

# United States Models of Cultural District and Implications for Cultural Planning in Hong Kong

by  
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## Abstract

An increasing number of cities around the world are establishing cultural districts in order to boost the economy and to recognize the cultural values within the community. This research project examines the goals and objectives; recent development; governmental involvement and impact; and recognition from local community about cultural districts. Maryland's Arts and Entertainment Districts are chosen for case studies in order to analyze the establishment and operation of United States cultural districts that involve state leadership and legislation. Through interviews and content analysis, this research aims to draw implications and suggestions to the cultural planning associated with the cultural infrastructure development in Hong Kong in the future. The principles behind the recommendations are also applicable to develop cultural districts in other cities.

## Keywords

cultural district, cultural planning, cultural policy, cultural quarter, Hong Kong, Maryland's Arts and Entertainment District, tax incentives

# Table of Contents

Advisor approval page.....	i
Acknowledgements.....	ii
Curriculum vitae.....	iii
Abstract and keywords.....	iv

## Chapter 1: Introduction and Research Design

Problem Statement.....	1
Conceptual Framework.....	2
Purpose Statement.....	4
Methodology Paradigm.....	5
Role of Researcher.....	5
Research Questions.....	6
Definitions.....	7
Delimitations .....	7
Limitations.....	8
Strategy of Inquiry.....	8
Site selection and Participants Selection.....	10
Data Collection .....	11
Coding and Analysis Procedures.....	12
Strategies for Validating Findings.....	13
Outcome of the Study.....	14

## Chapter 2: Literature Review

Cultural District, Cultural Cluster, and Cultural Quarter.....	15
Nature of Cultural Districts—Cultural Economy and Creative Cities.....	16
Evolution of Cultural Districts.....	18
Goals and Objective of Cultural Districts.....	19
1 <sup>st</sup> Wave of Development of Cultural Districts.....	24
2 <sup>nd</sup> Wave of Development of Cultural Districts.....	27
Government Involvement about Legislation.....	32
Government Assistance about Funding and Partnership.....	34
Taxation.....	35
International Perspectives and Features of Cultural Districts.....	36

## Chapter 3: Case Study of Maryland's Arts and Entertainment Districts

Background of Maryland's Arts and Entertainment District.....	43
State's Incentives.....	46
Responsibility and Management of Local Entity.....	55
Understanding and Cooperation at Local Level.....	59
Conclusion and Implication.....	64

## Chapter 4: Implication to Cultural Planning in Hong Kong

Background and the Cultural Planning and Development in Hong Kong.....	67
The Emergency of West Kowloon Cultural District.....	70
What Does Cultural District Mean to Hong Kong? .....	72
Common Goals of the Government and the Arts Communities.....	76
Financial Implications.....	77

## Chapter 5: Conclusions and Recommendations for Additional Study

Summary.....	79
Further Inquiries.....	82

<b>References.....</b>	<b>86</b>
------------------------	-----------

### **Tables**

Table I: List of Maryland's Arts and Entertainment Districts.....	45
Table II: Economic Impact of Art in the Past Five Years in the State of Maryland.....	48
Table III: The Building Frenzy between 1980 to 1992 in Hong Kong .....	69

### **Appendices**

Appendix A: Conceptual Framework Schematic.....	91
Appendix B: Email from Office for Protection of Human Subjects, UO.....	92
Appendix C: Map of Maryland's Arts and Entertainment Districts.....	93
Appendix D: List of Interviewees.....	94
Appendix E: Income 502AE – Subtraction for Income Derived within an Arts and Entertainment District.....	95

## Chapter 1: Introduction and Research Design

### *Problem Statement*

Within the past decades, there are increasing numbers of states and municipalities establishing cultural districts to stimulate economic development and community revitalization. Scholars are researching the economic impacts and civic participation in such districts. However, as Brooks & Kushner (2001) commented, “Comprehensive data have not been gathered systematically” (p.4). Markusen (2006) also addressed that “Despite the fact that the creative city rubric has the potential to tie urban planning, economic development and arts and cultural policy efforts together.....the theoretical and institutional underpinnings for such a synthetic effort have not been well explored” (p.2). There is limited research on how governmental support and state leadership facilitates the establishment of cultural districts. According to Brooks & Kushner (2001), 90 American cities now have or are planning to establish formal cultural districts. Rye (2008) also indicated that there is a new policy trend that provides state-level leadership for cultural districts development. The increasing numbers of cities develop cultural districts with the aid from the state or local government reveals the importance of having cultural districts as a tool for cultural planning and the associated cultural policies that facilitate the establishment of such zoning.

Following the international trend of cultural districts development, many countries are planning to establish their own, especially in Asia; Hong Kong is one of the examples. In 1998, the Chief Executive proposed to establish a cultural district in order to attract tourists and boost the economy. The Hong Kong government conducted a research to study the usage of existing cultural facilities; held a open concept pan competition; invited developers for construction proposals; and held public consultation (People’s Panel on West Kowloon, 2005). However, due

to the controversy about funding policy, private sector involvement, and role of government, the original plan was on hold and a committee was appointed by the government in order to re-examine and re-confirm the need of the project in 2006. As James To (as cited in Bradsher, 2005) commented, the current plan is undemocratic and was prepared without proper consultation. Within ten years, the area is still left empty without any infrastructure or building. Drawing lessons and implications from the cases in the United States (US), this study is significant because it provides another perspective of how the government can help establish cultural districts and how the governmental involvement affects the establishment of cultural districts. Findings lead to suggestions that are applicable to cultural planning in Hong Kong.

### *Conceptual Framework*

According to Mulcahy (2006), “much of the cultural policy is not just the result of direct financial support but a wide variety of intervention” (p.319). Throsby (2004) also indicated how the cultural industries work and how they contribute to the economy and society is a basis for formulating cultural policy. By examining the factors and elements that determine the success of cultural districts, it helps us to understand what kind of cultural policy can facilitate the establishment of cultural districts. Three analytical components are identified. They are state government, districts leading management, and local communities. (see Appendix A).

As mentioned before, there is a new policy trend that involves state-level leadership for cultural districts development. A government authority plays a crucial role in determining the administration and funding of the cultural districts. According to Brooks & Kushner(2001), “When governments do intervene in cultural districts projects, their participation generally begins at the level of enabling legislation and zoning”(p.8). Rye (2008) also pointed out the importance of the state government to certify districts, provide assistance and offer incentives to

encourage business development. As from the case of Philadelphia's Avenue of the Arts, Mayor Rendell used his power to create network among philanthropic, business, cultural and governmental elites; promote the initiative; and generate political and financial support. It reflects that government involvement helps legislation and the sharing of resources.

Government is also important in providing funding and tax incentive. Roodhouse (2006) indicated that "funding becomes based on a business model, and as a consequence the cultural public sector agency role changes to provide business support in developing this sector just like any other industrial economic activity"(p.19). In the conclusion about the research of the nonprofit sector in Russia, Jakobson, Koushtanina and Rudnik (2000) noted that any federal cultural program can only be effective if a clear framework of the financial activity is established. Funding becomes an unavoidable factor in facilitating the development of cultural districts because the political power exercises a strong effect on the funding and grant to the artist (Kiwani, 2007). In this research, taxation is considered as a public policy that facilitates the operation of the cultural districts directly. Taxation works in two ways. One is tax policy applied to the arts organization that aids the operation of the cultural districts. Another one is tax generated within the cultural districts that increases the city revenue. As in the case of Philadelphia's Avenue of the Arts, Mayor Rendell recognized the initiative that would match his policy agenda of strengthening the city tax base. This led to one of the most important contributions to his cultural district project (Bounds, 2007). Taxation becomes another factor to examine.

In addition, the degree to which levels of government participate in the creative and conceptual work of the districts, in zoning, administration and financing helps to differentiate the active cultural districts projects. Brooks & Kushner (2001) concluded that every successful cultural district has some combination of multi-level government, private business and the

private not-for-profit sector collaborated to institute, finance, and manage it. They also pointed out that many major districts are administrated by private nonprofit organizations. Districts management plays a significant role in coordinating events for the districts, promoting the districts as a whole, and representing the needs of the arts communities within the districts. Their operation models and relationships with different constituencies become part of the success of the cultural districts.

As Bounds (2007) indicated, “the managerial and financial strength of arts organization is a key factor in cultural districts implementation” (p.140). Brooks & Kushner (2001) also suggested that “designated cultural districts tend to operate in an environment that is friendly to arts not for profit” (p.4). Therefore, the nature of the participating arts organizations, the initiative and the process of recruiting theses arts organizations become the factors that affect the development of the cultural districts. Putnam (as cited in Goff & Jenkins, 2006) argued that higher civic participation results in a more effective level of governance. This study explores how the setting up of cultural districts leads to the recognition and operation across the arts communities.

### *Purpose Statement*

The purpose of this research is to explore the governance, support, and community engagement of US cultural districts. I also draw implications and suggestions that assist cultural planning and the establishment of a similar cultural district in Hong Kong. By utilizing comparative case studies, my findings assist Hong Kong policymakers and arts administrators to discover new possibilities for developing the cultural district program and the overall cultural planning in this city. Implication and suggestions help to re-examine how to create a successful cultural district in general.

### *Methodology Paradigm*

This study is descriptive research with a critical social science approach. Descriptive research is “to present a profile to answer a question such as who, when, where and how” (Neuman, 2006, p. 35). This approach fits into this type of research because it is to present a picture on what kind of governance and support have evolved through the establishment of cultural districts and how these policies facilitate the development of the districts. The findings of this research lead to the implications from the US model to the case of Hong Kong and the way in applying them in cultural planning in Hong Kong.

This research assists arts administrators to study the interactive relationship between government, local arts communities, districts managements, and cultural districts in order to advance the arts development in future. This fits in the critical social science approach which “recognizes people are rational decision makers that construct meaning and social structure” (Neuman, 2006, p. 97). The finding of this research is within the network theory context that “emphasis on locations and connections within an interconnected network” (Neuman, 2006, p. 70). To explore the relationship between different components and their influence, an interconnected web linking different influences in the current cultural districts is drawn.

### *Role of Researcher*

During the research process, data might be filtered through my lens with personal and professional biases. In the past ten years, the idea and image of West Kowloon Cultural District appeared in my daily life and professional environment. I may possess a perception that a formal cultural district should be similar to the West Kowloon Cultural Project that is a designated area funded and managed by the government in order to build new performing arts centers, museums, residential buildings, and commercial properties. In addition, I was a arts administrator who

directly engaged with government funding and cultural policy. I may limit myself in viewing the possibilities and the bigger picture of cultural planning in general. However, I work as an outsider when investigating the US model and I work in a macro level to explore the inter-relationship between different factors. Ongoing literature reviews and official documents of the current cultural districts- e.g. government reports, statistic surveys, and political statements- help avoiding any bias. I position myself with an etic perspective such to generate the most comprehensive findings.

### *Research Questions*

The main research question is what kind of governance or support can successfully facilitate the development of cultural districts in the selected sites in the US? What are the implications to cultural planning in Hong Kong?

Following this, there are sub questions including:

- What are the roles of state and local governments in setting policy and support that facilitates the establishment of cultural districts?
- What is the relationship between state government, local entities and the arts communities within the districts?
- To what extent do the governmental aids affect the establishment of cultural districts?
- To what extent do the arts communities recognize the governmental support within the cultural districts?
- How does the establishment of cultural districts benefit the arts business within the cultural districts?
- Do US governance models related to cultural districts have policy implications for the establishment of similar districts in Hong Kong?

### *Definitions*

In this research, certain terms are defined in the following ways in order to answer the research questions. **Cultural district** means the same as cultural quarter. It is defined as a well-recognized, labeled, mixed use area of a geographical area of a town or city which acts as a focus for cultural and artistic activities through the presence of high concentration of cultural facilities, arts organizations, individual artists, and arts-based businesses. A cultural district creates a sense of identity and serves as the anchor of attraction (Brooks & Kushner, 2001; Bounds, 2007; Americans for the Arts, 2009). **Cultural policy** is defined as the approaches to make culture a key element of development from the role of combating marginalization, to the contribution of cultural industries to employment and economic development (International Network to Cultural Policy, 2008).

### *Delimitations*

This research is delimited through selecting governmental aids as the only variable factor in examining the establishment of cultural districts. This delimitation excludes the influence from other variables, e.g. current economic situation, historic cultural identity, and the existing model of public affair. In addition, the sites selection are delimited into four cultural districts within Maryland, which possess relatively large governmental aids that may be closer to the situation and background as the West Kowloon Cultural District in Hong Kong. The choice of critical social science methodology also delimits the research into a scope that is only to explore the relationship among different constituencies in the US model of cultural districts.

### *Limitations*

A potential limitation of this research is the generalizability. There are different types of cultural districts in US. Limited to the case study of four cultural districts, the implications discovered in this study may not be applicable to other cultural districts and there is a potential weakness of trying to generalize the findings as the result of all cultural districts in general. Working as an outsider to investigate the US model of cultural districts, I am using my own lens to interpret the text and to conduct the qualitative analysis. In addition, time is another limitation. This research is conducted during the peak season for the tax return. Some government officers were not available for interview or to provide any detail data. I was confined to completing this research within a set amount of time. This limited the depth of data that I was able to collect.

### *Strategy of Inquiry*

This research adopts descriptive research approach through the strategies of case study, historical inquiry and content analysis.

As explained by Neuman (2006), “historical-comparative research is suited for examining the combinations of social factors that produce a specific outcome (p.420).” By analyzing qualitative data, -such as government documents and online materials- a distinct historical comparative approach is applied. This approach combines the specific historical context of the orientation and the current interpretation of the districts.

Secondly, this research applies the technique of case study. As suggested by Geva-May (2005), policy tends to focus on processes that result in certain outcomes. This encourages a case study methodology in this research because policy formulation and implementation processes are usually rooted in complex systems. Yin (as cited in Geva-May, 2005) suggested three conditions which determine the use of case study approach over other approaches. The first condition is the

type of question being posted. Since this research addresses the question of how the governance and support help the establishment of the selected cultural districts, the “how” questions determine the use of the case study approach. The second condition is about the degree of control an investigator has over actual behavioral events. This research deals with complexity and density about the development of cultural districts over time. Case study approach could benefit this research the most when compared different cultural districts. Thirdly, the uniqueness of each cultural district defines the use of case study as well. With this strategy of inquiry, an in-depth examination, which helps construct a relationship between the government, districts managements, and local arts communities, is allowed.

Finally, in order to draw implications from the selected cultural districts, extensive literature review is required. Literature reviews help me to understand the history, background, goals of cultural districts. It also synthesizes the international perspectives regarding the cultural districts development around the world. This allows me to generate a strong literature base in interpreting and analyzing the data and to conclude an arguable implication as the final finding.

In addition, I conduct interviews with professionals and government officers in order to acquire data and objective responses. By adopting critical social science, the content of the interviews are analyzed in critical way in order to verify its accuracy.

### *Site Selection*

This research explores the governmental aid and support in the US cultural districts that can draw implication to cultural planning in Hong Kong. Sites are selected according to the level of government involvement, varieties of tax incentive, and support available in the districts. As identified by Rye (2008), eight states adopt the new policy trend that provides state-level leadership for cultural districts development. Each of them provides certain tax incentives and governmental support. The state of Maryland is selected because it provides the most tax incentives within its Arts and Entertainment District. The stronger government involvement and support is more comparable to the situation in Hong Kong. While Maryland is identified as a core subject for study, analysis is conducted across four different cultural districts in this state in order to discover the various inter-relationships among the government, district managements, and local arts communities, based on the same tax incentives provided by the state government.

### *Participant Selection*

Participants in this study were selected according to the nature of their professions. Types of interviewees include (1) executive directors or similar position of arts organizations that participate in the districts, (2) representatives of the districts management, (3) state government officers who are responsible for cultural district development and taxation, and (4) representative from the county arts council. Altogether, fourteen interviews are conducted in either email or phone format. Interviewees included eight representatives from the arts organizations, three representatives from the districts management, the Deputy Director of Maryland State Arts Council, a Tax Consultant of Comptroller of Maryland, and the ex-CEO of Montgomery Arts and Humanities Council.

### *Data Collection*

This research seeks to collect existing statistic data and government figure as a way of quantitative method. However, it is confirmed by the state arts council that there is no formal statistic conducted specifically regarding the impact and beneficiary of the cultural districts. Although the comptroller office may have data about the tax benefit given to the participants in the cultural districts, it is told that there is no such information available. Without quantitative data, this research relies on the qualitative analysis that includes interview and fact information found online.

### *Qualitative method.*

Interviews and content analysis take place as a qualitative research method. To accomplish the purpose of critical social science, which assumes reality has three layers including the empirical, the real and the actual (Neuman, 2006, p.96), interviews were conducted with professionals and experts who are working in the cultural districts in order to gather information about the structure in the real level. Interviews were conducted in a way to discover the relationship between different constituencies within the districts. There are different understandings about the Maryland's Arts and Entertainment District. Through careful examination and analysis during the interview, I discovered various perspectives regarding the goals and objective of the cultural districts and discovered that there is information disconnection between state and local levels. Content analysis allows me to treat documents and as cultural objects that communicate social meaning (Neuman, 2006, p.323). Considering what kinds of message are communicated through the documents, they provided me with a basic understanding of the level of information disclosed by the government.

In order to have a consistent format to conduct the interview and collect data, a set of data collection instruments were prepared. A consistent list of questions is prepared for the same type of interviewees about their effort made to participate in the cultural districts, the benefit gained as a result of the tax policy, and the viewpoint of the relationships between different constituencies within the districts. Further inquiries were made according to the data gathered in order to fill the gap of knowledge and to have a fully understanding of their relationship.

#### *Coding and Analysis Procedures*

Since this research is divided into two parts, the first part is the case study of the US models of cultural districts and the other part is the implication drawn from the US model to the application of cultural planning in Hong Kong, different coding schemes and filing were applied. The first set of coding scheme is decided according to the content of the materials. It was set according to their relevance to the conceptual framework. They are (1) incentives provided by the state government, (2) perspective from the districts management, and (3) responses from the local arts communities. Another set of coding system is applied to the materials related to the case of Hong Kong. They are divided into three codes according to the stage of development, which are (1) the history about the cultural infrastructure in Hong Kong, (2) the back ground and current development of the West Kowloon Cultural District in Hong Kong, and (3) the supporting information for any suggestions and implications. Through these coding, data and implications are more organized for analysis.

### *Strategies for Validating Findings*

In order to establish the validity and credibility of this research, several techniques are applied. They are triangulation of research methods, persistent observation, and negative case analysis. Through the triangulation of research method, credibility is established because all cultural districts reports came from the open source, e.g. online materials or government department, which is trustable and available to the public. The research is carried out by formal procedures with consistent questions and interview recordings. Through the interview, I positions myself as an outsider and ensures the whole process is under control without any bias.

This research is conducted with the case study approach. Although only four selected sites are studied, I have a persistent observation of the cultural districts development with the aid of national documents and guidelines about the cultural districts planning. By comparing the similarities and differences between the selected sites and the national guideline, I can observe any finding which is unexpected.

There are different assumptions proposed at the beginning of the research. Through understanding the position and situation faced by the interviewee, I applied different angles and perspectives for the analysis. This helps to disconfirm the evidence and allows room for changes and improvement.

### *Outcome of Study*

Through this master research project, two main outcomes were produced. One is the result of the case study about the governance, support, and community engagement in the US cultural districts. Another one is the implication from the US model to cultural planning associated with the cultural district development in Hong Kong. The first outcome is presented as a network linking different components and the cultural districts. This research benefits participants to the extent of reviewing the inter-relationship within the districts and knowing the current development of the cultural districts. It helps policymakers to think about the best way in supporting the cultural districts development in their region. It also initiated arts administrators to enquiry and to participate in the cultural district from different angles. The operation of the cultural districts reveals the impact of governmental support and cultural policy in the society

Secondly, the implications drawn from the US model benefits the future arts development in Hong Kong. This research brings a foundation for the public to have a basic understanding of the evaluation of cultural districts around the world and the current practices that are used in the US cultural districts. It points out the successful and unsuccessful element about the implementation of the cultural districts. This forms valuable lessons for other cities in considering cultural districts. External advice and suggestions helps the arts administrators to think outside the box apart from the existing operation model. Some principal suggestions are made in order to create possibilities for cultural planning in Hong Kong in the future.

## Chapter 2: Literature Review

The purpose of this research is to explore the governance, support, and community engagement of the US cultural districts and to draw implications and suggestions that may assist cultural planning and the establishment of a similar cultural district in Hong Kong. This literature review supports my research purpose by defining cultural districts and their relationships between cultural economy and creative cities. This chapter describes the evolution of cultural districts; distinguishes the first and second wave of cultural districts developing; discusses key aspects that aids in the districts' sustainability; depicts the government involvement in legislation, taxation, and financial support; and reviews the international studies about cultural districts.

### *Cultural District, Cultural Cluster and Cultural Quarter*

“Cultural district” is sometimes referred to “Cultural Cluster” or “Cultural Quarter”. These terms are used interchangeably. Cinti (2008, as cited in Cooke & Lazzeretti, p.71) explains that basically there is no terminological difference between “Cultural District” and “Cultural Cluster”. The term “Cultural District” is mostly found in the US and Italy, while the rest of Europe tends to use the term ‘Cultural Cluster’. This difference might be because Americans tend to name their cities as ‘district’ to increase the recognition and identity of some urban areas and the term “district” in Italy is derived from economic-industrial studies, that is the concept of industrial district. However, according to Galligan (2008, p.130), cultural district is more often known as ‘Cultural Quarter’ in the United Kingdom. Some scholarly works also proved that “Cultural Quarter” is more commonly used in European countries (Hitters and Richards, 2002; Mommaas, 2004; Roodhouse, 2006).

Although “Cultural District”, ‘Cultural Cluster’, and ‘Cultural Quarter’ all indiscriminately describe a well-identified and labeled city area where high concentration of

culture stimulates the presence of concurrent service and activities, there is a substantial difference between ‘Cultural District’ and ‘Cultural Quarters’. (Cinti, 2008, p.71). ‘Cultural Quarter’ has a commercial dimension, being mainly intended for tourist consumption and entertainment, while ‘Cultural District’ has an artistic dimension, being aimed at the production and export of cultural goods and activities. Because of the different context about cultural districts, some scholars simply avoid the concept altogether. Other descriptions such as ‘classic Marshallian industrial district’ (Cinti, 2008) or ‘clusters of creative industries’ (Smith, 2007) are found in the literature. In conclusion, ‘Cultural District’ or ‘Cultural Quarter’ is used more often to refer an area that is recognized for its high concentration of cultural and entertainment facilities in a city or town (Smith, 2007)

This literature review focuses on the development and function of cultural districts in the US. To be consistent, ‘Cultural District’ will be used throughout the following sections unless it is a direct quotation or speaks to the European perspective.

#### *Nature of Cultural Districts --Cultural Economy & Creative Cities*

According to Santagata (2004), ‘cultural districts are defined by the production of idiosyncratic goods based on creativity and intellectual property. Cultural industries draw their inspiration from some cultural link with their original local community and translate creativity into culture, and culture into valuable economic goods and service’ (p.7). It is important to realize that the difference between creativity and culture leads to two types of modes: cultural economy and creative industries. Cooke and Lazzeretti (2008) identify cultural economy and creative industries as distinctive modes of production, institutional bases, and aesthetic content. Cultural economy alone does not have enough competitive power to exist if it is operated under the free market without support. It is usually sponsored by industry or subsidized by the state. If

the cultural economy is seen as a public good, states are more likely to subsidize. For example, ticket revenue of museum or symphony orchestra is alone seldom sufficient to cover all overhead and expense. Therefore, the cultural part of the economy has an aesthetic status that is fully or partly paid for from taxation. Creative industries are usually covered by a wide range of creative activities initiated by new media. Computer gaming or downloading music or images on a cellphone or iPod are examples of creative industries. They make money. Sometimes they even induce re-regulation on copyright law. This illustrates the difference between cultural production, the core element of cultural economy, and that of the production of creative content, the activity of creative industries (Cooke and Lazzeretti, 2008).

Therefore, when cultural industries within the cultural districts translate creativity into culture, and culture into valuable economic goods and service (Santagata, 2004), they are demonstrating the engagement and interaction between cultural economy and creative industries. Wyszomirski (2007) describes how local arts interests have taken the lead in pursuing the link between the arts, creative cities, the creative class, the creative economy, and community development. Cooke and Lazzeretti (2008) also recognize that creative cities usually combine the cultural economy and the creative industries even occupying different “quarters”.

Cooke and Lazzeretti (2008, p.4) believe that artistic labor and discourse are subject to the same solution of proximity. A career in arts and culture industries is more demanding than engineering and even science, because of its mix of relative impoverishment, freelance living, and the desire for peer recognition. Therefore, cluster is a *sine qua non* of both cultural economy and creative industries.

### *Evolution of Cultural Districts*

During the 1980s, cultural sectors in the US were “discovered” as a means of economic development (Hitters and Richard, 2002). Zukin (1995) showed that there had been a 34 percent increase in the employment of creative artists in three major US cities of New York, Los Angeles, and Chicago between 19880 and 1990. The increase grew from 202,000 in 1980 to 270,000 in 1990, a phenomenon that accelerated into the late 1990s. Given that there is a widely accepted cultural industries multiplier of around 2.0, which is suggested by Myerscough (1988), Zukin’s estimation would translate into an overall ascribable ten-year increase of 136,000 in the core cultural industries employment (Myerscough, 1988). Such growth of artistic and cultural activities incorporates a great variety of leisure and/ or entertainment elements: from bars, restaurants and cultural retail spaces to health and fitness complexes (Mommaas, 2004). This forms a basic foundation for the evolution of cultural districts.

Nowadays, there is an increasing competition in the global urban field. Globalization leads to a continuous scaling-up of markets and the increasing growth of trans-national financial and economic networks (Hitters and Richards, 2002). The fading of national cultural identities, increasing geographical mobility, worldwide migration, ethnic hybridization, and apparent cultural homogenization, as identified by Zukin (1995), encourages the revival of local autonomies with their own characteristics (Hitters and Richards, 2002). Creativity is being used as a tool for urban development and to create competitive advantage through developing innovation. Clusters of creative enterprises can therefore produce the conditions necessary for a milieu of innovation to develop a bridge between global and local flows (Hitters and Richards, 2002).

The nature of the creative industries themselves also tends to stimulate clustering. The intensive labor cost in most of the cultural production makes it more difficult to achieve significant economic of scale in the creative significant (Heilbrun and Gray, 1993). Economic advantage tends to be generated in culture through spatial proximity of producers, sharing of production facilities, and collaborative marketing (Hitters and Richards, 2002). When enough individual elements interact and organize themselves, the result is collective intelligence – even though no one is in charge. It is a phenomenon that exists at every level of experience. Clusters are at the core of the theory of self-organization. (Cooke and Lazzeretti, 2008, p.3). This explains why cultural districts have evolved substantially.

#### *Goals and Objective of Cultural Districts*

Arts and cultural districts have gained recognition as important policy tools for cities and towns in achieving specific policy goals. “A policy tool is an instrument or plan of action undertaken by a municipality in achieving social, economic, political, or aesthetic goals with clearly delineated outcomes in minds” (Galligan, 2008, p.129). As Cooke (2008) asked, who and what is cultural development of cities for? Does culture have a direct effect upon the happiness of citizen who may consume more “culture”? Or is culture primarily an economic service that creates routines service jobs while the city acts as a kind of international host to tourists whose expenditure fuels the labor market? This research seeks to answer these questions and identify typical roles of cultural districts in the US. Many scholars identify different goals and purposes of cultural districts and the role that arts and culture play in society. Generally, cultural districts are recognized for stimulating urban economy, acting as a policy tool for urban-cultural planning and urban revitalization, and promoting cultural tourism.

*Urban economy.*

Cultural clusters are important in stimulating the development of creativity; while creativity plays an increasing strategic role in the urban economy (Mommaas, 2000). Cultural districts are designed to stimulate creative activities, economic development, and physical development (Hitters and Richards, 2002). Many creative industries incorporate industries and trades that rely on imaginative creation and cultural innovation. These industries include film, literature and publishing, theatre, recorded music, concerts and performance, fashion, architecture, visual arts, crafts, museums and galleries (Mommaas, 2000). Through channels of production, distribution and consumption of symbolic goods, these creative industries operate through a specific spatial logic that linked to the mutual dependency of culture and city. Therefore, creative industries become the central assets of the contemporary urban economy and the social fabric of the city (Porter, 1998 and Scott, 2000).

One of the most widely accepted tools to prove the economic value of arts are economic impact studies. Hundreds of local arts institutions, arts council, and service organizations conduct economic impact studies to demonstrate the economic importance of the jobs, wages, and taxes generated by artistic activity in their regions. “Such studies were conceived by the arts sector as a way to qualify its role as a valid and important producer and consumer of taxable products and services that cumulatively would be a significant contribution to the local economy” (Stewart, 2008, p.115). *Arts & Economic Prosperity III* (Americans for the Arts, 2007) reveals that the nonprofit arts industry produces \$166.2 billion in economic activity every year, resulting in \$29.6 billion in federal, state, and local tax revenues. In addition, arts organizations generate 5.7 million full-time equivalent jobs and \$104.2 billion in resident household income (Americans for the Arts, 2007). Florida (2002) even claimed that 30 percent of US labor belongs

to creative class. This represents the economic value generated by the creative industries.

Therefore, cultural districts become a magnet for creative industries that foster the development of cultural facilities in urban environment. The arts also stimulate economic development and act as source of employment (Hitter and Richards, 2002)

*Urban-cultural planning and urban revitalization.*

The high concentration of artists and cultural activities in cultural districts makes them a model of artist-central developments. Such models are recognized as one of the most prominent arts-based revitalization initiatives (Stewart, 2008, p.115). When we emphasize the qualitative values unique to the creative process, the arts are actually embedded in a larger strategic vision and can play a central role in a city's revitalization plan (Stewart, 2008). Arts can also generate social capital and public goods. Therefore, cultural districts are appeal to citizens and outsiders and bring in a new beginning for distressed and abandoned urban centers (Stewart, 2008, p.119).

Many scholars recognize that arts and culture is no just about high arts. It encompasses a wide variety of arts forms. In the 21<sup>st</sup> century, arts and culture has become a tool for urban revival. Culture is used to rebuild cities through revitalizing the urban grass-roots, its neighborhoods, and their residents. Arts and culture is more active and polyglot. They carry the social role to bind neighbor and community together. Social networks created through artistic activities translate cultural vitality into economic dynamism (Stern and Seifert, 2007). A case study about downtown Philadelphia, conducted by Stern and Seifert (2007), shows that a higher concentration of cultural assets leads to stronger neighborhood revitalization. A statistical technique, known as cluster analysis, ranks the city's housing market into six categories. Over a two-year period, there was a rapid improvement in the city's housing market in downtown Philadelphia. Most of the block group jumped upwards for about 1-2 categories. Combining such

neighborhood change with the cultural assets index, eighty-three percent of all block groups that improved are within the cultural district. This study suggests a strong relationship between cultural assets and neighborhood revitalization.

Artists and art business do have the ability to transform an urban area and its neighborhoods (Stewart, 2008), especially when the cultural economy evolved. Taking Manchester, Britain as an example, after it adopted a night-time economy policy that is to place activities, e.g. film, sports, dance, television and theatre, in former warehouse or redundant industrial buildings, there was a significant increase in the turnover of restaurants, clubs, bars, and taxi firms. Along with this turnover, an important finding was the 43 percent decline in city-center arrest compared with the period to the adoption of the policy! Manchester had become a more civilized city as its economic potential expands (Bianchini, as cited in Cooke, 2008, p.28). It suggests that arts and cultural activities can help civilizing a city and aiding the economic development.

Cities usually utilize arts and culture to cast off the post-industrial image of their downtowns or central area as gritty, dangerous, and inhospitable. Artists are the one who usually pioneer the inner city as well. However, they are always driven out by gentrification after a certain period. When an area is revitalized by arts and culture, it attracts business and the property value increases to a level that artists cannot afford to live there anymore. Cultural districts have proven to be a counterbalance to unregulated gentrification because they provide place for art making done outside of institution and sustain their operation as small business within the districts (Stewart, 2008). Therefore, cultural districts can form a more sustainable living environment for artist and as a policy tool in urban revitalizing.

“Cultural clustering strategies represent a next stage in the on-going use of culture and the arts as urban regeneration resources” (Mommaas, 2004). Cultural districts can encourage innovation, attract investment, and stimulate productivity of the creative sector. They carry social roles like other forms of civic engagement and strengthen relationship among local neighborhoods. Enhancing involvement in community life, cultural districts foster connections across neighborhoods and social groups. (Stern and Seifert, 2007). “cultural district can unite disparate parts of a city into a cohesive whole” (Galligan, 2008, p.130)

#### *Cultural tourism.*

Cultural districts form a marketable tourist destination that can highlight the identity of communities in a city (Rye, 2008). After the decolonization of Western empires, high culture is not superior to the culture of the masses. More emphasis is placed on issues of cultural diversity, expression of identity and hybridization (Smith, 2003). As Lippard (1990) suggests, “culture is perceived as arts associated with our daily life.” When costume, food, social customs, living habits, and decorations are recognized as part of the culture, the variety arts and cultural activities can become a tourism product (Smith, 2003). With the increasing demand for cultural activities in the visitor experience, cultural district become an attractive destination for cultural, recreational and business travelers (Smith, 2003 and Rye, 2008).

Cultural tourism generates more expenditure than normal tourist activity. It is associated with 60 percent more revenues on secondary economic activity, such as hotels and restaurants (Cooke, 1992). Culture, as a form of civic engagement, can strengthen connections across social groups and enhance people’s involvement in community life (Stern and Seifert, 2007). As a result, cultural districts encourage tourist to stay and spend money in local economy (Smith, 2003). Zeppel and Hall (1991, p.29) state;

In commercial terms, the arts revitalize the tourism product, sharpen its market appeal, give new meaning to national character, and permit much tighter sales and promotional efforts. Simply stated, the arts, as an element of tourism, improve the product and strength its appeal, making tourism saleable

In return, tourism generates substantial revenue in terms of attendance figures and ticket sales of cultural activities, broaden arts market, and raise the profile of less-known events for commercial sponsorship (Smith, 2003). More often, cultural districts encourage visitors from within the state, outside the state, and even international countries (Rye, 2008).

In recent years, cultural tourism professionals have embraced a public sector identity. The government sponsors many projects in cultural tourism. At the same time, the context of cultural tourism is more private and focuses on treating the host cultures in equitable ways such to reduce the negative impact of increasing tourism in a region (Walle, 1998). Cultural districts form an ideal destination to host such cultural tourism. While government is involved in assisting the overall establishment of cultural districts, the arts industry within the districts can engage in cultural tourism that is conducted in a private way that is a one to one basic.

### *1<sup>st</sup> Wave of the Development of Cultural Districts*

Beginning in the twentieth century, there has been a proliferation of cultural districts in the US (Wyszomirski and Lawson, 2008). The creation and nourishment of cultural clusters has been increasingly taken up as a new alternative source for urban cultural development in the past 10-15 years (Mommaas, 2004). Cultural districts serve as a catalyst in revitalizing urban landscape and reinvigorating local economics (Galligan, 2008). According to the first generally accepted definition of cultural districts, “cultural district is a well-recognized, labeled, mix-use area of a city in which a high concentration of cultural facilities serves as the anchor of attraction” (Frost-Krumpf, 1998). In this stage, cultural infrastructure and arts organizations are the important elements of a cultural districts.

Hilary Frost Krumpf (1998) was among the first few scholars who analyze the cultural districts development in the US. She examined 24 designated cultural districts and identified five types of cultural districts. They are cultural compound, major arts institution-focused districts, arts and entertainment focused districts, downtown-focused districts, and cultural production-focused districts.

Cultural compounds were the earliest form of cultural districts found in the US (Wyszomirski and Lawson, 2008). They represent a group of cultural institutions that together create a whole cultural area (Galligan, 2008). Typical examples are Kennedy Center in Washington DC and Lincoln Center in New York City. These cultural compounds are usually located away from the central business districts. But continuous development would lead to more business and residential activities to fill in around that area over time. Usually, cultural compounds are self-contained and geographically concentrated (Wyszomirski and Lawson, 2008). But after 1970s, this type of “cultural fortress” is no longer used as a policy tool in many urban cities. They are still available in smaller urban or suburban area to host touring performance around the country. Native Americas also develop for-profit cultural compounds that are associated with golf courses, casinos, concert halls and shops (Galligan, 2008).

Major arts institution-focused districts are based on large cultural entities. They comprise museums, opera houses and symphonies that represent the civic pride and economic prosperity (Galligan, 2008). Usually, they are located near the central business districts. However, due to demographic changes, these districts experience waves of vitality, neglect and revitalization because business and residents may migrate to suburban areas and audiences move away. Commercial and social activities have declined because of this type of migration. As a result, many cities reexamined their urban planning and arts patronage strategies to attract audience

from a wider and more diversified base. One of the examples of such districts is the Ford and National Theatre in Washington DC (Wyszomirski and Lawson, 2008).

Arts and entertainment focused districts emphasize popular culture targeting younger audiences. There is a mix of nonprofit and commercial cultural activities in the downtown area. Such districts are usually close to the central business area. They are promoted as tourist destinations such to draw people in neighborhood location back to the districts area (Wyszomirski and Lawson, 2008). Patrons are provided with wide range of entertainment choices in a safe, less formal and popular environment (Galligna, 2008). Arts and entertainment focused districts become a popular and successful policy tool to revitalize the city.

Downtown-focused districts highlight the ability to bring artists, workers and tourists to downtown area. Attractive focal points like waterfront areas, arts events, festivals and historic building are usually the strategies in bringing people and revitalizing the area. Downtown focused districts are usually integrated with other type of districts. The key concept of the districts is to entice people about the readiness of dining, entertainment, and shopping in the downtown area within a safe setting and convenient location. Due to the emergence of mega-entertainment complexes and mall, some cities used downtown districts as a way to attract visitor and traffic for the vacant center cities and empty main streets. These cities incorporate the federal Main Street Program into their urban planning of downtown-focused districts (Galligan, 2008).

Cultural production-focused districts emphasize the production process of arts and crafts. They describe an area where clusters of studios are formed by different artists. Usually, patrons can shop and view the creation process that is demonstrated by the artist (Galligan, 2008). Such types of cultural districts attract individual artists to combine their small art-oriented business into their artist work space. Many of them host their business in the abandoned mills, factories,

or warehouse to revive these industrial building (Wyszomirski and Lawson, 2008). Typical example is the Torpedo Factory outside Washington, DC. Staff and volunteer manage the building and organize activities like Art Night and gallery presentation (Galligan, 2008; Torpedo Factory Art Center, n.d.).

The first wave of the development of cultural districts represents those that focus on cultural facilities with a purpose of urban revitalization. Most of them are presumed to be the single, multi-disciplinary, high arts-focused districts with considerable size (Wyszomirski and Lawson, 2008).

### *2<sup>nd</sup> Wave of Development of Cultural Districts*

The second wave of cultural districts development has two aspects. The first being that state governments are more involved in the establishment of cultural districts by designating zones and districts with state-level leadership and policy as a support. State authorities certify the districts and provide tax incentive for their development. Eight states have adopted legislation to be the statewide cultural districts development authority for the establishment of 58 local districts. They are Indiana, Iowa, Louisiana, New Mexico, Rhode Island, Texas and West Virginia. Four more states, Illinois, Michigan, New York, and Pennsylvania are considering statewide policy and legislation for the establishment of cultural districts (Rye, 2008).

Another aspect of development regards the content of the cultural districts. While the first wave of cultural districts development focused on cultural facilities and urban revitalization, the second wave of cultural districts development focus on the individual artist, small art business, and heritage aspect of the cultural districts (Wyszomirski and Lawson, 2008). Galligan (2008) suggests that many cities expand the scope of cultural districts from an arts organization-based model to include live/ work spaces of artists and small arts business as part of their urban

revitalization strategies. Although many second wave cultural districts have cultural facilities and arts institutions within the boundaries, they put more emphasis on individual artists, creativity, and small art businesses (Galligan, 2008). This change is supported by the Americans for the Arts (AFTA). Their updated definition of cultural districts as “geographic areas of a city where there is a high concentration of cultural facilities, arts organizations, individual artists and arts-based businesses. They are mixed-use developments that incorporate other facilities such as office complexes, restaurants, retail spaces, and occasionally residential areas” (Americans for the Arts, 2009). This definition gives a more diverse and broader perspective to interpret cultural districts.

*Historical background of 2<sup>nd</sup> wave development.*

Such changes can be tracked from the beginning of 1990s. Many postindustrial cities found that their manufacturing industries declined at the time. Many industrial spaces were empty with no potential tenants. To fill these spaces, cities offered low rent to artist as a short-term tenants. At the same time, tax strategies, such as property tax credit, had been developed in order to develop the spaces and secure long-term tenants (Galligan, 2008). As illustrated before, the arts have the power to rebuild cities and revitalize the neighborhoods. However, very often is that artists are driven out by escalating real estate prices and property taxes when the property values are improved (Stewart, 2008). To change such situation, cities are driven to designate a cultural district formally in an arts-friendly way. Such strategies secure the survival of artists and also reforms the industrial areas (Galligan, 2008).

Another driving force of the new type of cultural districts is related to the work of economist Richard Florida. Florida (2002) emphasizes the economic role of arts business and places it as equal as their traditional aesthetic and social role. This new thinking awakened city

planners and policy makers. Cultural districts are developed with a new viewpoint towards individual artists rather than institutions (Galligan, 2008).

We can view the second wave of cultural districts development as the result from the cultural production-focus districts that are identified in the first wave of development. Frost-Kumpf (1998) recognized that creative process and studio spaces are the emphasis in the cultural production-focused districts. The second wave of cultural districts expands the scope of the studio and includes it as a live/ work space for artists. Another perspective to understanding the characteristic of the second wave of cultural districts is suggested in Wyszomirski and Lawson (2008). Instead of considering the cultural infrastructure within the area, they focus more on the nature and function of the cultural districts. Three categories are defined: facilities-oriented districts, heritage and natural cultural districts, and cultural production and creative industries.

*Different type of cultural districts.*

Facilities-oriented districts basically includes all types of cultural districts identified in the first wave of development, except the cultural production-focused districts. The facilities-oriented districts consists of group of cultural institutions, e.g. performing arts center, galleries, concert hall, movie theatre, etc. These districts carry a social responsibility in urban development and revitalization (Wyszomirski and Lawson, 2008)

Heritage and natural cultural districts consist of high concentration of community cultural heritage, non-institutional cultural identity, or significant historical value. This type of districts seeks to preserve a distinctive built heritage and usually forms “naturally” in communities. Such districts exhibit a density of grass-root cultural assets without government intervention. Folk and ethnic cultures usually reflect the residential settlement patterns. This type of cultural districts tends to strengthen social network and cultural participation rather than promoting economic

development. Such designations qualify for various regulatory protections and preservation funding. Artists are encouraged to be social entrepreneurs (Wyszomirski and Lawson, 2008). From Stern and Seifert's study (2007) about Philadelphia neighborhoods, a strong connection is recorded between social diversity and arts. "Natural" cultural districts demonstrate the ethnic diversity, economic diversity, and ethnic diversity (Stern and Seifert, 2007). German village in Columbus, Ohio is an example of heritage and natural cultural districts. There is a high concentration of Germans immigrated to Columbus in the 1800s. They form their own community and preserve their identifiable architectural style and locally owned restaurant (Wyszomirski and Lawson, 2008).

The third type of cultural districts emphasizes cultural production and creative industries. It focuses on artists' working space and housing demand. The redeveloped facilities, such as artist studios and rehearsal spaces, not only provide spaces for artists, but also a collective learning environment where artist can interact with each other. Within this type of cultural districts, open studios support the artists who operates small art-oriented businesses (Wyszomirski and Lawson, 2008). Artists can be recognized as both consumer and producer of the cultural districts. They are consuming the studio and working spaces provided by some property owners who enjoy special tax break in the districts. At the same time, they are providing cultural products and be the artworks producer. Galligan (2008), Rye (2008) and Wyszomirski and Lawson (2008) identify that tax credits and incentives are used to develop such live/ work cultural production districts. By giving income or sale tax breaks to artist who live and work in the districts, artists are encouraged to move to the designated area (Galligan, 2008). Sometime, artists are even the actual developers. Partnership between the city and locally owned bank help create financial foundation that provides resource and incentive for artists to purchase and invest

in homes that will become their long-term live/ work space. Professional consultants and technology assistance are provided on landscaping plan and artworks marketing (Wyszomirski and Lawson, 2008).

*Different management and operation system.*

The management of second wave cultural districts is more complicated than the first one. The relationship between cities and arts is evolved from a traditional patronage mode, which is a mix of private and public support. It then emphasizes more about the economic benefit derived from the arts. Now, it is going into a third phase that cities keep developing cultural districts to attract individual artists and arts business for urban renewal and vitality. The interesting phenomenon is that all three models are used in tandem. Government keeps their finance support to the arts. Continuous economic impact studies are conducted by the city. Artists are recognized as social entrepreneur and arts are operated as small business while traditional nonprofit arts organization are playing important role in the society (Galligan, 2008).

Unlike the first wave cultural districts in which cultural institutes have specifically designed infrastructure and standalone finance, second wave cultural districts involve different level of cultural entities, such as for profit arts business and individual artists. The management structures of the second wave cultural districts involve a variety of different department, such as city planning, cultural affairs, and economic development (Galligan, 2008). Since the second wave cultural districts has shifted away from cultural institutions and toward individual creativity, cultural sustainability should be considered starting from the individual artists, not the bureaucratic infrastructures (Roodhouse, 2006). Technology and social network become more important when arts are refined as small businesses (Galligan, 2008). Artists need to be entrepreneurs to manage their own business and market their product (Grefe, 2002). They are

now part of local, national, and global economy. Digital networks facilitates the distribution the arts product, while the physical locations of the cultural districts facilitate the creative process and the interaction between artists, especially artists need the outside stimulus and projects to enrich their creativity. Therefore, in the second wave of cultural districts, cultural compounds and individual creativity both exist. This forms the organizing principle of the second wave cultural districts (Galligan, 2008).

#### *Government Involvement about Legislation*

Government authority plays a crucial role in determining the structure and system of the cultural districts. “When governments do intervene in cultural district projects, their participation generally begins at the level of ‘enabling’ legislation and zoning” (Brooks and Kushner, 2001, p.8). Rye (2008) also points put the importance of the state government to certify districts, provide assistance and offer incentives to encourage business development. He identified seven typical roles played by the state government. The most obvious and common practice is to certify the districts. Instead of being recognized as cultural districts locally, state government set up formal procedures and criterion to approve the districts certification. The “applicant” would be the administration body of the cultural district. Through the application process, the government provides workshops and prepares a community to become the home of a designated district (Louisiana Cultural District, 2009). For example, the Louisiana Office of Lieutenant Governor set clear definition of what is considered as cultural district. A local governing authority must be determined. Throughout the application process, the applicant should demonstrate their distinguished cultural resource within the community and the engagement in promotion, preservation, and education aspect of the arts and culture of the locale. As the Louisiana guidelines note set, the certification process takes account of the district’s contribution to the

public in terms of interpretation and education (Louisiana Cultural District, 2009). Such guideline reflects what the state government values in the districts.

Some other governmental roles identified by Rye (2008) are the legislation that facilitates the establishment of the cultural districts. Government is important to set up regulation that define the administration body, the duties and power of this authority, the meeting requirement, and the reporting system between state government and the local governing authority.

Apart from cultural districts certification and legislation, government is also crucial in fostering a supportive environment for the culture districts. Taking the example of Philadelphia's Avenue of Arts, the Mayor Rendell administration contributed a lot in implementing the district and became a key component of the initiative. As the Executive Director of Brandywine Workshop that is located in Philadelphia's Avenue of Arts, Allan Edmunds (as cited in Bounds, 2007), described, "Mayor Rendell and his wife were a powerful combination for moving Avenue of the Arts initiative forward.....They provided leadership and brought quality people to the project(p.139). Bounds (2007) notes that the Rendell administration drove the initiatives forward in five different ways: developed a tourism-based policy agenda; established a non-profit management entity; created a network of philanthropic, business cultural and government elites; pushed the completion of smaller projects which served to buttress the initiative; and re-conceptualized the concert hall project to create a broad appeal for the initiative. Clearly, the government can provide great assistance, planning help, shared knowledge and network among their local community as well as across cities and counties.

Furthermore, state government involvement in the cultural districts enhances the visibility of the districts and ensures equal opportunity as well as benefit for all communities in the state to develop cultural districts. As Rye (2008) concluded, through the extensive networks

and marketing channels of the state government, the cultural districts are more recognized in a national extent. Also, the state can coordinate traffic and tourism by developing program guides in a consistent signage that links different local districts together. State policies also allow flexibility in the setting and composition of districts such that urban or rural communities can develop their own districts that address specific cultural and economical aspects.

As identified by Crane (2006, p.15), “creating the district and deciding what should be in it does not directly lead to a Creative Industries District. Planners must be able to provide a supportive environment for the creative industries to flourish. There also must be a balance between helping the industries that are all ready present, helping new industries, and attracting industries from other places”. In order to maintain this balance, governments play an important role to establish cultural policy that enhances the sustainability of cultural districts.

#### *Government Assistance in Funding and Partnership*

Funding is another direct and crucial support to the cultural districts development. Roodhouse (2006) mentioned “The judgment of funding becomes based on a business model and as a consequence the cultural public sector agency role changes to provide business support in developing this sector just like any other industrial economic activity”(p.19). There are different levels of financial support based on the business mode that are available for the cultural districts, such as program funding, loan, independent foundations, and the private support. Sometime, partnership and the citywide cooperation increase the power and ability to gain extra funding.

Regarding the nonprofit sector in Russia, Jakobson, Koushtanina and Rudnik (2000) noted that any federal cultural program can only be effective if a clear framework of the financial activity is established. Funding policy becomes an essential factor in facilitating the development

of cultural districts because the political power exercises a strong effect on the funding and grant to the artist (Kiwani, 2007).

### *Taxation*

One distinguished characteristic of the cultural districts is the incentives which encourage business development (Rye, 2008). Apart from direct funding and subsidy, there are other financing methods including philanthropic contribution, corporate investments, fundraising campaigns to capture non-foundation gifts for individual and companies, earned income from cultural activities, tax financing, and revenue bonds (Brooks & Kushner, 2001, p.8).

Philanthropies, corporate investment and revenue bonds related to the private sector participation while taxation is a public policy facilitating the operation of the cultural districts directly.

Taxation works in two ways. One is the tax exemption applied directly to the business corporations, arts organization, and artists that aids the operation of the cultural districts. Another one is the tax generated through the cultural activities within the cultural districts that affects city's revenue. The most common tax incentives are income tax credit, sales tax credits, admissions and amusement tax exemptions, property tax credits and preservation tax credits (Rye, 2008). These incentives work on different levels which facilitate the implementation of the cultural districts and greatly enhance the power and abilities of the artist to sustain their cultural life within the districts.

### *International Perspectives and Features of Cultural Districts*

The industrial cultural district, known as Third Italy, had boomed in the 1960s and 1970s (Cooke and Lazzeretti, 2008). Naples, Italy and the Temple Bar, Dublin are well-known in the world for their international reputation of long standing in cultural field (Cooke, 2008). The Cardiff, Wales has the highest UK share of culture industries employment. (Cooke, 2008). Many countries, like the US, Italy, France, Austria, UK and Australia, are under the same pressure in attracting more visitor and alternative revenue (Roodhouse, 2006). In recent decades, there had been a wide range of cultural clusters developed in Europe and America (Hitter and Richards, 2002). A concept of taking cultural sector as a mean of economic development in major cities has been imported from US to the UK in the 1980s (Hitter ad Richards, 2002). Many places in Asia also consider large-scale cultural compounds (Perkin, 2008). The success of the Esplanade arts complex in Singapore proved that the government helped in establishing Singapore as a global city with arts and culture through such a costly development (Perkin, 2008). Singapore arts adviser and writer Venka Purushothaman (as cited in Perkin, 2008) even describes that it is a model of creative enterprise for many global organizations. In the 21st century, China started putting effort in promoting culture and creative industries. Since 2000, almost every city or province in China has announced the development of cultural industries as a primary policy in its tenth Five-Year Plan. Beijing even formulated a very clear policy to “thoroughly deploy the city’s rich cultural resources for the full development of cultural industries” (Hui, 2006, p.321). Various countries are developing their cultural plans and this proves the global tendency in developing cultural sector as a form of urban economy.

Different cultural districts formations are associated with different policy objectives, management strategies and functional outcomes (Hitter and Richards, 2002). However, most of

the cultural districts share the common goals of developing creative industries, stimulating creativity and innovation, providing studio space for artists, revitalizing the urban area, and developing local identities and images.

*Common goals.*

As Hitter identified, clustering develops as a collective identity. The mix of cultural activities in Westergasfabriek, Amsterdam creates a cultural image of the site. Such an image raises the profile of the area which in turn raises the value of the site and the property around (Hitter and Richards, 2002, p.241). For the places that have strong cultural characteristic, cultural districts enhance the city's identities and international positions. For example, there are small and medium size cultural businesses clustering at Naples in Italy and Northern Quarter in Manchester, UK. These creative industries produce strong local identity that oppose against the global economy with a renewed meaning (Hitter and Richards, 2002; Cooke, 2008). Roodhouse (2006) also proves that cultural districts create a better performance space for the arts with a strong flavor of the locality though the case studies of Newcastle, UK. With the investment from a local entrepreneur, Newcastle becomes a place where artists and the public could interact with each other (Roodhouse, 2006). Just as Hitter mentioned, open door strategy [of studio] keeps a connection with the public. The collaboration among the artists and tenants create collective identities that help promote the locality (Hitter and Richards, 2002). The contemporary and challenging arts practice in Singapore's Esplanade arts complex further illustrates how the cultural district develops a nation's identity. Singapore is comprised of many different cultures. There is large population of Chinese, Indian and Malaysian together with the expatriate foreigner community. The mix of contemporary productions imported from Europe and the production developed from traditional Asian culture are both existed in Esplanade arts complex (Perkin,

2008). This demonstrates how the cultural sector helps enhancing the local image as well as the national identity.

Many cultural districts are developed in order to meet the increasing need for cultural space. Two examples in Europe are studied. One is the Westergasfabriek located in Amsterdam. It was a former gas work station owned by a local authority. In 1960s, the buildings were demolished and closed. Abundant spaces were available. With the growing interest in appreciating old industries sites, building were leased out to artists for temporary use in 1990s. The various shape and size of the buildings became very favorable to the artists. Big events and festivals were held and attracted 250,000 visitors annually. This forms a successful cultural district from an initial purpose of providing space for artists (Hitter and Richards, 2002). Another example is Cardiff, Wales. This area was a planned cultural quarter which is supposed to house dance studio and provides space for the multimedia industry. But with the arts strategy prepared by the Cardiff County Council, it is now developed as a cultural quarter with a multi-use Millennium Center for opera and performing arts, many installed street-furniture, and sculptures (Cooke, 2008).

#### *Various governance models.*

In terms of governance, different degrees of public sector involvement have led to different outcomes in each cultural district (Hitter and Richards, 2002). Asian countries, like China and Singapore, have a stronger intervention from the national government for the cultural development plan (Hui, 2006; Yun, 2008). Some European countries, such as Austria and Ireland, also have great intervention that involves government bodies and Mayors regarding the management of cultural districts (Cooke, 2008; Roodhouse, 2006). Certain European countries, like the Netherlands, UK, and Estonia, represent a hybrid form of cultural governance that

involves public sector and private sector (Hitter and Richards, 2002; Cooke, 2008; Roodhouse, 2006).

The Chinese government, Singapore government, and Austrian government expressed a strong authority in developing the cultural sector in its nation. China has declared that cultural promotion and creative industries development is one of the important national tasks in the tenth Five-Year plan (Hui, 2006, p.318). The cultural development in Chaoyang District is formally integrated into the policy plan of the municipal government (Hui, 2006). The cultural plan is under the control of the public sector in China. Austria has the similar situation because art is 100% funded by public sector. Culture has traditionally been a means to promote the politics of Austrian state. Government funding bodies greatly affect the survival of the arts organizations, especially when there is a reduced or late paid out funding. Although there is an operating company set up for the management of the MuseumQuartier in Austrian, it is actually wholly owned by the state government and the Vienna City Council. Management of the cultural district is controlled by state and the city. They can determine the strategies and operational decision of the MuseumQuartier (Roodhouse, 2006). Such a governance model may have negative effect because arts heavily depend on the political environment and the benevolence of politicians (Roodhouse, 2006, p.54). However, it can also produce positive effect as shown in the case of Ireland. The Temple Bar is managed by a government bodies, Temple bar Development Council. The policy making body is chaired by Dublin's Mayor. The national government assist the legislation and support resource for the cultural city planning (Cooke, 2008). A similar situation occurred in Singapore when The Advisory Council on Culture and the Art produced a report to affirm the direction of using culture as an anchor for building national identity. The Minister for Information, Communication and the Arts contributed in requesting a \$600 million grant for the

construction of the Esplanade art complex (Yun, 2008). These cases demonstrated both the positive and negative outcome if the cultural districts has a high degree of public sector intervention.

Another governance model is the hybrid of public and private sector. Hitter and Richards (2006, p.236) identified that a growing number of local authorities in Europe were taking a more active role in the development of cultural infrastructure. In the Netherlands, the buildings in Westergasfabriek and Witte de Withstraat are owned by local authorities. Commercial management applied to Westergasfabriek while a joint management effort from the tenant association and Rotterdam Arts Foundation applied to Witte de Withstraat. There is no direct involvement by the Cultural Affair Development in both cases (Hitter and Richards, 2006). Another example is in Tallinn, Estonia where private ventures, city government, artists and foundation support the cultural initiative in a collaborative way. Private ventures invest in the current cultural project. Then the city government could realize the economic dimension of culture. Through working in the network, artists are the one who initiate and realize projects with foreign foundations' financial support (Cooke, 2008). In England, the Sheffield's Cultural Industries Quarter is defined by the city council. While the buildings are owned by the government, a registered charity is specially formed to have a subsidiary that run the workstation as a commercial enterprise. After this model has been last for about 10 years, an agency was set up to implement an agreed development strategy. This agency is comprised of a non-executive board with members from local businesses, universities, park, and city council. Such practice divests the city council to contract with an independent trust that provide a more flexible management (Roodhouse, 2006). Such a hybrid governance structure help maximize the efficiency and encourage public-private partnership.

*Future challenges.*

Regarding different management and governance models, each cultural district is facing different disadvantages and challenges. One of the most common challenges is the lack of communication and networking. In the case of Sheffield's Cultural Industries Quarter, the strong proportion of commercial management result in a disconnection with the city cultural planning. The quarter does not include the sub sectors of creative industries as designed by the Department of Culture, Media and Sport. It also fails to link with the other cultural policies and activities in the city (Roodhouse, 2006). As a result, ad hoc development would be formed once there is a request from the city government. Yun (2008, p.330) recognized that this is an instant noodle approach towards arts development.

However, in the case of Vienna, the strong government intervention affects the coordination among the tenants. Since the operation company of the MuseumQuartier was set up on behalf of the state and city government, it is run in a hierarchical model that focuses on operation rather than maximum effectiveness. The company does not develop any collaborative marketing strategy for joint exhibition or event planning. Furthermore, small institutions which are against the Austrian right-wing government are not given lease even though they were active before the district formed (Roodhouse, 2006). This poses a challenge to the district for any further development.

Another challenge is the dimension of arts and culture defined by the government and local authority. In Singapore, local arts projects always struggle with the state hegemonic definition of arts as commodification. Local arts groups also experienced pressure from three areas: social authority agents, the conservative public, and the traditional leaders. The survival of Singaporean arts organization depends on their negotiation power with the state and the social

demands (Yun, 2008). This impedes the arts and cultural development. Bargaining with the state government and local authorities become crucial for many cultural districts.

While many internal difficulties exist for the development of cultural district, there is also external challenge formed among the cultural districts. The formation of Cultural Capital program in Europe creates a growing intra-urban competition in numerous European cities. Cultural districts with extensive festivals and cultural events become the tool for a city to compete as a Cultural Capital. Such competition may help capture infrastructure investment. However, this also makes it more difficult to derive long-lasting cultural impact for the districts (Hitter and Richards, 2002)

In conclusion, different cultural districts are developed according to their own governance structure, social background, and the needs of local communities. No two cultural districts are exactly alike. Each reflects its city's unique environment, history of land use, urban growth, and cultural development (Frost-Kumpf, 1994). By referencing other cultural districts, this literature review provides us a basic understanding and framework to examine other cultural districts.

### Chapter 3: Case Study of Maryland's Arts and Entertainment Districts

Numerous cultural districts exist throughout the US. Some of them have been naturally formed by communities while some of them were designated by the state government. As Stern and Seifert (2007, p.1) identified, natural cultural districts are the “geographically–defined networks created by the presence of a density of cultural assets in particular neighborhoods”. It occurs without policy intent. The old city in downtown Philadelphia, PA (Stern and Seifert, 2007) and the University District in Portland, OR (King, 2007 and Portland Concierge Association, 2007) are examples of the natural cultural districts. Cultural districts, which are designated by the states, usually have policies to assist its establishment. State authority is involved to provide leadership that helps develop the cultural districts. According to Rye (2008), eight states in the US have adopted this model that lead to the establishment of fifty eight cultural districts. Each cultural district operates the area differently. This chapter explores the governance models, implementation, and the community engagement of US cultural districts. Maryland's Arts and Entertainment Districts are chosen as the case studies because the state offers the most tax incentives, in addition to other supports.

#### *Background of Maryland's Arts and Entertainment Districts*

The Maryland's Arts and Entertainment Districts is the second state-wide program in the US. Learning from the success of the tax-free Arts District in Rhode Island, Maryland developed the Arts and Entertainment Districts program that provides different option of tax incentives and characteristics. It was enacted by the Maryland General Assembly in 2001 and serves to stimulate the economy and improve quality of life (Maryland State Arts Council, 2009)

In 2001, the Maryland General Assembly authorized the Department of Business and Economic Development to establish Arts and Entertainment Districts within a county or

municipal corporation. Counties or municipal corporations must apply to Department of Business and Economic Development in order to have an area designated as an Arts and Entertainment District. According to § 4-701 of the Economic Development Article (Maryland General Assembly, 2009), “Arts and Entertainment District” means a developed district of public and private uses that:

- (1) ranges in size from a portion of a county or municipal corporation to a regional district with a special coherence; and
- (2) is distinguished by physical and cultural resources that play a vital role in the life and development of the community and contribute to the public through interpretive, educational, and recreational uses.

Chapter 608 authorized the permissible uses of the Maryland Economic Development Assistance Fund to Arts and Entertainment Districts in order to expand employment opportunities. It also created several tax modifications that allow the Department of Business and Economic Development to provide financial assistance to arts and entertainment enterprises and projects within the districts.

As part of the Department of Business and Economic Development, Division of Tourism, Film, and the Arts is assigned to manage this program and its subdivision – Maryland State Art Council- is the program administrator.

Currently, there are eighteen Arts and Entertainment Districts designated in Maryland. Three of them, Silver Spring, Cumberland, and Hagerstown are well-received and expanded in 2004, 2007 and 2008 respectively. The following table lists the designed year, county and corresponding districts in detail.

Table I: List of Maryland's Arts and Entertainment Districts

Designated Year	County	Designated Districts
2002	Montgomery	Silver Spring Arts and Entertainment District
	Montgomery	Bethesda Arts and Entertainment District
	Allegany	Cumberland Arts and Entertainment District
	Washington	Hagerstown Arts and Entertainment District
	Baltimore	Station North Arts and Entertainment District
	Prince George's	Gateway Arts and Entertainment District
2003	Frederick	Downtown Frederick Arts and Entertainment
	Baltimore	Highlandtown Arts and Entertainment District
	Cambridge	Cambridge Arts and Entertainment District
2005	Worcester	Berlin Arts and Entertainment District
	Caroline	Denton Arts and Entertainment District
2006	Cecil	Elkton Arts and Entertainment District
	Montgomery	Wheaton Arts and Entertainment District
	Worcester	Snow Hill Arts and Entertainment District
2007	Wicomico	Salisbury Arts and Entertainment District
2008	Anne Arundel	Annapolis Arts and Entertainment District
	Harford	Havre De Grace Arts and Entertainment District
2009	Garrett	Frostburg Arts and Entertainment District

Through examining several Arts and Entertainment Districts in Maryland, interviews, governmental reports, and online materials reveals different layers of the governance system and implementation process within the districts. The following analysis demonstrates how the state government, county or municipal corporations, and local communities develop the Arts and Entertainment Districts.

### *State's Incentives*

#### *Income tax subtraction.*

Pursuant to § 10-207(v) of the Tax-General Article of the Annotated Code of Maryland (Michie's Legal Service, n.d.), individual artists can enjoy income tax subtraction. "The subtraction includes the amount of income derived within an Arts and Entertainment District by a qualifying residing artist from the publication, production, or sale of an artistic work that the artist created, wrote, composed, or executed in the arts and entertainment". To be considered as a qualifying residing artist, an individual artist has to meet three criteria,

- (1) owns or rents residential real property in the county where the arts and entertainment district is located\*;
- (2) conducts a business in the arts and entertainment district; and
- (3) derives income from the sale or performance within the arts and entertainment district of an artistic work that the individual wrote, composed, or executed, either alone or with others, in the arts and entertainment district.

(Maryland General Assembly, 2009)

\* the definition of qualifying residing artist was updated and effective on June 1 2005 by allowing an artist to live in the county in which the Arts and Entertainment District is located rather than in the district itself. However, criteria for subtraction of income is also modified that artworks must be written, composed or executed in the district, rather than any location (Comptroller of Maryland, 2005).

According to these stipulations, artists have to create artworks and derive income from their arts within the districts and live in the county where the Arts and Entertainment District is located in order to enjoy the income tax reduction. Although this income tax benefit is available to all qualifying residing artists despite their artistic discipline, this income tax subtraction tends to benefit more to visual artists, due to the nature of arts business. Brett Crawford, the Managing Director of Imagination Stage in the Bethesda Arts and Entertainment District, mentioned that neither she nor the artists in her company enjoy the income tax subtraction. This is because most of her artists come from Washington DC, rather than living in the Bethesda Arts and

Entertainment District. Also, many theatrical artists performed around the country, unlike visual artists, who can work and live in studios and sell their artworks within the districts. Just as Andy Vick, the Executive Director of the Allegany Arts Council, said, it is easier to attract visual artists because they can open the gallery downstairs and live on the second floor of the building.

Among the three visual artists interviewed, none of them mentioned claiming the income tax reduction. One even said that he has ever heard of any income tax credit. Only one artist knows some other visual artists got benefit from it. Since the definition of income tax subtraction applies to both full-time and part-time artist, Andy Vick, the Executive Director of the Allegany Arts Council, noted that he and his wife are the seasonal artists. They were able to benefit from the income tax subtraction modification.

This research intends to analyze the number of artist and the monetary value induced from this tax benefit. However, Elizabeth Carven, the Deputy Director of the Maryland State Arts Council, indicated that these figures are not compiled by any state. Challenge associated with maintaining records of this tax benefit is prohibitive. It would require identifying every single artist with their income tax, which is a kind of private issue. In addition, according to the Chapter 608 of Maryland General Assembly (2001), “the income subtraction modification of these [arts and entertainment] districts is consolidated together with other subtraction listed as a miscellaneous subtraction on the income tax return. The Comptroller’s Office does not collect information on the amount of any subtraction modification claimed as a result of residency in an Arts and Entertainment District”. However, artists actually have to submit the form called 502AE (see appendix E) that is about subtraction for income derived within an Arts and Entertainment District. The 502AE is a separate document that shows the nature of arts business, source of income, amount of income for subtraction, and the associated Arts and Entertainment

District, in addition to their income tax form. Comptroller Office can easily compile such data for evaluation.

However, since it is told by the Comptroller office that no such information is available, the impact of the income tax subtraction modification cannot be determined. Instead, Artist employment, audience attendance, and the tax revenue generated have proved that artists benefit from increased vitality of arts in their area. This could be part of the effort of the Arts and Entertainment Districts.

Table II: Economic impact of art in the past five years in the State of Maryland

	Full time jobs generated	Salaries generated	Tax revenue generated	Direct spending generated	Attendance
2008	15,000	481 millions	43 millions	1111	14 millions
2007	13,762	371.6 millions	37.3 millions	1000.4	13.1 millions
2006	12,955	335.3 millions	34.1 millions	862 millions	11.1 millions
2005	12,475*	N/A	33.4 millions	1079.4	11.5 millions
2004	7,648	300 millions	32.2 millions	898 millions	11 millions

\* the data in 2005 includes the full time and part time job, not the number of full time equivalent jobs  
(Maryland State Arts Council, 2009)

#### *Property tax credit.*

Property tax credit is a benefit to encourage construction or renovation of certain buildings in order to create live-work space for artists and/or space for arts and entertainment organization. According to § 9-240 of the Tax-General Article of the Annotated Code of Maryland, three criteria must be met. The requirements as follow:

- (1) it is a manufacturing, commercial, or industrial building;
- (2) the building is located in an arts and entertainment district;
- (3) the building is wholly or partly constructed or renovated to be capable for use by a qualifying residing artist or an art and entertainment enterprise

(Maryland General Assembly, 2009)

This property tax credit actually works against the county or municipal corporation property tax imposed. As Elizabeth Carven, the Deputy Director of the Maryland State Arts Council, explained, the property tax credit is authorized by the state government, but it is provided by the local entity. This property tax credit is separately administered by the county or municipal corporation where the building is located. Therefore, it is important to recognize the autonomy of the county or municipal corporation. The local jurisdictions can choose any period and any tax credit percentage that works for them, as long as the duration of the property tax credit is not more than 10 years, the percentage is up to 100%, and all qualifying residing artists and arts and entertainment enterprises are treated to the same rates. Taking Cumberland Arts and Entertainment District as an example, an eligible building must have a minimum of \$5,000 invested. The credit shall be the difference between the property tax that would be payable after the completion of eligible improvements and the property tax that would be payable if the eligible improvements were not made.

Although there is no formal answer available from the Maryland's Controller's Office regarding the questions of why the property tax is set with a ten years limit, Theresa Cameron, the ex-CEO of Montgomery Arts and Humanities Council who has also helped the state legislation process, recalled that it maybe because state government wants the local jurisdictions to evaluate the impact of the property tax before extending this tax benefit beyond ten years.

The property tax credit emphasizes the increased value of the renovated arts related space. If it is a personal property or the renovation does not substantially add value to the real property, it is not eligible for the property tax credit. This regulation prevents any tax benefit being given to an application that does not produce direct impact to the Arts and Entertainment Districts. It

also ensures that the tax credit imposed must sustain the arts related value of the renovated building. The local office of the State Department of Assessments and Taxation has the authority to determine on a case-by-case basis if an establishment is dedicated to an arts and entertainment enterprise.

Since the details of the property tax credit is decided and executed by the local entity, the result and impact of this tax benefit depends on how the county or municipal corporation administrates it. Some interviewees responded that the guideline of property tax credit is very strict. Building restoration has to meet certain historic guidelines in order to be eligible for significant tax credits and property tax freezes for ten years. Regardless of the procedures and strict guidelines, Jerri Dell, the Director of the Arteco Gallery in the Cumberland Arts and Entertainment District, indicated that he did get some reduction in the property tax for the investment he made in the historic building. And this was an incentive for him to move downtown Cumberland. Andy Vick, the Executive Director of the Allegany Arts Council, also found that the property tax credit provides a strong incentive for artists to move to Cumberland. Such incentives not only attract artist from Allegany County, but also out-of-state artists. Two artists from Pennsylvania had moved to Cumberland and bought their properties. More out-of state artists inquired their artist relocation program. Due to the different situations and demands from the local community, not every district has the need to utilize property tax credit for urban revitalization. Just as Stephanie Coppola, the Marketing Director of the Bethesda Urban Partnership Inc. (manager of the Bethesda Arts and Entertainment District), said, all their spaces are rented out. They do not need to fill any vacancy within the district. According to Elizabeth Carven, the Deputy Director of the Maryland State Arts Council, several districts showed the impact of the property tax credit. Their vacancy rates change significantly from 30-40 % to 0%

after the districts are designated. Elkton, Cumberland, and Frederick are the districts that demonstrate such improvement. Therefore, the property tax credit does provide incentives for artists to move to the Arts and Entertainment Districts.

*Admission and amusement tax exemption.*

The admission and amusement tax is a local tax collected by the Maryland's counties, municipal corporations, and the Maryland Stadium Authority. This tax is imposed on the gross receipts from admissions; the use or rental of recreational or sports equipment; and the sale of merchandise, refreshments or services at a nightclub, room in hotel, restaurant, hall or similar place where entertainment is provided (Comptroller of Maryland, 2009). "A county or a municipal corporation may exempt from the admissions and amusement tax gross receipts from any admissions or amusement charge levied by an arts and entertainment enterprise or qualifying residing artist in an Arts and Entertainment District" (Michie's Legal Resource, n.d.).

According to Rye (2008), Maryland is the only state that provides an admission and amusement tax exemption. Tax rates are set by local officials and vary from 0.5 percent to 10 percent. Arts and entertainment enterprises get different benefits depending on the type of the activity. Jerard Puckett, the Executive Director of New Embassy Theatre in the Cumberland Arts and Entertainment District, said that "the entire admission and amusement tax is waived for the organization. Although this is not a sizable part of our budget, every little bit helps". According to the admission and amusement tax rate schedule (Comptroller of Maryland, 2009), the amount of admission and amusement tax exemption enjoyed by the New Embassy Theatre is ten percent of their admission and amusement tax receipt! The Weinberg Center for the Arts in the Downtown Frederick Arts and Entertainment District also enjoys the admission and amusement tax exemption that contributed to ten percent of their gross admission and amusement receipt. As

John Healey, the Executive Theater Manager of the Weinberg Center for the Arts, mentioned, “the biggest impact [of the admission and amusement tax exemption] is that we do not have to raise our ticket prices to accommodate additional taxes”. Many counties pose 4.5 percent to 10 percent tax rate for most of the admission and amusement receipt of all activities (except Calvert County, Dorchester County, and Worcester). Therefore, this tax exemption actually benefits significantly those who conduct their arts and entertainment businesses within the Arts and Entertainment Districts. County admissions and amusement tax revenues are estimated at \$47.2 million in fiscal 2008 and \$46.2 million in fiscal 2009 (Maryland General Assembly, 2009). Although not all admission and amusement tax revenue are collected within the Arts and Entertainment Districts, such figures provide a sense of the enormous effect could be resulted from this tax benefit.

Theresa Cameron, the ex-CEO of Montgomery Arts and Humanities Council, mentions that some legislators proposed to cancel the admission and amusement tax exemption in last year. Based on some preliminary research, they believed that state government lost revenues because some organizations within the Arts and Entertainment District are exempted from tax. However, this tax incentives is finally kept. The argument is that tax benefit is part of the economic stimulus package. Arts and entertainment businesses build up communities that attract tourists and neighborhood. An example is that Live Nation, a national live concert organization, will move into Silver Spring Arts and Entertainment District next year. One of the prominent reasons for them to choose Silver Spring is because of the admission and amusement tax exemption. This demonstrates how this tax benefit stimulate the economy.

It is important to notice that most of the arts organizations, e.g. museums and performing arts organizations, are registered as 501(c)3 nonprofit organizations, which is tax exempted already. Private for profit galleries usually do not charge any admission fee. Therefore, admission and amusement tax exempt mainly target for profit arts and entertainment enterprises. According to Elizabeth Carven, the Deputy Director of the Maryland State Arts Council, the state is working on brand marking and reporting on Arts and Entertainment Districts. It is difficult to tell the exact number of for profit arts business and the monetary amount that are enjoyed within the districts. In addition, every district does not have a complete handle of every arts business within its individual area. It is hard to estimate the impact of the admission and amusement tax exemption. The arts and entertainment businesses register for tax benefit individually with the State's Controller's Office without go through the district management or local arts council. And the information collected by the Controller's Office is not shared with the districts management. Therefore, it is difficult for the local entities to evaluate the situation of arts and entertainment businesses within the district and get in touch with every art communities.

*Other support.*

As the administrator of the Maryland's Arts and Entertainment Districts Program, Maryland State Arts Council is not in a position to develop any policy for each individual Arts and Entertainment District. Instead, it offers technical assistance grant for small and mid-sized arts organizations that have operating budget of \$500,000 or less. The technical assistance grant is available to all constituencies, not only for Arts and Entertainment Districts. It provides up to \$2,000 grant (contributing maximum 50% of the cash expense of the proposed activity) for professional development, e.g, attend conference or hire professional consultant that support organizational development. This grant helps the organization in the area of fundraising,

marketing, strategic planning, global network development, finance, and technology. It provides opportunities for the leaders of the Arts and Entertainment Districts to learn best practices and translate them into their own management styles. All technical assistance grants must be matched at least dollar for dollar in cash. This enhances the financial sustainability of art organizations. Andy Vick, the Executive Director of the Allegany Arts Council, indicates that the technical assistance grant helps them to organize activities within the district and improve their marketing strategies.

Apart from grants, Maryland State Arts Council coordinates professional convenings for the eighteen Arts and Entertainment Districts. Through presentation and sharing, representatives of each district can explain the development of their individual districts, discuss the challenges that they are facing, and learn the best practices from each others.

Maryland State plays a role in offering incentive for the establishment of Arts and Entertainment Districts. Maryland State Arts Council is the one who helps the districts to do pre-planning. It helps each district to complete the application; offers site visit; explains to each district on how to meet the criteria; and provides assistance through phone, email or in person regarding development direction and referral service. Maryland State Arts Council does not operate the districts. It provides tools for the local entities to build their districts.

Through the administration of Maryland State Arts Council, state government provides a strong leadership and incentives for the establishment of Arts and Entertainment Districts. It helps the local entity in a macro perspective. Every year, maximum of six Arts and Entertainment Districts are designated. This is because state government has to monitor the overall development of the program and prevent market saturation. As Elizabeth Carven, the Deputy Director of the Maryland State Arts Council, describes, “Arts and Entertainment District

is to create a leach market which is unique, authentic, and organic. If there are too many Arts and Entertainment Districts, the uniqueness would no longer exist'. All Arts and Entertainment districts applications are reviewed though an independent inter-departmental committee. The committee makes recommendations to the Maryland Secretary of State, which decides the designation. The state promotes the Arts and Entertainment Districts program though media outlets, speaking engagements and conferences. Office of Tourism also introduces the Arts and Entertainment Districts on its website.

### *Responsibility and Management of the Local Entity*

As recognized by Elizabeth Carven, the Deputy Director of the Maryland State Arts Council, “the sustainability of the Arts and Entertainment Districts is really the clustering of artists and arts organizations, and then with a strong management team. It is very important to have someone to cater that part”. The local entities play a significant role in the success of Arts and Entertainment Districts. The following analysis examines the management model of the leading management that is responsible for the operation of the Arts and Entertainment Districts.

### *Government involvement and management model.*

The form of local entity varies from county to county, city to city. It could be local arts council, city or municipal government, or independent business corporations. Among the eighteen Arts and Entertainment Districts, three of them have city or county government as the leading “manager” of the districts. They are Hagerstown, Wheaton, and Silver Spring. More often, the management model of Arts and Entertainment Districts is very hybrid. Urban partnership is formed to be the leading management of the districts. Taking Cumberland Arts and Entertainment District and Bethesda Arts and Entertainment District as example, the previous one is managed by Allegany Arts Council while the later one is managed by Bethesda Urban

Partnership, Inc., a non-profit organization established by Montgomery County. Allegany Arts Council is funded by Maryland State Arts Council, Allegany County, the City of Frostburg and the City of Cumberland. It existed as a nonprofit organization and is art-mission driven. Because of its structure, it has a strong connection with the government. Bethesda Urban Partnership, Inc. is a nonprofit organization established by the Montgomery County. However, as Stephanie Coppola, the Marketing Manager of the Bethesda Urban Partnership, Inc., describes, there is not much government involvement in the Bethesda Urban Partnership, Inc. Although there is a county representative who sits on the board, he has no voting right. The representative only acts as a liaison to get support from county government. The Bethesda Urban Partnership, Inc. is formed to handle landscaping and maintenance of downtown Bethesda. It is less arts-mission driven.

Various missions and responsibilities of the districts management lead to different results and perceptions within the area. The Allegany Arts Council worked with local visual arts community and operated a cooperative gallery. It organizes more than 160 arts events and arts classes to promote arts and culture within and also outside the Arts and Entertainment District. Most of the interviewees from the Cumberland Arts and Entertainment District recognize the effort made by the Allegany Arts Council. In contrast, Bethesda Urban Partnership, Inc. is more focuses on maintaining and marketing the downtown Bethesda in general. It is responsible for coordinating public transportation and parking; cleaning street and sidewalk; and landscaping the downtown Bethesda. It also coordinates seven festivals with the themes that cover different arts disciplines. Its operational model is more like a business. Stephanie Coppola, the Marketing Director of the Bethesda Urban Partnership, Inc., indicates that 25% budget of the Bethesda Arts and Entertainment District is supplemented by the Bethesda Urban Partnership, Inc. The rest of

the budget comes from earned income and sponsorship. Therefore, arts organizations within the district have to pay annual membership fee to the Bethesda Urban partnership, Inc. for landscaping and maintenance. They only enjoy a small discount of the vendor fee if they participate in the festival that is organized by Bethesda Urban Partnership, Inc.. There is a weaker recognition about the Bethesda Arts and Entertainment District from the local community, especially one of the interviewees within the district did not realize if her organization is part of the Bethesda Arts and Entertainment District or not.

However, according to Theresa Cameron, the ex-CEO of Arts and Humanities Council in Montgomery County where three Arts and Entertainment Districts located, Bethesda Arts and Entertainment District is doing better than Silver Spring and Wheaton in terms of coordinating arts events and the overall marketing. Although Silver Spring and Wheaton also have committee for the districts management, their administration is not dedicated and devoted for the Arts and Entertainment District. Even though a particular person is assigned to work on the district, such person is usually assigned with other programs and responsibilities that draw attention out from the Arts and Entertainment Districts program. The Arts and Entertainment Districts in Silver Spring and Wheaton are administrated by the county government. Comparatively, the Urban Partnership in the Bethesda Arts and Entertainment demonstrates a better management model to operate the district, even though both of them are not arts-mission driven. Such findings are reinforced by the recent development of Hagerstown Arts and Entertainment District. Like Silver Spring and Wheaton, Hagerstown Arts and Entertainment District was managed by the city government since its designation in 2002. However, a collective management team was formed in 2008 in order to expand the district. This team is comprised of representatives from the city, arts council, Convention Visitors Bureau, and Neighborhood Development Partnership. It shows

that various stakeholders, especially arts and tourism related representatives, are important in order to develop a successful Arts and Entertainment District.

*Relationship with the state agency.*

The establishment of Arts and Entertainment Districts is initiated by the Maryland state government who provides strong incentives and leadership to the local entities. The communication between the state and each local entity should be the same. However, each district has different relationship with Maryland State Arts Council. Cumberland Arts and Entertainment District has a strong connection with Maryland State Art Council. Andy Vick, the Executive Director of the Allegany Arts Council (the leading management of Cumberland Arts and Entertainment District), said that “without them [the state agency], Arts and Entertainment Districts would not happen.” Cumberland Arts and Entertainment District conducts ongoing evaluation with the state agency, applies technical assistant grant from the Maryland State Arts Council, and shares idea during the annual convening. Cindy Blackstock, the Arts and Entertainment District Manager of the City of Hagerstown, also recognized that the assistance from the state actually strengthens the initiative, even though the local level is responsible for the development of economic progress within the district. In contrast, Bethesda Arts and Entertainment District does not build a strong connection with the state agency. Stephanie Coppola, the Marketing Manager of the Bethesda Urban Partnership, Inc., describes that the Bethesda Urban Partnership knows the Maryland State Arts Council well, but it never work with them specifically. Even though there is a lot of supports and grants available, Bethesda Arts and Entertainment District did not apply any yet! Such disconnection between the state agency and the leading management of the Arts and Entertainment Districts could greatly affect the

environment that helps implement the program. Also, it influences how the local communities perceive the state agency.

### *Understanding and Cooperation at Local Level*

The State of Maryland developed the Arts and Entertainment Districts program as a way to stimulate the economy and improve quality of life. With all the incentives and support provided, ultimately, the local communities is the one who benefit the most from the increased tourism and the economy. As Elizabeth Carven, the Deputy Director of the Maryland State Arts Council, describes, no matter the local entity is a town, a city or county, it has to come into part of whatever the local effort is and has the citizen initiative attached to it. However, while the local communities recognize the vitality and effort made by the arts, there is different understanding about the Arts and Entertainment Districts among the local communities.

### *Recognition about Arts and Entertainment Districts.*

Every interviewee who conducts arts business in the Arts and Entertainment Districts agree that arts have played a large part in revitalizing the area, increasing visitation, and bringing economic value to the districts. However, they do not recognize if the Arts and Entertainment Districts have much effect at all. Many interviewees reported that the Arts and Entertainment District is basically just a physical area. There may be some small advantages available. For example, Jim DeGeorge, the Coordinator of Arts at Canal Place in Cumberland Arts and Entertainment District, mentions that there are many arts functions available in there for people who are seeking the arts. The Allegany Arts Council coordinates arts walks with maps given out. Businesses are listed on the map if there is any discount given. In Bethesda Arts and Entertainment District, Imagination Stage enjoys some marketing benefits, e.g. web site promotion, event listing in calendar, and being included in the newsletter, which are arranged by

the Bethesda Urban Partnership, Inc. Tax benefit and name recognition are the advantages identified by Jerard Puckett, the Executive Director of the New Embassy Theatre in Cumberland Arts and Entertainment District. There small advantages are recognized within the arts community. However, as Catherine Moreland, the Executive Director of the Delaplaine Visual Arts Education Center, comments, “the Arts and Entertainment District is nice, but I would still say that very few people outside of the arts organizations themselves, even know it exist”. Just as Jerri Dell, the Director of the Arteco Gallery in Cumberland Arts and Entertainment District, describes,

I am not sure if there really are many tangible advantages to being included in the Arts and Entertainment Districts. From my perspective, if we are to convince people that we are a small arts town or an arts destination (which we should do), it would be much harder if we didn’t have the Arts and Entertainment Districts designation. Also, we wouldn’t be listed or acknowledged in the State’s publicity about Arts and Entertainment Districts, which would be a disadvantage for us. The Arts and Entertainment Districts designation generates attention, encourages collaboration, promotes discussion/conversation about the arts in our part of the world, and this is very good thing. I believe that much more could be done in terms of the role Arts and Entertainment Districts designation might play in promoting the arts and supporting our programming and marketing efforts than is currently being played.

Maybe as Catherine Moreland, the Executive Director of the Delaplaine Visual Arts Education Center in the Downtown Frederick Arts and Entertainment District, said, “perhaps our Arts and Entertainment Districts are too successful in other ways for the arts and entertainment designation to REALLY matter”. To summarize different perspectives, we can say that there is not much recognition on its function and impact among the local community. But the local communities do mention that the Arts and Entertainment Districts play a role in providing small advantages to artists and arts organizations within the districts. Arts and Entertainment Districts is a way to assist the survival of some arts organizations. “We would do very poorly without the

Arts and Entertainment Districts, and in fact, would probably not exist”, Joseph Weaver, the Vice President of the Allegany Museum in the Cumberland Arts and Entertainment District, said.

*Information transmission.*

Apart from the different perceptions about the Arts and Entertainment Districts among the communities, it is discovered that there is disconnect information transmission at the local level. The three tax incentives provided by the state government are publicized through the web sites of Maryland State Arts Council, County Arts Councils and the urban partnership corporate. However, not every artists and art organizations know these tax incentives. Among the seven interviewees who are the representatives of the art organizations, two of them do not realize if there is any tax benefit available to them. Another representative knows the income tax exemption, but he does not know if his organization is eligible for admission and amusement tax exemption and property tax credit. They reflect that the interviews actually prompt them to have further enquiry.

In addition, arts communities have different ideas regarding governmental assistances for cultural districts. Maryland State Arts Council is an official state agency that offers various grants and free workshops to support the organizational development of the arts and entertainment enterprises. Programs like Smart Growth Initiative and Main Street Program are associated with the Arts and Entertainment District in order to create sustainability within this realm. Information is accessible on web sites. However, three out of seven interviewees reply that they do not think that there is any policy or governmental assistances for funding, programming or marketing opportunities. Another interviewee recognizes that there is financial and marketing support from Maryland State Arts Council via the County Arts Council, but he does not know any ongoing policy or programs relative to the Arts and Entertainment Districts.

Theresa Cameron, the ex-CEO of Montgomery Arts and Humanities Council, admits that many artists and arts organization do not know if they are within the Arts and Entertainment District or not unless they call to inquire funding or apply the tax benefit. This kind of information disconnect may be one of the reasons that affect the recognition and perception of the Arts and Entertainment Districts among the community.

The information disconnection could be the result of a lack of knowledge in the district management. Although simple information about the tax incentives is posted online on the city government web site, it is only 3-4 sentences long without application procedure or benefit details. Cindy Blackstock, the Arts and Entertainment District Manager of City of Hagerstown, reflects that expansion of the updated information that inform the tax benefit, programming, and marketing opportunities will be marketed in the near future. Hagerstown Arts and Entertainment District had been designated since 2002, but such information was not fully marketed until at least seven years later. That could be the reason of the lack of attention from the district management.

*Local support and power.*

To develop a successful Arts and Entertainment District, it is not only the responsibilities of the arts council and the urban partnership. Local effort and power is also important. “Civic involvement and partnership are major strategies for successful districts. Main Street programs, local tourism departments, chambers of commerce, arts organizations and businesses all play their parts” (National Assembly of State Arts Agencies, 2007). Joint programming and marketing are found at the local level in both Cumberland Arts and Entertainment District and Bethesda Arts and Entertainment District. Since the designation made in 2002, thirteen local galleries have organized Arts Walk as a monthly event in the Bethesda Arts and Entertainment District. Similar

Artists Studio Tour is also organized by 37 local arts artists in Cumberland Arts and Entertainment District ten years ago, even before the district is designated. A joint coordination and marketing committee is formed in the Cumberland's community. Portion of its funding comes from the county hotel-motel tax that is granted to the city. This committee helps to explore any programming or marketing opportunities and organizes art event for the district.

*Expectation about Arts and Entertainment districts.*

Regardless of what is provided by the state agency, county agency and the urban partnership, local communities expressed various expectations towards the establishment of the Arts and Entertainment Districts. Marketing support is in strong demand from the local arts organizations. As explained by Jerri Dell, the Director of t

he Arteco Gallery in the Cumberland Arts and Entertainment District, “[governmental aids or policy] ensures we [arts organization] reach as wide an audience as possible. He expects to have more coordinated effort to market the arts and entertainment designation and promote the success of individual galleries. In addition, support for capital campaigns and grants for operating expenses are another expectation from the local communities. Artists expect the Arts and Entertainment Districts to advance the arts development in their areas. Brett Crawford, the Managing Director of Imagination Stage in the Bethesda Arts and Entertainment District, comments that there is an article published by the Bethesda Urban Partnership, Inc. saying that the arts and entertainments is about economic development, not arts development. Although no one can deny that economic development needs arts as a tool to revitalize the urban area and bring in economic value, the economy growth and arts development should be balanced. While everyone focus on the monetary value that is increased within the districts, the artistic value and quality are also important.

### *Conclusions and Implications*

Through this case study, different perspectives and efforts regarding the establishment of Maryland's Arts and Entertainment Districts at the state level, county level, and the local level were examined. It is found that the Maryland State Arts Council provides different incentives and strong supports for the development of Arts and Entertainment Districts, but they may not be recognized by the local communities. Information and messaging must be transmitted from the state, through the county arts council, city government and districts management, to reach the public. Local arts communities recognize the effort made by the county arts council or districts managements, but they are unable to realize the government aids or policy that facilitate the establishment of Arts and Entertainment Districts. Mechanism should be developed in order to provide better communication between the state level and the local level, especially if some artists and arts organization ever did not realize the tax incentives, technical assistance grants, and free organizational workshops, which are the big support available to them. All these information are available online already. Further improvement can be made through a more interactive conversation between different levels rather than a one-way information transmission model.

One of the interactive conversations can be created through the involvement of the county or city arts council. Compare the management model of Cumberland Arts and Entertainment District and Bethesda Arts and Entertainment District, it reveals that governmental involvement and local arts councils can bridge the gap between the state government and the local communities. Governmental involvement does not refer to have a government officer in the board only. It is more about the support from the government and the liaison executed at the inter-departmental status around the city, county and the state.

In addition, an arts-related mission drive is also crucial. Arts and Entertainment Districts are not only about economic growth. It is the stimulus to both urban economy and arts development. Lack of either one could not create a favorable environment to sustain the Arts and Entertainment Districts. Business connection and artistic networks are both essential for the leading management in the districts. How to explore more business opportunities, earned income and sponsorships for the arts-related mission driven districts management? How to build a stronger connection with the local arts communities in order to investigate more arts programs for a business driven districts management? Different management bodies of the Arts and Entertainment Districts can learn from each other for further exploration, sharing, and training.

Through this case study, a top-down perspective and a bottom-up perspective towards the Arts and Entertainment Districts are discovered. From a top-down perspective, a designated area with clearly stated tax policy is designated by the state government. Such perspective is good for management. Goals and objectives of the Arts and Entertainment Districts are established with a macro vision. From a bottom-up perspective, local arts communities concern about the support and benefit that enable them to survive in the districts. Marketing and funding support can help them to have more participation in the Arts and Entertainment Districts. Just as Theresa Cameron, the ex-CEO of Montgomery Arts and Humanities Council, said, tax is not the biggest piece in the Arts and Entertainment Districts. The biggest piece is the partnership, marketing opportunities, and what happen around the areas. When a cultural district is determined, no matter it is naturally formed or designated by the state government, both perspectives have to be considered in order to create a satisfactory environment that fulfills both government objective and local needs.

Arts and Entertainment Districts is a program that draws significant impact on both economic and arts development. However, so far, there is not data complied to evaluate the

influence made by the tax incentive or support provided by the state government. Elizabeth Carven, the Deputy Director of the Maryland State Arts Council, indicated that there is no monitoring benefit for the districts to keep track on statistic data, e.g. number of residing artists or changes of arts business within the districts. Although there is annual reporting system in place, without penalty, some districts did not compile such data. A lack of measurement actually interfere the decision making of the government in allocating resource to the area that require further development. Meanwhile, annual reports submitted by each individual district are not available to the public. This further reduces the intension of the public in trying to understand and participant in the Arts and Entertainment Districts.

This case study provides a snap shot about the current practices of the US cultural districts. Together with the previous literature review, it draws some thoughts and ideas that can help cultural planning of other cities. Different cities have their own identities and policies background. The implications from this research can help scholars and the public to think differently about their own cultural districts.

## Chapter 4: Implication to Cultural Planning in Hong Kong

As an international city, Hong Kong has a significant role in the area of finance, tourism, and culture within the global context. Because of its history, political background and diverse cultural needs, Hong Kong is experiencing tremendous changes in cultural planning and cultural policy in the last few decades. This chapter reviews the development of the cultural infrastructure in Hong Kong and tries to impose another perspective to interpret what does cultural districts mean in there. Information applied in this chapter is collected through government documents and online materials. Although Hong Kong is used as a focus to explain the implications and thoughts, the principles behind are applicable to other cities in thinking about cultural planning in their own regions.

### *Background of Cultural Planning and Development in Hong Kong*

Hong Kong was a British colony since 1842. There was a lot of cultural exchange between Hong Kong and mainland China. Artists can cross the border freely without any restriction, until 1950, when the LoWu frontier is set to limit the entry to Hong Kong. Cultural activities, e.g. drama, music, and Chinese opera, then occurred in an informal way at the locally run Chinese opera cinema. In the 1950s, the Hong Kong government adopted a “Passive Non-interventionism” attitude towards cultural policy. This means the government avoided responding to any requests regarding the cultural development from the public. As long as the public safety and social stability is maintained, the government did not intervene any cultural activities. This situation provided a favorable environment for the growth of arts and culture in Hong Kong. With the increasing demands from the local arts communities, the first official cultural facility - Hong Kong City Hall- is established in 1962 and is managed by the Urban Council (Hong Kong Arts Development Council, 2000)

In the next fifteen years (1963-1978), the government started coordinating more cultural events and invited overseas arts organizations for performances. Library and museums were also developed in this period. In 1979, the Hong Kong Governor, Sir Murray MacLehose met with Chinese political leader, Deng Ziao Ping to discuss the handover of Hong Kong from the British Government to the Communist Party of China. Sir Murray MacLehose realized the importance of returning Hong Kong to China with a mature cultural plan in place. He then emphasized in the Legislative Council that Hong Kong Government must speed up the social infrastructure and cultural development. With this political background, there was a building frenzy between 1980 to 1992. Twenty four cultural infrastructures, from small scale museums with 220 square meters to large performing arts venues with 12,500 seats, were established within thirteen years. They included 22 performing venues with altogether over 31,400 seats and 10 exhibition venues with 18,020 square meters (details as follow). This was a golden period for the development of art and culture in Hong Kong. This background provided a foundation and motivation for a more in-depth cultural policy consideration at the end of the 1990s, around the time when Hong Kong was returned to China in 1997 (Hong Kong Arts Development Council, 2000)

Table III: The Building Frenzy between 1980 to 1992 in Hong Kong

1980	Queen Elizabeth Stadium	Arena: 3600
	Hong Kong Space Museum	Exhibition Space: 1,500 meter <sup>2</sup>
	Tseun Wan Town Hall	Auditorium: 1376, Cultural Activities Hall: 300
1981	Yuen Long Town Hall	(reformed as a secondary school now)
1982	North District Town Hall	Auditorium: 500
1983	Hong Kong Coliseum	Arena: 12500
	Ko Shan Theatre	Theatre: 1013
1984	Flagstaff House Museum of Teaware	Exhibition Space: 560 meter <sup>2</sup>
1985	Hong Kong Academy for Performing Arts	Lyric Theatre: 1171, Drama Theatre: 405, Concert Hall: 405, Recital Hall: 130
	Tai Po Civic Center	Auditorium: 760
	Hong Kong Railway Museum	Exhibition Space: 300 meter <sup>2</sup>
	Sheung Yiu Folk Museum	Exhibition Space: 500 meter <sup>2</sup>
1986	Sam Tung Uk Museum	Exhibition Space: 2000 meter <sup>2</sup>
1987	Sha Tin Town Hall	Auditorium: 1424, Cultural Activities Hall: 280
	Tuen Mun Town Hall	Auditorium: 1401, Cultural Activities Hall: 300
	Ngau Chi Wan Civic Centre	Theatre: 443
1988	Police Museum	Exhibition Space: 560 meter <sup>2</sup>
1989	Hong Kong Cultural Centre	Concert Hall: 2085, Grand Theatre: 1734, Studio Theatre: 534,
	Sheung Wan Civic Centre	Theatre: 551
1990	Sai Wan Ho Civic Centre	Theatre: 471
	Hong Kong Science Museum	Exhibition Space: 6,500 meter <sup>2</sup>
	Law Uk Museum	Exhibition Space: 240 meter <sup>2</sup>
1991	Hong Kong Museum of Art	Exhibition Space: 5640 meter <sup>2</sup>
1992	Hong Kong Visual Arts Center	Exhibition Space: 220 meter <sup>2</sup>

(Hong Kong Arts Development Council, 2001)

### *The Emergence of West Kowloon Cultural District*

In the 1990s, because of the handover from the British government to the Communist Party of China, the Hong Kong Government and the public sectors are concerned about the cultural policy development. Several researches and reviews are conducted. However, these researches usually examine the micro-policies (Hong Kong Arts Development Council, 2000). A more formal and large scale research is conducted by the Planning Department in 1998 titled “Cultural Facilities : A study on their requirements and the formulation of New Planning Standards and Guidelines” (The Planning Department, 1999). A detailed analysis of the usage of existing performing and exhibition facilities showed that most large venue were approaching saturation point. Small to medium-size venue were also well utilized. Even for the most popular venue, Hong Kong Cultural Centre, the attendance rate was only 10% of the resident population for year 1996/97. (The Planning Department, 1999). It is confirmed that Hong Kong needs a new arts and performance venue (People’s Panel on West Kowloon, 2005). In addition, Hong Kong Tourist Association (it is reformed as Hong Kong Tourism Board now) conducted a study in the same year and suggested that a new arts and performing venue should be built in the West Kowloon as an international landmark. This was the foundation for the emergence of the West Kowloon Cultural District.

Within the past ten years, the government set up four committees to advise on the overall cultural policies and the development of the West Kowloon Cultural District (Home Affairs Bureau, 2009); held a open concept plan competition that invited conceptual proposals for the development of the waterfront area at the West Kowloon Cultural District (Home Affairs Bureau, n.d.); invite experienced developers for construction proposals of the whole district that comprised of cultural facilities, residential building and business office; and held a half-year

public consultation (People's Panel on West Kowloon, 2005). However, such series of actions led to huge controversies and discussion among the public and arts communities regarding the design of the West Kowloon Cultural District, financial arrangement, selection of a particular development, and the cultural policy support for arts development within the district.

Finally, a consultative committee is formed in 2006 to re-examine and re-confirm the need for the core arts and cultural facilities for the West Kowloon Cultural District and advise the Government on the financial implications for developing and operating the facilities (Home Affairs Bureau, 2007). After 15 months intensive consultation with the local arts community and related parties, the consultative committee made solid recommendations to the government. After a three-month public engagement exercise to explain the consultative committee's recommendations to the public and gauged public view on the West Kowloon Cultural District, the government adopted the recommendations, drafted legislation into the Legislative Council, and set up a statutory body to develop the West Kowloon Cultural District in 2008 (West Kowloon Cultural District Authority, 2008). The West Kowloon Cultural District will include:

- 15 performing arts venue;
  - At least 3 hectares of piazza areas
  - A cultural institution with museum functions focusing on visual arts (named M+)
  - An exhibition center with focus on arts and culture and creative industry
- (West Kowloon Cultural District Authority, 2008)

West Kowloon Cultural District is a US 2.77 billion project. The public consultation process and the controversies raise the public concern on why and how to develop the cultural district. Based on the study conducted, the following sections will explain different angles and implications that may be applicable to cultural planning in Hong Kong.

### *What Does Cultural District Mean to Hong Kong?*

Because of the huge budget and the various public opinions raised, people are more focus on the West Kowloon Cultural District. In general, the West Kowloon Cultural District is treated as the sole way to advance and impact on the art and cultural development in Hong Kong. However, within the past ten years, other areas in Hong Kong have also developed “cultural districts”. Given what I learned from Maryland and also other models around the world, two perspectives are analyzed.

#### *Top-down cultural districts.*

Top-down perspective is that a cultural district is designated and initiated by the government or a public authority. Just like in Maryland, people would recognize the Arts and Entertainment Districts after legislation and official certification. Singapore and Austria are also adopting a top-down perspective with government intervention in designing the cultural districts. In Hong Kong, apart from the West Kowloon Cultural District, Jockey Club Creative Arts Center should also be considered as a cultural district. Open in 2008, it was initiated by Hong Kong Baptist University, with the support from the Hong Kong Arts Development Council, The Hong Kong Jockey Club Charities Trust, and Home Affairs Bureau. Although it is not an arts complex built with museums and performing venues, it is a historical building hosting artist studios, galleries, a black-box theatre, and other communal facilities. Just as the Cultural Industries Quarter in Sheffield, England, the Jockey Club Creative Arts Center is a renovated factory building left after the industrial period.

Lesson learned from the Maryland case study and other literatures reflects that a top-down cultural district may lack of community recognition and a disconnection with the city cultural planning. Jockey Club Creative Arts Center is located in Shek Kip Mei, which is an old

residential area for redevelopment. People living there are usually elder and low income family. How does Jockey Club Creative Arts Center integrate various arts forms into the local community life? How does the development of center is match with the city cultural planning? How can the arts community within the center benefit and revitalize the surrounding area? One common problem of a top-down cultural district is that the residents in that area even do not know that it is a cultural district. Jockey Club Creative Arts Center opened for nine months only. How is the perception and recognition from the local community? Will the future redevelopment in that area affect the connection between the center and the surrounding neighborhood?

Similar questions are also applicable to the West Kowloon Cultural District. Although it is a complete project with the full support from the government, what does the arts organizations (who are going to reside in the district) think about the functions and development of the district? Are they committed to contribute their effort to build a strong artistic atmosphere in the surround area? Top down cultural districts require integration and support from the local communities. A successful district does not mean building cultural compound only. While government or public sector involvement secure the hardware, it is important to develop the software, like local recognition and acceptance, in order to build a sustainable and favorable environment.

*Bottom-up cultural districts.*

Bottom-up perspective refers to the clustering of artist or arts and entertainment businesses initiated from the local communities without governmental or public sector involvement. Just like Witte de Withstraat, Netherland, the clustering of individual artists in the building is considered as a cultural district. It is owned by local authority and is managed by a joint management effort. In Hong Kong, two industrial building has been transformed as cultural districts in a similar way. One is the Footak Building Studio, which is a tenement building

donated by a property owner in 2005. It is now hosting 14 local artist groups who come from film, visual arts, and arts education field. Another one is called Fotanians, which is a current industrial building where over 50 visual artists rent the space for their studios there. Both of them are the typical bottom-up cultural districts. Firstly, there is clustering of artists or arts groups that foster artistic sharing and cultural development. Secondly, they are located in an area that has its unique local identity. However, due to lack of the appropriate cultural planning and promotion in that region, not many people even notice their existence, except the current arts and cultural workers. If the government or public sector can consider them as cultural assets, there is much potential to develop that region as cultural districts and bring in urban economy and revitalization.

Soho area is another bottom-up cultural district that can be found in Hong Kong. Because of its geographical location and the establishment of escalator that brings people up the hill, cluster of restaurants, bars, nightclubs, art galleries, and antique store are naturally formed in this area. It is a successful cultural district in Hong Kong, even though the public do not call it a cultural district. Same as Footak Building Studio and Fotanians, Soho area has its own management group called The Soho Association Limited. It is an organization that represents its members' view and opinions regarding any regulation or legislation in relations to their business.

A common problem among the bottom-up cultural districts is the governmental support and marketing. Since they are not certified by the government, city cultural planning may not include it as part of the future plan. Footak Building Studio is located in Wan Chi, an area listed as a redevelopment area. If the government does not treasure the cultural vitality there, it obliterates a potential cultural district that can help revitalize the surrounding area. Same for Fotanians, its unique geographic location provides a great opportunity for local residents and arts

field to interact with each other. However, without funding, Fotanians can only afford to coordinate a large scale open studio once a year. Exhibition happens infrequently depends on the budget of each individual artist. What Fotanians needs is marketing network, organizational development funding, and urban planning in the surrounding area. While government devotes huge resource with strong mission in promoting creative industry in the West Kowloon Cultural District, there are natural cultural districts developed on the other side of the city. However, tourists are not attracted to these cultural districts. The surrounding area is not developed to accommodate visitors. If Hong Kong is going to develop as an international city and attract tourism, promotion and connection among different cultural districts has to be projected in order to prove its cultural strength and creativity.

Every Hong Kong citizen is looking forward to the establishment of West Kowloon Cultural District in which the 1<sup>st</sup> construction phase will be ready at least in six to seven years later, and the last construction phase will be completed in about twenty years later. Actually, there are several cultural districts available in this city nowadays. Cultural city planning should not focus on one area only. It should consider the development of every region. A hybrid of top-down perspective and bottom-up perspective can help to analysis what does cultural district mean to Hong Kong. If the West Kowloon Cultural District raised the public concern on the cultural development in this city, then cultural districts could actually mean differently and in a more diversify way than its originally interpretation among the public.

### *Common Goals of the Government and the Arts Communities*

Lesson learned from the Maryland's Arts and Entertainment Districts is that the state government, management authorities, and the local arts communities may have different expectations and goals towards the cultural districts. From a macro perspective, cultural districts is more for economy, urban revitalization, and tourism. While the arts and culture sector is benefited from participating in the districts development, art is used as a tool rather than an ultimate outcome. Cultural development is part of the districts development, but it would not solely exist if it does not bring in money or tourist. From the viewpoint of the local arts communities, cultural districts provide opportunities for artistic growth and cultural development. Artists expect to have more funding and marketing opportunities once the districts are developed. Although what artists expected is also available within the districts, it does not necessary mean that it is complementary. It is important to define the common expectations from the government and the arts communities. Economic development and artistic growth are weighted as the question about egg and hen. With a flourishing economic environment, surrounding businesses, e.g. restaurant and retails, brings tourists and increases the visitation. This provides more opportunities for arts marketing and cultural development. The interaction with the business sector can stimulate artistic development. In reverse, with an enriched artistic environment, more people, especially young and educated professionals, are attracted to move down the area for a better quality of life. Wherever people spend money, there is business. This forms a favorite environment to stimulate the economic development.

West Kowloon Cultural District is developed based on the needs of a new arts and cultural venue. However, after building the 15 performing art venue, museum complex, and the exhibition center, does it imply the mission of arts development is fulfilled and there is no more?

The consultative committee advises that the West Kowloon Cultural District will create 910 millions economies, provides 21,540 employment opportunities, and attracts 4.5 million visitors . All these figures are about economic impact. The recommendation report prepared by the committee does not assess the artistic impact to the cultural sector. How would an arts organization be advanced for its artistic quality? How does the cultural district encourage creativity of citizen through the content of the arts program? Artistic development should not only focus on the number, it is more about the talents and quality created within the districts.

### *Financial Implications*

The case study of Maryland's Arts and Entertainment Districts demonstrates financial arrangements and tax policy. Although further evaluation is still required to assess the effect and impact of the tax benefit provide by the Maryland State government, and there is different tax system and financial structure between Maryland State and Hong Kong, it offers some principles and idea that can help facilitates the development of the cultural districts and cultural planning in a city. Hong Kong does not impose admission and amusement tax and sale tax. Instead, the non-profit organization does not granted with tax exemption unless it is registered as charity organization. In general, nonprofit arts organizations have to pay profit tax if there is surplus. Therefore, drawn from the same principle, the admission and amusement tax exemption can be transformed as profit tax credit in Hong Kong.

Based on different geographic location and the popularity of each cultural district, different areas can apply different tax incentives in order to achieve its development purpose. For example, government can propose property tax that helps preserve the historic building and encourages owners to renovate the building and transform it into other purpose. Many cultural infrastructures are located in downtown area. Many residents in the suburban area do not have

many opportunities to get access to arts and cultural activities. Although the government coordinated the Community Cultural Ambassador programs that bring arts into the community, without a stable performing venue and consistent programming, it is unable to build a sustainable cultural environment in the local community. There were historic venues in the suburban area. Some performing arts groups produced site-specific performances in there before. If government adopts property tax credit in the designated districts, it can encourage more preservation on the historic venues. While Hong Kong is facing a problem with the shortage of arts and cultural venues, such tax incentive can help attract investment from the private sector and provides more space for performance and exhibition in the local area. Credit should be provided in the basis that renovation is made for the purpose of cultural development or surrounding businesses that is defined by the government in that region. In this way, more diverse cultural districts can be developed in both suburban area and urban area.

Due to the different nonprofit statues and tax requirements, Hong Kong government can consider reform the nonprofit registration and apply the concept of admission and amusement tax, rather than profit tax that is currently adopted. Admission and amusement tax exemption is granted to arts and entertainment enterprise who conduct business within the districts. Same as income tax subtraction, both tax benefits are used to encourage artists and arts business to move into the designated districts. While many cultural infrastructure are concentrated in the downtown and urban area, such strategy can relocate artists and arts organization to different regions instead of focusing on a particular cultural district.

## Chapter 5: Conclusions and Recommendations for Addition Study

### *Summary*

Cultural districts have become more popular as a policy tool to revitalize the urban areas and reinvigorate the local economies in the recent decades. There are increasing numbers of cultural districts established in the United States. Scholarly works demonstrates that clustering stimulates the creativity development; revives a city and its neighborhood; improves the quality of life in the surrounding areas; and attracts tourists. These are the goals and objectives set by the government in designing the cultural districts. Through this study, it is discovered that local arts communities may possess another perspective regarding the establishment of cultural districts. Artists and arts organizations focus on the cultural development within the districts. Increased funding, greater marketing opportunities, and higher reputation are expected from the grassroots level. Such variance results in different viewpoint from the government and the local communities. While the state agencies or districts managements recognize cultural districts as the distinguished areas that attract businesses and form the focus of arts and culture, local arts communities consider cultural districts as the opportunities for artistic growth and marketing. There is not conflict between different viewpoints. Successful cultural districts should be able to bring in economic value; marketing and programming opportunities; and vivid artistic environment. The challenge is how to allocate resources and set the priority in order to accomplish all these expectations. Taking the Maryland's Arts and Entertainment Districts as an example, state government provides tax incentives to attract individual artists and arts businesses. By adopting income tax modification subtraction and admission and amusement tax exemption, eligible incomes or revenues derived from arts or entertainment activities within the districts are tax exempted. The property tax credit intends to attract developers to participate in arts and

cultural planning and help develop the hardware within the districts. These tax policies provide solid and tangible financial advantages to artists, arts organizations, and private sector in order to develop the Arts and Entertainment Districts. However, local arts communities may not really benefit, or even notice such incentives. Galleries and performing arts organizations run their businesses as usual. They may get greater connections and participation within the districts through the festivals organized by the districts managements. Without that, the results of developing a vivid Arts and Entertainment District are not obvious and strong enough to prove the effect regarding the incentives provided by the state government.

To set priorities and allocate resource to the most in-needed area, government and local arts communities should determine the common goals and objectives in order to develop the cultural districts. What is found in the case study is that there is even a disconnection of information between the state level and the local level. It result in a situation that arts communities not really recognize the existence of Arts and Entertainment Districts in their cities, not to mention the support and incentives provided by the state government. During the planning and designing process of the cultural districts programs, state authority should engage the grassroots and find out how to develop branding for the cultural districts in a collaborative way. While government emphasis the tax incentives, grants, and workshops that support the arts businesses within the districts, it is more important to addresses what would be the best way to assist the cultural districts development and how can the local arts communities contribute in developing the districts. With a stronger sense of belongings, the “investment” made by the government will be more worthwhile and help achieve the goals and objectives.

Scholarly works indicate that there is a second wave of cultural districts development. While the first wave of cultural districts development focus on arts organizations and cultural institutes, the

second wave emphasizes on the living and working space for individual artists in the cultural districts. Because of the decline in the manufacturing industries, many industries buildings became empty since the 1990s. Property owners offered low rent to artists as a short term tenants in order to fill the spaces. This initiated the trend of offering work/ live studio to individual artists. Going into the twentieth century, creative class is placed in a higher recognition in terms of their aesthetic and social roles. Individual artists and arts businesses have a stronger influence in the social development as well as economic value. This further enhances the cultural districts development with a strong emphasis on individual artists and their work/ live space. Although there is no statistic data to demonstrate if there is more work/ live studios provided within the cultural districts, the case studies of Maryland's Arts and Entertainment Districts reflect that there is a stronger tendency to develop work/ live space for individual artists. First of all, the criteria to be eligible for the income tax deduction requires artists to live, create artworks, and generate income within the districts. Such requirements imply that most of the artists' activities have to happen within the districts. An upstairs studio with apartment and downstairs galleries fit the best of this requirement. Secondly, the mobility of individual artists is higher than that of the arts organizations or institutes. Cultural districts that are formally designated by the state government with policies and support in place have been developed for about 10 years only. Many of the arts organizations have existed within the districts before any legislation of the cultural districts. It is obvious why the focus is more placed on relocating individual artists rather than attracting new arts organizations. Thirdly, the admission and amusement tax exemption target on for profit arts businesses. Most of the arts organizations in the field of fine arts or performing arts that charge admission fee are registered as 501(c) 3 already. This provides them to be tax-exempted organizations. Therefore, there is much less financial incentive for arts

organization to move to the cultural districts. This promotes the districts management focus more on individual artists, which in return confirm the second wave cultural districts development.

These main findings draw significant implications for the development of cultural districts. Based on the background and situation in Hong Kong, suggestions are made in the area of (1) financial incentives, (2) setting common goals between government and the local arts communities, (3) broaden the interpretation of cultural districts, and (4) treasure the “cultural districts” that are already formed and support individual artists. These recommendations are drawn based on some preliminary materials. The principles behind are applicable to cultural planning of other cities as well.

#### *Further Inquiries*

Derived from this research, further inquiries are drawn that lead to more studies in future. The following research areas are identified.

##### *Model of natural cultural districts.*

This research chooses to examine the cultural districts that are designated by the state government with policies and incentives in place that assist its establishment. State leadership and support are analyzed as well as the relationships between the state government and the districts management. It is discovered that there is different perceptions regarding the Arts and Entertainment Districts in Maryland from the state level and local communities. However, there is another type of cultural district, named natural cultural district, as indicated before. Without the policy intent, natural cultural district is created among a particular neighborhood with its own cultural identities. What was the development process and challenges of the natural cultural districts? Without tax incentive or even governmental support, how does the district itself revitalize the urban area and support the survival of arts industries in the surrounding area? Is

there any mechanism or strategies to “promote” the district to a city or state level? Taking the Pearl District in Portland, OR as an example, it was initially formed from a grassroots level without a formal cultural planning. However, it is now recognized by its arts galleries, upscale businesses, and residence. What is the difference in terms of impact and result between a natural cultural district and a cultural district that is designated with state policies in place? How are the districts recognized among the local communities? An in-depth research can be conducted to compare different natural cultural districts. Such study will be meaningful in a way on how the systematic and organized ways are applied to examine the natural cultural districts.

*International comparison.*

Following the trend of cultural districts development around the world, different counties consider cultural districts as a tool for urban revitalization, cultural identities, and economic benefits. Because of the different backgrounds and objectives, it appears that there are different time phrase and model in establishing the cultural districts in different nations. Due to the globalization and the significance of reflecting the unique cultural value on the international market, it is meaningful to compare the cultural districts in different countries regarding their history, government involvement, economic impact, artistic growth, management model, and financial issue. While the European Union developed the European Capital of Culture Program that serves as an indicator of the cultural life and cultural development of a particular country, an international comparison of the cultural districts can provide an overview of the cultural characteristic among different countries in the world. Such study will also provide significant contribution for international cultural development and tourism analysis.

*Comparison of other cultural districts in US.*

This research only takes the Maryland's Arts and Entertainment districts as the case study. However, there are seven more states that adopt such state-wide leadership and policy model to establish cultural districts. Different municipalities and counties also manage the districts in different ways. Since this new policy trend was firstly adopted in 1998 by Rhode Island, and four more states are now pending to have such initiative, a more complete research that examines the cultural districts in the rest of the seven states is essential. It will benefit many other states in considering such policy model that helps establish the cultural districts in their own region. The previous extensive study about the US cultural districts was conducted by Hilary Anne Frost-Kumpf in 1998. Since then, there is no comprehensive research to study the US cultural districts. An extensive research of all US cultural districts that are designated by the state government with policy in place will help to evaluate the influence and significance of such state-wide leadership and policy model for the establishment of cultural districts.

*Impact of state incentives.*

As identified before, the number of artists and the monetary value induced from the tax incentives are not compiled by any state at all. In order to provide a more comprehensive analysis for the policymakers, an individual study should be conducted to collect data regarding the benefit gained by the artists or arts organization within the districts. Such research can be conducted by the state government in a state-wide scale or by independent researchers through survey and focus group. With such data on hand, it helps the policymaker to consider the resource allocation that can facilitate the cultural districts development in the most effective way. Meanwhile, such data helps other states or nations to evaluate the influence and effect of providing tax incentives to the cultural districts.

*Test for the implications drawn.*

This research intends to draw implication to cultural planning in Hong Kong. Suggestions are made solely based on the finding of the case studies. It helps the researcher and arts administrators in Hong Kong to think outside the box without distraction from the current practices and limitation. This helps create more possibilities for cultural planning in this city. This research can be followed by testing if the recommendations are applicable in Hong Kong. Interviewers and extensive survey can be conducted to evaluate how the public think about the suggestions and the perspective provided. Consulting professionals and experts can help develop a more thoughtful and practical recommendations to cultural planning in Hong Kong. It also helps to test and eliminate if there is any assumptions or gap of knowledge are included in the recommendations.

With various suggestions about further researches, it aims to have an ongoing examination and discussions about the cultural districts development within the US and internationally. Cultural districts and zoning becomes a more important policy tool that generates economic impact, revitalizes urban area, and re-emphasizes the cultural identity. Sufficient researches can help the public and policymakers to understand the value of arts and the impact brought from the cultural districts.

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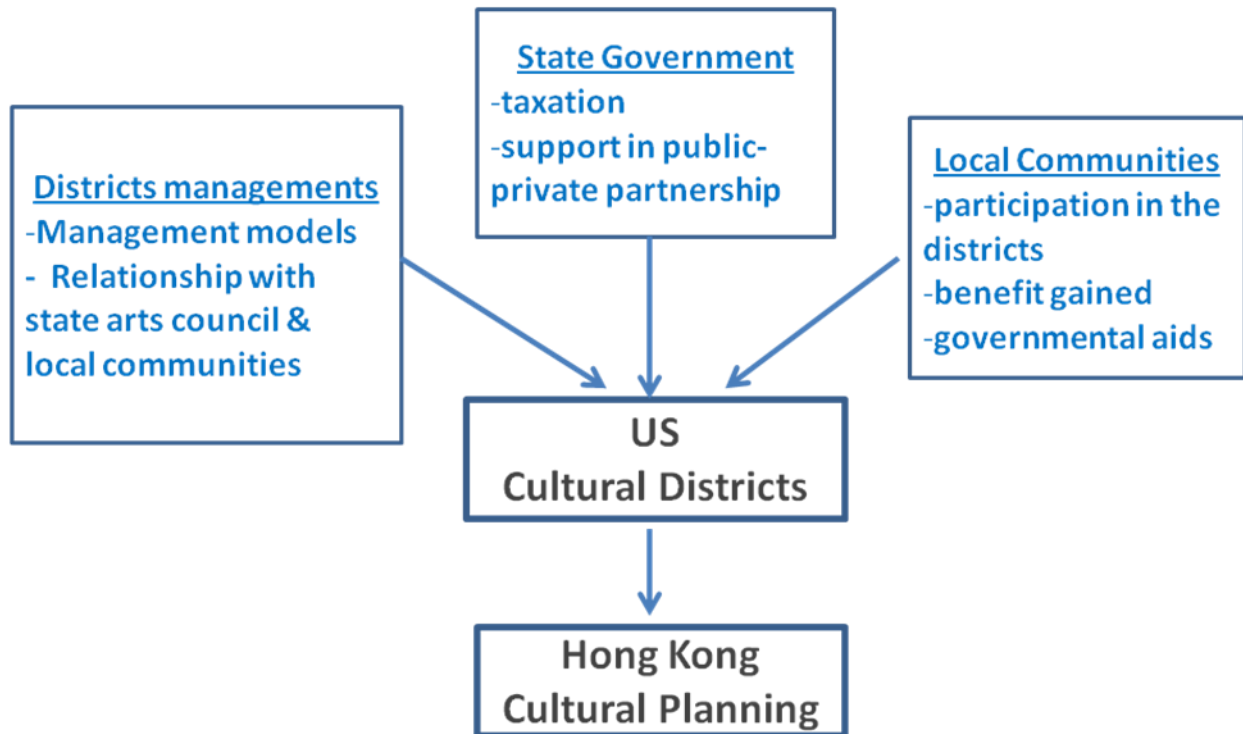
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## Appendix A: Conceptual Framework Schematic



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NOTE: The following HTML was modified from the original for security. Use the attachment link at the bottom to view the original.

Myra,

I have reviewed your human subjects protocol application titled " The Cultural Policy Implication of the US Model of Cultural District for the Social Infrastructure in Hong Kong " and have determined that your project does not meet the regulatory definition of human subjects research.

In order to be considered human subjects research, a project must include an interaction or intervention with living individuals about whom the investigator is collecting information. You are certainly interacting with people in the course of this research, but you are not collecting information about them. Instead, you are collecting information about cultural districts, cultural district funding, influence of cultural districts, etc . As such, your project will not need to undergo further review by this office and you are free to begin your research immediately. Even though your project is not human subjects research, I would encourage you to follow the ethical guidelines of your discipline and to obtain consent/releases from your interview participants.

For your convenience, our office will generate a formal letter documenting the "not human subjects research" determination; your project will be assigned a tracking number and we will sign your research clearance form and send it on to the graduate school. You will be receiving copies of these documents as PDFs within the next couple of weeks.

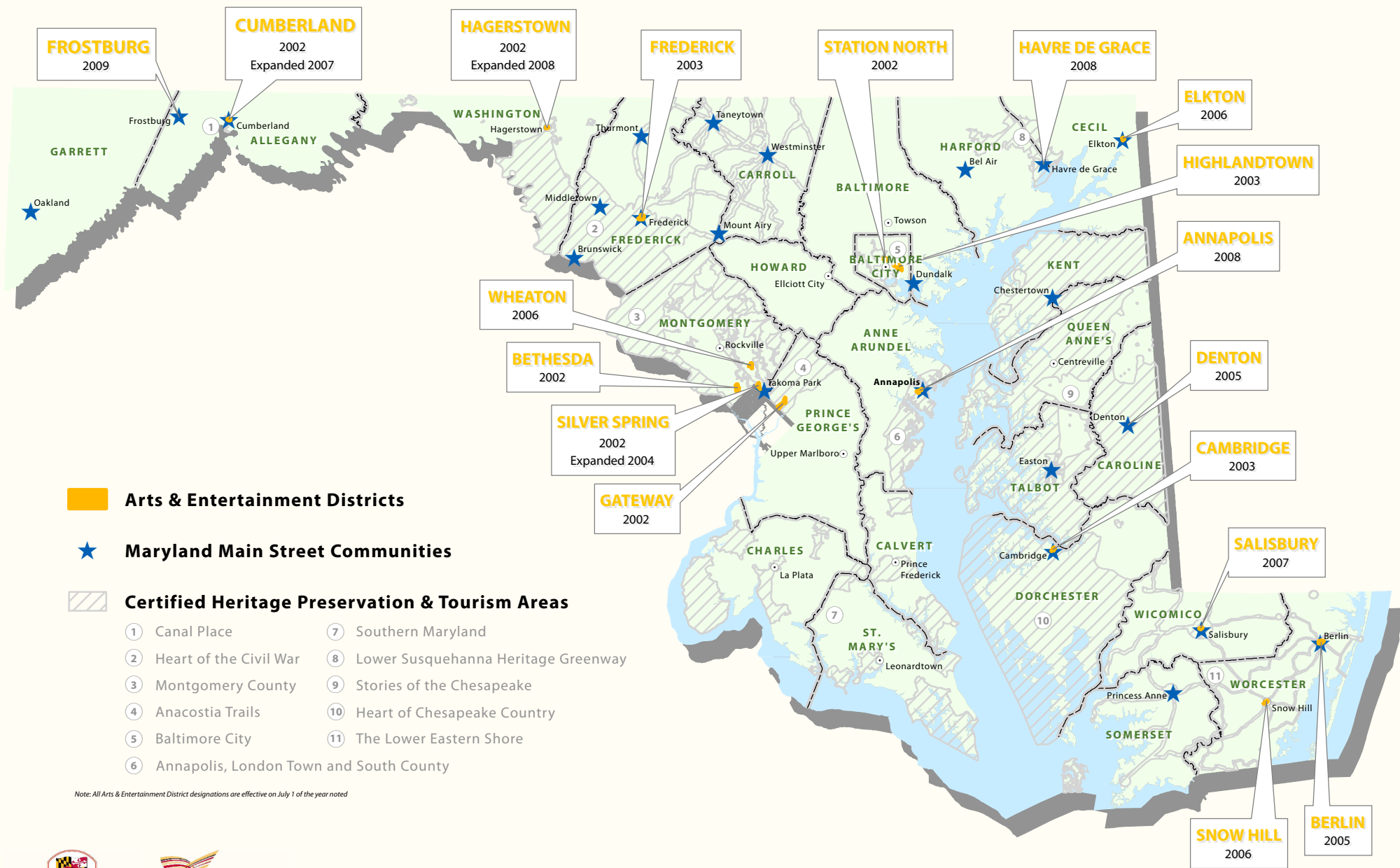
If you have any questions about this determination, please feel free to contact me.

Regards,  
Kira

Kira B. Homo, IRB Protocol Coordinator  
Office for Protection of Human Subjects, University of Oregon  
PH: 541.346.1845  
FAX: 541.346.6224  
[khomo@orc.uoregon.edu](mailto:khomo@orc.uoregon.edu)

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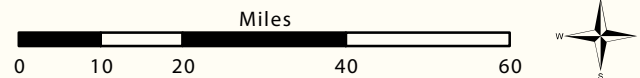
# Maryland's Arts & Entertainment Districts



*Note: All Arts & Entertainment District designations are effective on July 1 of the year noted*



**Martin O'Malley, Governor**  
**Anthony G. Brown, Lt. Governor**



## Appendix D: List of Interviewees

### State of Maryland

- (1) Elizabeth Carven, the Deputy Director of the Maryland State Arts Council
- (2) Wan Chen, Esq., Tax Consultant, Legal, Comptroller of Maryland, Revenue Administration Division

### Cumberland Arts and Entertainment District

- (3) Joseph Weaver, the Vice President of the Allegany Museum
- (4) Jerri Dell, the Director of the Arteco Gallery
- (5) Jim DeGeorge, the Coordinator of Arts at Canal Place
- (6) Jerard Puckett, the Executive Director of New Embassy Theatre
- (7) Andy Vick, the Executive Director of the Allegany Arts Council

### Hagerstown Arts and Entertainment District

- (8) Jenni Hatcher, Executive Director of Maryland Theatre
- (9) Cindy Blackstock, Arts and Entertainment District Manager, City of Hagerstown

### Downtown Frederick Arts and Entertainment District

- (10) Catherine Moreland, the Executive Director of the Delaplaine Visual Arts Education Center,
- (11) John Healey, the Executive Theater Manager of the Weinberg Center for the Arts

### Bethesda Arts and Entertainment District

- (12) Brett Crawford, the Managing Director of Imagination Stage
- (13) Stephanie Coppola, the Marketing Director of the Bethesda Urban Partnership Inc.

### Montgomery County

- (14) Theresa Cameron, the ex-CEO of Montgomery Arts and Humanities Council

MARYLAND  
FORM  
**502AE**

**Subtraction For Income Derived Within  
An Arts and Entertainment District**  
Attach to your Form 502 or Form 505

**2008**

Your first name and initial	Last name	Social Security number	
Spouse's first name and initial	Last name	Social Security number	
Present address (No. and street)	City or Town	State	ZIP code

**PART A - Qualifying Residing Artist**

1. Name of qualifying residing artist
2. Name of arts and entertainment district
3. Address of residential real property owned or rented in the county where the arts and entertainment district is located
4. Trade name and business address in arts and entertainment district
5. Nature of business conducted in arts and entertainment district

**PART B - Income Derived Within the Arts and Entertainment District**

6. Source of income derived within arts and entertainment district for which subtraction is being claimed	
7. Amount of subtraction claimed for income derived within arts and entertainment district (Include this amount on the line for "Other subtractions" on Form 502 or Form 505 and enter the appropriate code letter.)	

# SUBTRACTION FOR INCOME DERIVED WITHIN AN ARTS AND ENTERTAINMENT DISTRICT

## GENERAL INSTRUCTIONS

### Who May File

A qualifying residing artist may claim a subtraction for income derived from the sale, publication, production or performance of an artistic work within an arts and entertainment district, if the artist created that artistic work within that art and entertainment district.

The subtraction is only available to individuals. The subtraction is available to a single-member limited liability company, whose sole member is an individual, if the limited liability company is disregarded as an entity separate and apart from its member for federal income tax purposes and as such, the profit or loss of the limited liability company is reflected on the income tax return filed by the member of the limited liability company.

### Qualifying Guidelines

To qualify for the subtraction, you must be a qualifying residing artist who creates an artistic work that is sold within the arts and entertainment district in which it is created.

### Required Attachments

You must attach to your Maryland return a completed Form 502AE.

**Qualifying Residing Artist** - means an individual who:

- (1) owns or rents residential real property in the county where the arts and entertainment district is located and conducts a business in that district; and
- (2) derives income from the sale, publication, production, or performance within the arts and entertainment district of an artistic work that the individual created, wrote, composed, or executed, either solely or with one or more other individuals, in the arts and entertainment district.

**Artistic work** - means an original and creative work, whether created, written, composed, or executed, that falls into one of the following categories:

- (1) a book or other writing;
- (2) a play or performance of a play;
- (3) a musical composition or the performance of a musical composition;
- (4) a painting or other picture;
- (5) a sculpture;
- (6) traditional or fine crafts;
- (7) the creation of a film or the acting within a film;
- (8) the creation of a dance or the performance of a dance; or
- (9) the creation of original jewelry or clothing design
- (10) any product generated as a result of any of the categories listed above.

Artistic work does not include any piece or performance created or executed for industry-oriented or industry-related production such as a commercial or advertising copy.

Artistic work does not include tailoring services, clothing alterations or jewelry repair.

**Arts and Entertainment District** - means an area designated by the Secretary of the Department of Business and Economic Development as an arts and entertainment district.

## SPECIFIC INSTRUCTIONS

In determining the amount of income allowed as a subtraction, the following rules shall apply:

### Sale and Publication of Artistic Work

A. Income that an artist earns from the sale or publication of artistic work created:

- within the district and sold within the district qualifies for the subtraction;
- within the district and sold outside the district **does not** qualify for the subtraction;
- outside the district and sold within the district **does not** qualify for the subtraction; or
- outside the district and sold outside the district **does not** qualify for the subtraction.

B. Income received by an artist from internet, mail order and catalog sales of artistic work shipped from within the district qualifies for the subtraction, if the artist created the artistic work within the district.

C. Income in the nature of royalties, licenses or other future revenues from the sale of reproduction or publishing rights **does not** qualify for the subtraction.

### Production and Performance of Artistic Work

A. Income that an artist earns from a musical performance, from the performance of a play or dance, from the showing of a film produced within the district by the artist, or from acting in a film:

- within the district qualifies for the subtraction; or
- outside the district **does not** qualify for the subtraction.

B. Income that an artist earns from the creation or choreography of a play or dance, the composition of music, or the production of a film:

- within the district qualifies for the subtraction; or
- outside the district **does not** qualify for the subtraction.

C. Income received by an artist from the internet broadcast of an artistic work from within the district qualifies for the subtraction, if the artist created the artistic work within the district.

D. Income in the nature of royalties, licenses, or other future revenues from the creation or choreography of a play or dance, the composition of music or the production of a film **does not** qualify for the subtraction.

### Part A - Qualifying Residing Artist.

**Line 1** - Enter the individual's name who is the qualifying residing artist.

**Line 2** - Enter the official name of the arts and entertainment district in which the qualifying artist owns or rents residential real property and conducts a business.

**Line 3** - Enter the address of the residential real property owned or rented by the qualifying residing artist. This address must be located in the same county in which the arts and entertainment district is located. Do not enter a mailing address, such as a post office box or rural box number.

**Line 4** - Enter the trade or business name, if any, and the business address in the arts and entertainment district. Do not enter a mailing address, such as a post office box or rural box number.

**Line 5** - Provide a brief description of the artistic work and the business activities conducted in the arts and entertainment district.

### Part B - Income Derived within an Arts and Entertainment District.

**Line 6** - Provide a brief description of the business transactions generating the income that qualifies for the subtraction.

**Line 7** - Enter the amount of the income, to the extent included in federal adjusted gross income, derived within the arts and entertainment district that qualifies for the subtraction. Include this amount on the line for "Other subtractions" on Form 502 or Form 505 and enter the appropriate code letter.