others who wish to use them in ways that advance redistributive justice.

In the absence of a holistic perspective, value-capture tools can lead to unintended consequences. However, when centered on equity, these mechanisms can foster critical dialogue about who is empowered to shape the places in which we live and who benefits from these changes. Questions like these begin to set the stage for redistribution of public resources and opportunities in ways that can build broad-based community wealth, including the capabilities needed to navigate change successfully.

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.

Research assistance: Carissa Lim Xin Ying



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.

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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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