# Table of Contents

## INTRODUCTION ................................................................. 2

## COMPARATIVE OVERVIEW OF EXISTING CULTURAL TAX DISTRICTS ...... 3

  * **St. Louis, Mo.** .......................................................... 3
  * **Denver, Co.** .................................................................. 5
  * **St. Paul, MN** ................................................................. 7

## LESSONS IN STRATEGIC PLANNING: THE DETROIT EXPERIENCE ................. 9

## NON TAX INITIATIVES: ALTERNATIVE MODELS FOR IMPLEMENTING A CULTURAL TAX DISTRICT .................................................. 11

  * **Paducah, KY** ............................................................... 11
  * **Seattle, WA** ................................................................. 12

## NASHVILLE AT A GLANCE ................................................................ 14

### I. Arts & Cultural Institutions ................................................................ 15
  * **Nashville Zoo At Grassmere** .............................................. 15
  * **Cheekwood** ....................................................................... 15
  * **Adventure Science Center** .................................................. 16
  * **Tennessee Performing Arts Center (TPAC)** .............................. 16

### II. Issues for Consideration .................................................................. 17

### III. Legislative Background and Opportunity for Cultural Tax District ..... 18
  * **Taxes in Tennessee** ............................................................ 18
  * **Visual Content Act of 2006** ................................................. 18
  * **Piggyback Tax Opportunity** ................................................ 19

## ENDNOTES ................................................................................. 21
INTRODUCTION

This report is meant to serve as one of the many resources that will accompany considerations of whether a cultural tax district might be a viable option for facilitating economic growth within the Nashville Metropolitan region. Therefore, it is important to note at the outset that all decision-making authority involving implementation of a cultural tax district is explicitly reserved for the duly appointed Mayor, the Nashville Metropolitan Council, and a possible vote of the citizenry. A practical next step might be the creation of a special committee, or task force, whose primary responsibility would be to explore the analysis of a cultural tax proposal further and include a detailed, strategic and comprehensive framework moving forward.

In order to lay the historical context of cultural tax districts, this report begins by identifying existing cultural tax districts in three major cities. This initial overview includes a brief description of each city’s cultural tax structure and provides a summary of the economic effects on communities within those designated geographic territories. Secondly, this report examines the crucial lessons learned from a case study in which the City of Detroit failed to obtain enough voter support to advance its cultural tax proposal through the local legislature. By focusing on Detroit’s failed attempt, this report seeks to emphasize the importance of including careful and strategic planning as part of any proposal for a cultural tax district. Thirdly, this report identifies key examples of cities that have successfully established themselves as cultural/artists’ communities, but without a cultural tax base to support that brand.

Finally, this report presents a nonexclusive list of four cultural and arts institutions in Nashville that might benefit from a publicly funded resource base. The section following the nonexclusive list is dedicated to addressing key issues and considerations which local decision-makers are expected to address prior to any attempt to market the implementation of a cultural tax district. The report concludes with a brief outline of current opportunities for advancing a cultural tax initiative in Tennessee’s state and local legislatures.
COMPARATIVE OVERVIEW OF EXISTING CULTURAL TAX DISTRICTS

The following section addresses components of well-renowned cultural tax districts in three major cities. This comparative analysis is meant not only to establish a basis for understanding the history and development of successful cultural tax districts, but also to quantify the benefits, strengths, and weaknesses of each program to help inform the decision of whether to implement a similar proposal in the Nashville Metropolitan area.

ST. LOUIS, MO – The Zoo Museum District (ZMD)

History

The St. Louis Zoo Museum District was established in 1971 and is considered the oldest tax district in the United States. The city’s motive for implementing a cultural tax district was due in large part to the civic leadership of Howard Baer. As a resident of the region, Baer was concerned that St. Louis’ declining population would lead to a decrease in funding for the Zoo and Arts Museum. With the help of similarly concerned residents, Baer spearheaded an effort to have the state’s legislature authorize St. Louis City and County residents to vote on a property tax levy that would create the Metropolitan Zoological Park & Museum District. Property taxes were designated to fund the cultural district so that a steady stream of revenue would continuously support both the City’s Zoo and Art Museum. By 1988, voters added the St. Louis Science Center, Botanical Garden, and Missouri History Museum to the district.

Tax Description

The statutory provision for St. Louis’s cultural district authorizes an ad valorem tax levy of up to 8 cents per $100 for the operation of the Zoo and Art Museum, and a tax of up to 4 cents per $100 assessed valuation to fund the three additional institutions. According to ZMD’s most recent financial statement and independent audit report, the total tax levied for the Zoo and Art Museum for 2009 was 7.14 cents; the Science Center, Botanical Garden, and History Museum received 3.65 cents each from the 2009 tax levies.
Administration & Governance
The District’s budgetary and accounting operations are led by a Board of Directors. Beyond this central body, each of the five institutions is independently governed by Sub-district Commissioners who oversee ZMD funding. These Sub-district Commissioners represent the City and the County, and are appointed by the Mayor and the County Executive respectively. Because the allocated funds are based on strict statutory percentage limits, there is no application or review process and the only requirement imposed upon each of the five entities receiving tax funds is free admission for the general public. ZMD boasts that more than 99% of its tax receipts have supported the five institutions, and less than 0.6% has been allocated for administrative costs.

Economic Impact
The St. Louis Regional Chamber & Growth Association (RCGA) measures the Zoo Museum District’s annual economic impact. These annual estimates are calculated using a computer model called IMPLAN, which is able to monitor the direct impact, indirect business impact, and induced household spending input within the region based on ‘use production’ functions and a stored profile of St. Louis city and its surrounding counties. According to RCGA’s July 2008 report, the total economic impact for the previous year resulted in the creation of 6,950 jobs and an estimate of $549 million generated in the sixteen-county St. Louis region.

ZMD Critique
The major criticism of the Zoo and Museum District is its strict property-based source of tax revenue. There has been a real drive for rethinking the framework of ZMD so that its revenue source might be funded through the significant tourist dollars generated in the city each year, instead of property taxes borne entirely by local residents. The argument for shifting the tax structure is due in large part to the change in demographics since 1971 when ZMD was enacted. Today, the metro region’s resident population is significantly less, while St. Louis tourism is undoubtedly considered a multibillion dollar industry. Though residents believe that ZMD provides St. Louis with five world-class institutions, there is a real fear that the stagnant property tax base and free-falling philanthropy by the area’s corporate community is sure to jeopardize the district’s long term financial future.
DENVER, CO – Scientific & Cultural Facilities District (SCFD)

History
In the early 1980s, the Denver Zoo, Art Museum, Botanical Gardens, and Natural History Museum faced budget cuts and funding so serious that it threatened their survival as cultural institutions within the city. In 1983, Rex Morgan, who served as a board member for the Denver Art Museum, drafted a tax district solution much like the property tax model in St. Louis. The original design of the tax district was crafted specifically to help the Denver Art Museum. However, as the proposal took shape, representatives of the zoo, art museum, natural history museum, and botanical gardens agreed to form an alliance to work together. The group eventually determined that a sales tax levy would function more efficiently than a property tax model because of the tendency of sales revenues to increase over time.

Opponents of the initial proposal challenged the exclusivity of SCFD, because it only extended funding to the four original institutions and did not include a host of other organizations in Denver’s arts community. After reaching a compromise regarding the division of funds for each group, the proposal was rewritten to include an equity-based financial formula that would distribute funds according to a three-tiered system.

A strategic marketing campaign was launched in 1987 to generate public support for the idea of a cultural district. SCFD was marketed not only as a means of economic stimulus for the city, but also as a vital way to enrich cultural awareness for particular segments of the population, namely, children. SCFD became a tax-collecting district on November 9, 1988 following voter approval and an intense marketing campaign that featured a number of television and print advertisements.

Tax Description
Denver’s SCFD is funded through a 0.1% sales and use tax generated throughout a seven-county area. The boundaries connecting the seven counties follow the footprint of three existing voter-approved districts: Denver’s Regional Transportation District (RTD), the Urban Drainage Corridor, and the Stadium District (baseball and football). Essentially, SCFD disburses grants to arts organizations and programs from a tax source that collects 1 cent for every $10 spent in any of the seven regions within the district. This means that whether a purchase is for an item as small as a...
movie ticket or for one as large as a new car, a penny on every $10 spent goes toward the SCFD fund.

**Administration & Governance**

SCFD is led by a Board of Directors and County Cultural Councils. The Board of Directors consists of 11 members who serve on a volunteer basis, four of whom are appointed by the Mayor. The Board is responsible for developing reports and reviewing requirements governing all SCFD funds, particularly for Tier I and Tier II institutions. There are seven County Cultural Councils to serve county constituents. The Cultural Councils review all Tier III applications and allocate SCFD funds accordingly.

SCFD’s three-tiered distribution system ensures that both the arts community and five major cultural institutions receive SCFD funding based on a statutory percentage that depends on the Tier category in which they fall. Of the total SCFD funds generated annually: Tier I organizations receive 65.5%, Tier II organizations receive 21%, and Tier III organizations receive 13.5%. The statute authorizing SCFD also has a strict provision that allots 0.75 of 1% total funds collected to pay for administrative costs.

**Economic Impact**

SCFD has transformed Denver into a thriving tourist destination and home to world-famous cultural amenities like the Denver Zoo, Ellie Caulkins Opera House, Red Rocks Amphitheatre, Museum of Contemporary Art, and the newly constructed Denver Performing Arts Complex (DPAC). According to the Colorado Business Committee for the Arts (CBCA), the “business of culture” in the Metro Denver area has flourished since the passage and approval of SCFD.

CBCA credits SCFD for the $1.3 billion in total economic activity generated in 2003, and the $1.69 billion in 2007. Furthermore, SCFD provides funding for capital expenditures and expansion of facilities and organizations dedicated to educational outreach opportunities for children and adults. As a result of SCFD’s overwhelming success, 66% of voters in the seven-county region reauthorized the district’s statutory provision to run through 2018.
SCFD Critique$^{16}$
Despite the acclaimed role of SCFD as a sort of legislative gift that spawned the cultural renaissance Metro Denver enjoys today, a few observers lament the affect SCFD’s annual grants have had on private philanthropy. The main concern is that public funding may actually serve as an incentive for philanthropists not to contribute as much as they might have done absent the SCFD. Moreover, there is a growing fear that once private philanthropists find an excuse not to give, the quality of arts and cultural institutions will suffer. The rationale is that there is a strong tendency for institutions to underperform so long as there is guaranteed funding instead of a competitive process for securing their own financial strength, particularly through private donations and sponsorships.

ST. PAUL, MN – Sales Tax Revitalization (STAR)

History$^{17}$
The proposal for expanding public support for arts and culture in the St. Paul area originated in 1993 when Mayor Norm Coleman sought to bring an NHL hockey team to the city. Coleman and his administration packaged the need for building a new hockey arena together with the need for remodeling and upgrading the City’s Convention Center. The City Council established the Sales Tax Revitalization (STAR) program as legislation authorizing a one-half percent sales tax to fund the expansion and remodeling of St. Paul’s Civic Center Complex, as well as developing St. Paul’s downtown neighborhoods.

Tax Description$^{18}$
STAR’s total funding comes from a one-half percent sales tax. 10% of the total sales tax proceeds go towards supporting the arts and 80% is disbursed to projects aimed at improving the City’s downtown area.

Administration & Governance$^{19}$
The City Council created the Cultural STAR Program in 1994 to distribute the 10% of total sales tax collected within the geographical boundaries of St. Paul’s Cultural District. The Cultural STAR Board is comprised of a group of nine members: five members are appointed by the Mayor and approved by the City Council; the remaining four members are elected by Arts and Cultural organizations in the City.
The Board reviews applications for grants and low-interest loans from the cultural portion of STAR’s sales tax funds, and makes recommendations to the Mayor and City Council for approval.

The Board awards Cultural STAR funds through a competitive application and review process. Cultural STAR funds are allocated according to three categories: (1) The Capital Project Program, (2) The Organization Development Program, and (3) The Special Projects Program. All STAR program funds are awarded on a reimbursement basis and only after documentation of eligible expenditures is submitted, reviewed and approved. The eligibility requirements are strictly enforced. All exceptions to the general guidelines governing applications and awards are subject to the STAR Board’s discretion.

**Economic Impact**

The Cultural STAR program is defined by law and geography to focus on St. Paul’s downtown area. In all, the city receives approximately $1.5 million annually to assist cultural organizations through the Cultural STAR program. Joe Spencer, Director of Arts & Culture for the City of St. Paul, recently stated that total arts spending in St. Paul amounted to over $310 million in 2005, $110 million generated from ticket sales. Spencer believes that the 2005 numbers are still accurate reflections of the relationship between St. Paul’s arts and culture industry and the economic vitality of the city today.

**STAR Critique**

St. Paul’s Cultural STAR program avoids many of the unintended consequences that so many tax districts tend to suffer. STAR’s strength is its deliberate focus on allocating funds based on a competitive system which measures how best those funds might be used, and does not place an exaggerated emphasis on organizations and art forms. Instead of establishing a structured system of entitlements that ends up insulating recipients, St. Paul’s Cultural STAR program motivates recipients to be innovative and creative.
LESSONS IN STRATEGIC PLANNING: THE DETROIT EXPERIENCE

The following section analyzes conditions that led voters to reject the formation of a cultural tax district in Detroit’s Metropolitan area. The crucial lesson from the Detroit experience is the importance of articulating clear and strategic goals for establishing a cultural tax district before assuming voter support and approval of any such initiative.

Detroit’s “Proposal K” Referendum

In November 2002, voters in the Detroit Metropolitan area rejected a referendum aimed at increasing property taxes to support local arts, science and cultural institutions. Michael Rushton’s 2003 empirical study serves as the seminal analysis of Detroit’s failed effort to enact cultural tax legislation.

According to the systematic methodology employed in Rushton’s study, which matched precinct-level voting results of Detroit’s Proposal K referendum with Census Tract data, two factors, among others, played a particularly important role in the proposal’s ultimate fate. The first factor concerns the distance from the proposed cultural district. Simply put, voters who were farther away from the intended location of the cultural center were also less likely to support Detroit’s arts funding program. The second factor involves anecdotal evidence that suggests some voters refused to support the proposal for fear that residents outside the tax base might actually benefit more from the cultural institutions than those whose property taxes were to form the foundation of the public funding.

“Pay More, What For?”

Rushton’s study accounts for the detrimental effect a cultural tax district initiative faces when it does not clearly answer the question at the forefront of every voter’s mind: “Pay more, what for?” Detroit’s Proposal K referendum was marketed to voters in such a way that it failed to identify community-specific goals that addressed shared values and ideals.

Therefore, merely stating the need for greater funding for the arts is not enough to justify an increase in taxes, especially when the tax increase is significant (i.e. “Proposal K” sought a tax increase of 50 cents per $1000 taxable value, which is
one-half of market value). Rushton suggests several key questions he believes must be addressed at the outset of any public arts funding initiative. Only after these issues are squarely dealt with and analyzed can a cultural tax district policy proposal begin to garner voter support:

- How are people arranging their cultural lives now?
- To what extent should arts policies be devoted to education programs for children and after-school programs?
- Do we want to continue to think in terms of flagship institutions?
- Do the major symphonies and art museums inform our public arts policies?

**The Kresge Foundation**

Absent a publicly funded cultural tax district, Detroit’s arts and cultural communities have come to rely heavily on private funds from institutions such as the Kresge Foundation. Founded in 1924 by Sebastian Spering Kresge, and headquartered in Detroit, the Kresge Foundation operates as a $31 billion private national foundation that supports nonprofit organizations based on a set of values-oriented criteria. The foundation includes an initiative called the Kresge Arts in Detroit program, which is specifically geared towards providing continuous philanthropic support for the cultural development of the region. Overall, the Detroit initiative is aimed at developing individual artists, cultural organizations and arts-infrastructure groups throughout Detroit’s metropolitan region.
NON TAX INITIATIVES: ALTERNATIVE MODELS FOR IMPLEMENTING A CULTURAL TAX DISTRICT

A pivotal point of the cultural tax district analysis is examining cities that have made names for themselves as cultural destinations or artists’ communities, but without a cultural tax to support those brands. Accordingly, the following section will focus on viable alternatives to implementing cultural tax districts based on examples from the cities of Paducah, KY and Seattle, WA.

PADUCAH, KY
LOWER TOWN ARTS DISTRICT: ARTIST RELOCATION PROGRAM

History
On February 19, 2002, the Paducah City Commission adopted a well needed revitalization plan for a historic area in the Western Kentucky region known as Lower Town. Prior to that date, the area had been in disrepair and slowly falling apart due to neglect. Through the efforts of both the City Commission and a newly re-invigorated group called the Lower Town Neighborhood Association, the City of Paducah devised a comprehensive planning process for reviving the Lower Town area. The Artist Relocation Program became the chief component of the final plan the City adopted in order to revitalize the region. Ever since the City incorporated the Artist Relocation Program, through a series of financial incentives and zoning amendments that allowed for greater mixed-use zones, the culture of art in the Lower Town area has flourished.

Structure and Standards
The Artist Relocation Program is structured to facilitate an environment in the Lower Town area where residents can live and work in the same space. The result of the program’s mixed-use zoning is that artists are encouraged to share and exchange creative interests with relative ease, which has led to an increase in tourism, start-up businesses and spending in the Lower Town area.

To attract artists to Lower Town, the relocation program offers properties to artists at costs typically below market price. The program also offers start-up business and restaurant assistance of up to $2500. To qualify for assistance, artists are required to submit a proposal that demonstrates their ability to operate a business that will
generate sustainable sales, and must also include plans to engage the community through art workshops and other cooperative projects.

**Awards and Achievements**

LowerTown’s Artist Relocation Program has taken the City of Paducah from a state of economic misery to a place of prominence as a premier cultural destination. The best evidence of the City’s ascension to becoming a world-class destination is the 2008 international accreditation Paducah County Convention & Visitors Bureau (CVB) received from the group, Destination Marketing Association International (DMAI). The significance of this accreditation means that Paducah is internationally recognized as an outstanding provider of services promoting and marketing its community to the world.

A recent article in The Fiscal Times magazine noted that Paducah’s strategy to entice artists with the prospect of free home ownership and creative autonomy in developing their properties is perhaps the foremost example of how any struggling City might seek to maximize its economic potential. Yet, it is imperative that each City tailor the Paducah model to suit its own needs and idiosyncrasies.

**SEATTLE, WA**

**CULTURAL OVERLAY DISTRICT RECOMMENDATIONS**

**The Cultural Overlay District Advisory Committee (CODAC)**

In 2007, the City of Seattle created a volunteer advisory committee to address Seattle’s urban growth problem and the detrimental effects it had on arts and cultural spaces in the surrounding neighborhoods. City Council members, Nick Licata and Sally Clark established the Cultural Overlay District Advisory Committee (CODAC) and challenged it to devise a comprehensive plan of incentives and regulations for preserving and promoting cultural spaces. Their research and planning efforts are currently underway.

The final set of CODAC’s recommendations will serve as a central piece of the City’s present legislative attempt to define a cultural district through a series of ordinances and budgetary provision changes.

**CODAC Recommendations**
The committee’s recommendations emphasize key existing city processes that it deems likely to create the type of ‘cultural’ brand the City seeks. Listed below are three such processes:

- **Regulatory Relief** – This recommendation calls for the development of permit procedures that would streamline and expedite the permit process. The committee also recommends regulatory relief in the form of exemptions from parking requirements as a way to develop cultural space.

- **Land Use Incentives** – The committee recommends adding ‘arts’ uses to the allowable street-level activities in pedestrian and mixed-use projects.

- **Financial Incentives** - The third component of the committee’s proposal focuses on financial incentives such as City bonds and loan guarantees, along with City property tax exemptions to facilitate an effective cultural district.

Central to the recommendations set forth in the Committee’s final report are key procedures for conducting outreach to build consensus and awareness for the proposed cultural overlay district. As part of implementing the plan, CODAC suggests the following:

- **Develop a Message** – Collaboration and advocacy are at the heart of this message, which must also emphasize the purpose of arts and culture as a means for preserving neighborhoods, promoting economic value and increasing the vitality of the region as a whole.

- **Identify Goals and Desired Outcomes** – After identifying potential supporters and advocates for a cultural district, the organizing body is urged to be specific in communicating its primary objectives as it strives to secure letters of support from relevant associations and the general public.

- **Get the Message Out** – Perhaps the most crucial element of obtaining support for implementing a cultural district is spreading the message throughout the community. Social networking media, print, web-based, audio/visual media are all encouraged forms of dissemination.
Nashville at a Glance

Having examined the scope and effects of cultural districts across the country, we now turn our focus to the city of Nashville. The following analysis is comprised of three parts. The first section gives a brief summary of the mission, educational programs and funding of four existing arts and cultural institutions in the Nashville metropolitan area to highlight current cultural institutions that might benefit from a dedicated public funding stream. This nonexclusive list merely identifies examples of existing art and cultural institutions within Nashville’s Metropolitan region. It is not meant to prohibit decision-makers from also considering diverse organizations and institutions that may be somewhat atypical, but nevertheless regarded as artistic or important cultural amenities.

The second section offers key issues that should be objectively and candidly considered before any effort to market the creation of a cultural tax district is executed. These factors are intended to jumpstart the process of deliberating whether or not a broad-scale dedicated revenue stream would be the most appropriate and beneficial option for the Nashville Metropolitan area. It is advisable that a special task force or committee be appointed to facilitate the discussion of the issues presented in this report, and to construct a further detailed, strategic and comprehensive framework moving forward. Recall that one of the most fundamental questions in any cultural tax district implementation process that a city must answer convincingly, particularly when voter approval is being sought, is: “Pay More, What For?”

The third and final section outlines the major legislative options that might be available for implementing a cultural tax initiative in the future. It is vital to keep in mind, however, that implementing any form of tax legislation is an extremely complex and political process requiring a clear vision, specific goals, and feasible outcomes.
I. **Arts & Cultural Institutions**

**Nashville Zoo At Grassmere**

**Mission:** “To inspire a culture of understanding and discovery of our natural world through conservation, innovation and leadership.”  

**Education & Public Programs**

In order to meet its goal of serving children, families and visitors within the metropolitan area, the Nashville Zoo offers a wide array of programs including: teachers’ workshops, events for school groups, as well as programs geared towards engaging adult visitors.

**Funding**

The Zoo is supported through the donations of private individuals, corporations and a number of foundations. With continued support in the future, the Nashville Zoo hopes to expand the park into a world-class facility by utilizing the remaining acreage on the Grassmere property.

**Cheekwood**

**Mission:** “Cheekwood exists to celebrate and preserve its landscape, buildings, art and botanical collections...and provide an inspiring place for visitors to explore their connections with art, nature and the environment.”

**Education & Public Programs**

To further the values of preservation, education, beauty and a sense of place, Cheekwood offers school programs, group tours, summer camps, classes and workshops for visitors of all ages. Most notably, Cheekwood facilitates an awards program aimed at helping young artists and writers by fostering their creative development through what is known as the Scholastic Art & Writing Competition.

**Funding**

Cheekwood is supported through generous private, corporate, foundations, sponsorship, and Government gifts.
ADVENTURE SCIENCE CENTER

**Mission**: “To encourage science literacy, critical thinking, problem solving and creativity in children of all ages.”

**Education & Public Programs**
The Center considers itself an essential contributor to the Middle Tennessee region as it strives to educate children through fun and creative opportunities in the field of science. Accordingly, the Center offers a significant number of programs aimed at helping children gain a better understanding of science terms, concepts and principles. In addition to its day camps, after-hours “science sleepovers” and scout programs, the Center features the Sudekum Planetarium to foster children’s appreciation for the universe around them.

**Funding**
The Adventure Science Center is primarily supported through generous contributions from private individuals, corporations, foundations and public agencies. A small portion of the Center’s services to the community is covered by admission charges.

TENNESSEE PERFORMING ARTS CENTER (TPAC)

**Mission**: “To provide facilities, services and programs of the highest quality for the greatest benefit of the people, institutions and communities of the state, and to take a leadership role in fostering the performing arts, arts education, resident art groups and other arts organizations.”

**Education & Public Programs**
Through its Humanities Outreach in Tennessee (“HOT”) program, TPAC is able to offer drama, instrumental music, opera and dance presentations to students ranging from kindergarten through the twelfth grade. Education programs for adults are also part of TPAC’s service to the community. For example, the InsideOut program provides adult learners the opportunity to attend seminars and a variety of educational events related to TPAC’s mission.

**Funding**
TPAC accepts donations from corporations, foundations and government agencies through its Annual Campaign sponsorship fund.
II. **Issues for Consideration**

*Development Stage:*
- What are the significant community problems a cultural tax district would aim to address?
- What specific geographic territory would the district include?
- How would we define the regional structure of a potential tax base?
- Are there existing ties connecting the Metropolitan region?
- What is the current relationship between private philanthropy and the arts?
- How would we frame the creation of a cultural district? For example, would it be framed as an initiative to preserve cultural institutions versus creating economic development?
- Identify the right people to lead. For example, a special council/task force whose primary goal is to devise a feasible development strategy.
- How much would a cultural tax district divert public funds from competing government agencies that provide other services?
- Is there a sufficient transportation overlay available to facilitate a district?
- Consider the benefits of an entitlement system (Denver) versus an initiatives-based structure (St. Paul).

*Nashville’s Cultural Profile:*
- What is the extent of Nashville’s arts and cultural assets?
- Is there a sufficient variety of venues that would provide opportunities for creating and facilitating a district for artist space development?
- Are we able to conduct a detailed and ongoing inventory of the city’s cultural identity and its impact on the local/regional economy?
- How do existing audience patterns reflect the value of art and culture to the community?
- As part of an inclusive strategy, what institutions and organizations would we be calling to the table?
- What would be the intended aesthetic quality of the district? For example, if an artist space development program were to take effect, would there be a certain level of artistic accountability attached to that area?
- Consider the marketing campaign necessary to gain possible voter support for the creation of a cultural district.
III. LEGISLATIVE BACKGROUND AND OPPORTUNITY FOR IMPLEMENTING A CULTURAL TAX DISTRICT

**Taxes in Tennessee**

In December 2004, the Tennessee Tax Structure Study Commission issued a final report that detailed the entire taxation system in the state of Tennessee. Created by an act of the Tennessee General Assembly to serve as an independent body, the Study Commission’s chief objective was to produce a comprehensive review of the status and implications of the state’s existing tax code, and to recommend changes where appropriate.

The Study Commission acknowledged the following particularly relevant findings in its final report:

- The average combined state and local *sales tax* rate in Tennessee is significantly higher than surrounding states, which results in state revenues being overly reliant on the sales tax.
- In the absence of a broad-based *personal income tax*, coupled with a low *personal property tax* base, Tennessee’s tax structure overly relies on sales taxes, which makes it a narrow and unbalanced tax system.

The Study Commission’s final report, existing political environment and voter attitudes should all play crucial roles in the process of devising a strategy to establish a cultural tax district in the future.

**Visual Content Act of 2006**

An existing issues-based tax incentive is the Visual Content Act of 2006. It was enacted by the state legislature “for the purpose of providing incentive grants that encourage the production of films, movies, television pilots or programs in the state of Tennessee.” Funds are administered from the general revenue fund, but are treated as a separate account administered by the Department of Economic & Community Development. According to a 2007 news release by the Film, Entertainment & Music Commission, the incentive programs utilize tax rebates,
headquarters incentives and grant programs for encouraging the development and completion of media productions in the state.\textsuperscript{49}

**Piggyback Tax Opportunity** \textsuperscript{50}

In 2009, the Green Ribbon Committee on Environmental Sustainability issued a report to Mayor Karl Dean outlining several goals and recommendations for making Nashville one of the most livable and environmentally responsible cities in the country. The Mobility Subcommittee incorporated key recommendations for “affordable high frequency and high-capacity reliable transportation options for every Nashville and Davidson County resident, employee, or visitor.” Since these recommendations have been made, the state legislature has been successful in passing enabling legislation to create funding for a mass transit system.\textsuperscript{51}

Enabling legislation for a dedicated revenue stream to support a mass transit system in Middle Tennessee might create an ideal opportunity for proposing a cultural tax district. This piggyback tax strategy may be advantageous for advancing overlapping goals essential to both a cultural tax district and a mass transit system: regional connectivity, easy access to the Nashville Metropolitan area, community and economic development. Recall that Denver’s SCFD cultural tax district was formed using a very similar piggyback tactic.

The Green Ribbon Committee’s December 2009 Update notes that a newly created entity, called the Transit Alliance, has been formed to connect various members of both the public and private sectors to promote smart transportation planning. Therefore, a special task force aimed at formulating a comprehensive strategy for implementing a cultural district in the Nashville Metropolitan area might very well be able to work closely with the Transit Alliance to advance the vision of a cultural tax district in the future.
ENDNOTES


