

Texas Cultural Districts Program: Indicators for Measuring Success



Prepared for



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Executive Summary


As community leaders recognize the role of creative arts and culture in sustainable economic development, cities and states are seeking new ways to amplify the positive effects of this sector. The creation and promotion of cultural districts has increasingly become a successful strategy for communities to rehabilitate historic neighborhoods and revitalize downtown areas.

The Texas Cultural Trust retained Texas Perspectives, Inc. (TXP) to consider strategies to document the success of cultural districts and potential return on investment. As part of this process, TXP interviewed Texas cultural districts representatives; reviewed similar programs in other cities and states; developed a standard scorecard that could apply to the cultural districts; and created a methodology to project the economic impacts of those areas on Texas cultural districts. From this research emerged important lessons, key strategies for success, and potential incentive structures for emerging cultural district programs.

To assist local and state arts stakeholders in measuring and communicating the progress of these zones, TXP identified four key performance indicators that apply regardless of location or size. *Population* and *employment* speak to the general attractiveness of the area to residents, tourists, and local businesses. Many of the existing cultural districts are in the urban core or downtown part of the community. The cultural districts are also serving the broader role of economic development driver to stimulate growth and redevelopment in these areas. *Property tax base* and *taxable sales* measure tax revenue and return on investment to the public sector. No set of indicators will perfectly capture the quantity, quality, and diversity of the cultural districts. If a cultural district successfully implements its strategic plan, these indicators should move in a positive direction.

Since the Texas Cultural District program is in its infancy, there are no existing impact studies for the districts. However, it is possible to overlay the experiences in non-Texas cultural districts to generate an order of magnitude estimate for each cultural district. Based on the economic impact analyses of other cultural district programs, two approaches emerged that are useful methodologies to forecasting the economic and tax revenue impact of Texas cultural districts over time: 1) the impact associated with promotion and event planning activities by the cultural district organization and 2) changes in property value for parcels within the culture district.

Texas' Cultural District program has the potential to be a leading statewide catalyst for economic development. The willingness of communities to complete the application process that requires bringing together diverse local stakeholders, developing a detailed funding plan, and documenting strategies and tactics bodes well for long-term success. After reviewing the programs in other states and cities, a series of adjustments and



recommendations emerged that would improve the competitiveness and viability of the Texas model. In addition, these changes should make it easier to encourage other communities to participate in the Cultural District program.

Recommendation #1 – Modify the boundary requirements to ensure that private sector spillover effects are included in the cultural district.

Recommendation #2 – Develop specific state and local tax revenue funding mechanisms.

Recommendation #3 – Encourage cultural district communities to submit annual metrics.

Recommendation #4 – Create a standardized visitor tracking survey used by all cultural districts.

Recommendation #5 – Consider strategies or programs that assist interested communities in building the cultural base needed to qualify for cultural district designation.



Introduction

As community leaders recognize the role of creative arts and culture in sustainable economic development, cities and states are seeking new ways to amplify the positive effects of this sector. The creation and promotion of cultural districts has increasingly become a successful strategy for communities to rehabilitate historic neighborhoods and revitalize downtown areas. The establishment of a recognized and branded cultural district has traditionally occurred at the city level. A local nonprofit arts organization usually spearheads the planning effort, coordinates events, and seeks public and private sector financial support. The success of these programs at the city level as economic development projects and as jobs creators has encouraged at least twelve states to develop programs to recognize districts dedicated to art-related activities.

The establishment of a formal cultural district is necessary, but not sufficient, to ensure long-term viability of the area. Successful cultural district programs have a number of common elements including clearly articulated goals, public sector financial support, community buy-in, and key performance measures that track the cultural district's progress. Because cultural districts rely on varying levels of public sector financial support, it is important to communicate the economic importance of the zone. This is even more critical when structuring an incentive program since the spillover effects of the cultural district extend beyond the economic and tax revenue impact of a specific organization. In addition, many cultural organizations operate in publicly owned facilities that make measuring and evaluating the total economic and fiscal impact even more challenging.

The Texas Commission on the Arts promotes its Cultural District program by encouraging communities to seek a formal designation. In 2009, the Texas Commission on the Arts selected seven communities to participate in the program. Currently, Texas provides limited grant funding or incentive programs to catalyze growth within these areas. In addition, there is not a comprehensive formal reporting requirement for how the cultural districts should monitor annual activity. In spite of these challenges, within the first year these cultural district cities are already starting to experience positive outcomes including new business activity, expanded marketing efforts, and greater collaboration between arts groups and local government.

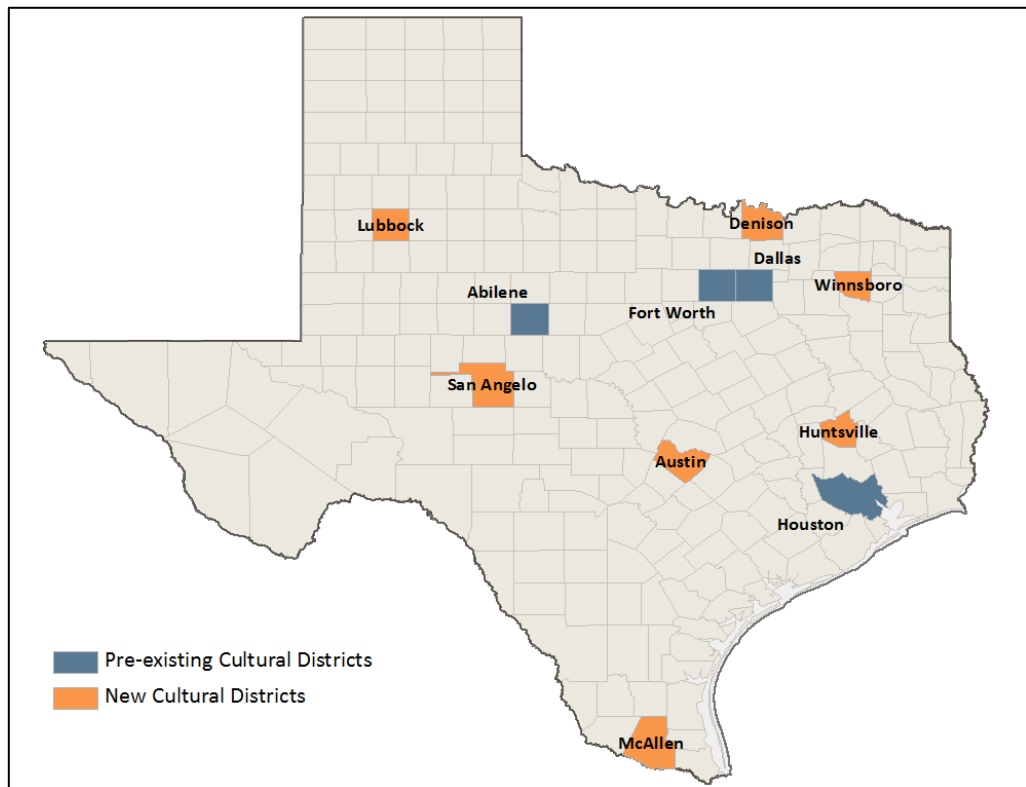
In 2010, the Texas Cultural Trust retained Texas Perspectives, Inc. to consider strategies to document the success of cultural districts and potential return on investment. As part of this process, TXP interviewed Texas cultural districts representatives; reviewed similar programs in other cities and states; developed a standard scorecard that could apply to the cultural districts; and created a methodology to project the economic impacts of those areas on Texas cultural districts. From this research emerged important lessons, key strategies for success, and potential incentive structures for emerging cultural district programs.

Texas Cultural Districts

In 2005, the Texas legislature authorized the Texas Commission on the Arts to designate cultural districts in cities across Texas. The purpose of the Texas Cultural District program is to strengthen a community's cultural arts sector by supporting existing institutions, expanding tourism opportunities, and promoting economic development. Cultural district direct benefits also include artist advancement, job creation, property value enhancement, and downtown revitalization. Cultural districts are well-recognized, mixed-use areas of a community in which a high concentration of cultural facilities serve as anchors. The Texas Commission on the Arts designed the Cultural District program to be adaptable to all communities, regardless of size, geography, or population density. There are five general classifications for cultural districts: 1) cultural compound, 2) major arts institution focused, 3) arts and entertainment focused, 4) downtown focused, and 5) cultural production focused districts.

The Texas Commission on the Arts has formally recognized twelve cultural districts. In 2009, the pilot program districts included Austin, Denison, Huntsville, Lubbock, McAllen, San Angelo, and Winnsboro. Cultural districts in Abilene, Dallas, Fort Worth, and two in Houston were previously established and were recognized as state cultural districts in 2010.

Figure 1: Texas Cultural Districts



Source: Texas Commission on the Arts, TXP

Metrics to Track Cultural District Progress

Existing cultural districts use a variety of methodologies and metrics to measure the impact of the area. Some communities focus on job creation and capital investment within the cultural district while others conduct economic impact studies that capture the total regional effects. It is common for these studies to offer an annual snapshot of the economic and tax revenue impact, but not trends or changes over time. In addition, not all states require cultural districts to report annual activity using a standardized scorecard or metrics. This makes it difficult to compare districts from different states or programs.

To assist local and state arts stakeholders in measuring and communicating the progress of these zones, the Texas Cultural Trust tasked TXP with identifying readily available datasets that are useful in tracking changes year over year. The goal was to identify no more than five key performance indicators that apply regardless of location or size. Based on conversations with cultural district representatives, the majority of districts are measuring activity using statistics such as event attendance, spending by nonlocals, and advertising effectiveness.

These indicators speak to the direct impact of cultural district activity and programming, but do not fully capture the spillover effects attributable to the arts. The presence of major arts organizations, for example, serves as a magnet for many smaller arts organizations and individuals, providing scaffolding for the growth of the creative community. In addition to the overall benefits provided to the community, cultural districts stimulate the growth of tourism. Individuals visiting an area rich in the arts are likely to stay longer and spend more money than the area's residents. This in turn supports jobs at local restaurants, shops, and hotels. Because many cultural districts are centered on publicly owned or tax exempt facilities, examining the economic impact of just these organizations does not include the activity at businesses that chose to locate in close proximity.

An issue for selecting cultural district metrics is data availability by geography. Many annual datasets provide information at the city and county level, but not for smaller subzones such as census tracts or blocks. Even when the data is available, another challenge is that cultural district boundaries do not perfectly match census tract or zip code boundaries.

Despite these limitations, TXP identified four datasets that closely match the boundaries of the cultural district, capture the spill over impact, and are available on an annual basis. Population and employment speak to the general attractiveness of the area to residents, tourists, and local businesses. Many of the existing cultural districts are in the urban core or downtown part of the community. The cultural districts are also serving the broader role of economic development driver to stimulate growth and redevelopment in these areas. Property tax base (from the certified tax roll) and taxable sales measure tax revenue and return on investment to the public sector. If local or state governments are considering

funding the district, they should have a good understanding of the tax revenue generated by the area. Lastly, the projected income statement of a cultural district considers the local resources available relative to other communities. Unless local and state governments appropriately fund the Cultural District program, it will be challenging for program managers to achieve the same level of success found in other states. The public sector provided the bulk of funding for the first three years of operations.

Table 1: Texas Cultural District Indicators

Metric	Geography	Source
Population	Census Block	US Census Bureau – American Community Survey
Employment	Census Block	US Census Bureau – LEHD Program
Property Tax Base	Cultural District	Local Appraisal District
Taxable Sales	Zip Code	Texas Comptroller of Public Accounts
Annual Budget	Cultural District	Cultural District

Source: TXP

Table 2: Projected Local Funding for Texas Cultural District Program Management

	Year 1	Year 2	Year 3	Total
Austin	\$603,800	\$737,800	\$996,100	\$2,337,700
Denison	\$32,760	\$36,700	\$36,300	\$105,760
Huntsville	\$44,900	\$73,100	\$115,200	\$233,200
Lubbock	\$65,000	\$95,000	\$155,000	\$315,000
McAllen	\$100,200	\$105,700	\$112,700	\$318,600
San Angelo	\$42,700	\$174,400	\$172,550	\$389,650
Winnsboro	\$58,650	\$0	\$0	\$58,650

Source: Cultural District Applications

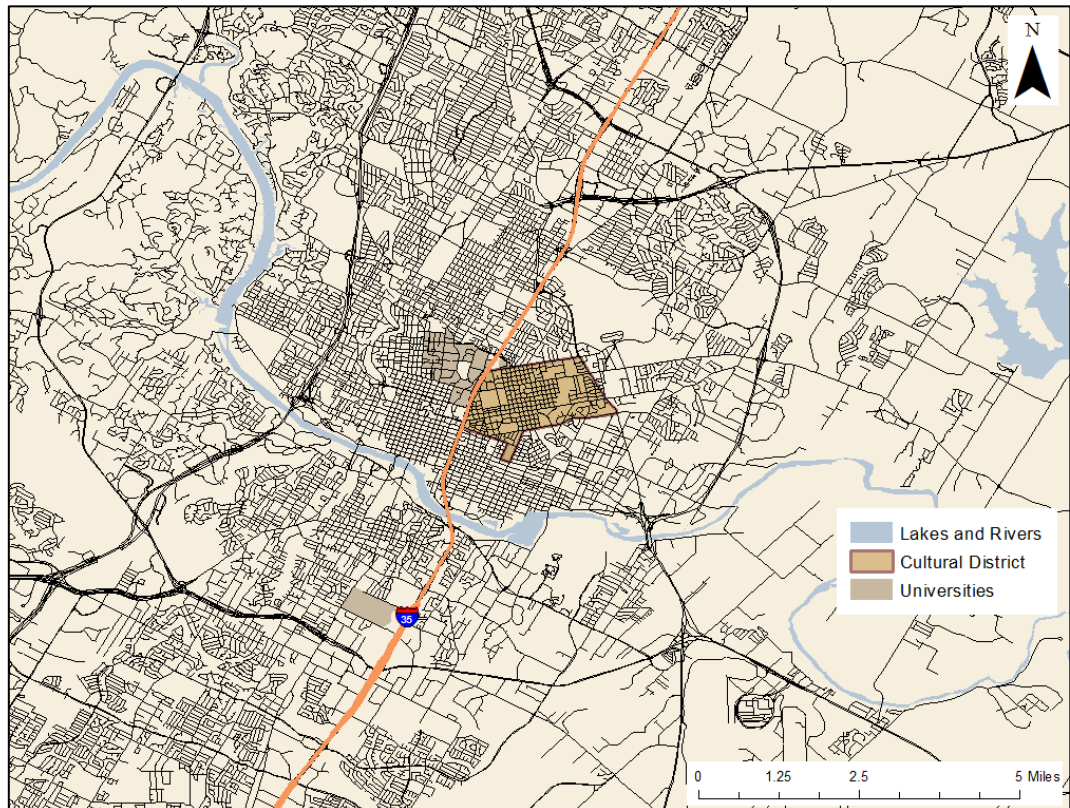
No set of indicators will perfectly capture the quantity, quality, and diversity of the cultural districts. If a cultural district successfully implements its strategic plan, these five indicators should move in a positive direction. Local leaders will have to identify and document significant changes or unusual fluctuations that require resetting the baseline values (for example, if a gallery closes for renovation).

TXP has mapped each cultural district in GIS software and collected the baseline data. Because the cultural districts have only been in existence one year, there is not a time series of data to analyze. The 2008 population estimate is a forecast from ESRI. Starting in December 2009, the US Census Bureau – American Community Survey will provide data at the census block level. In addition to population estimates, the American Community Survey program will provide more detailed socioeconomic information. TXP has also gathered historic data on employment to depict general employment trends in the region prior to cultural district formation.

Austin African American Cultural Heritage District

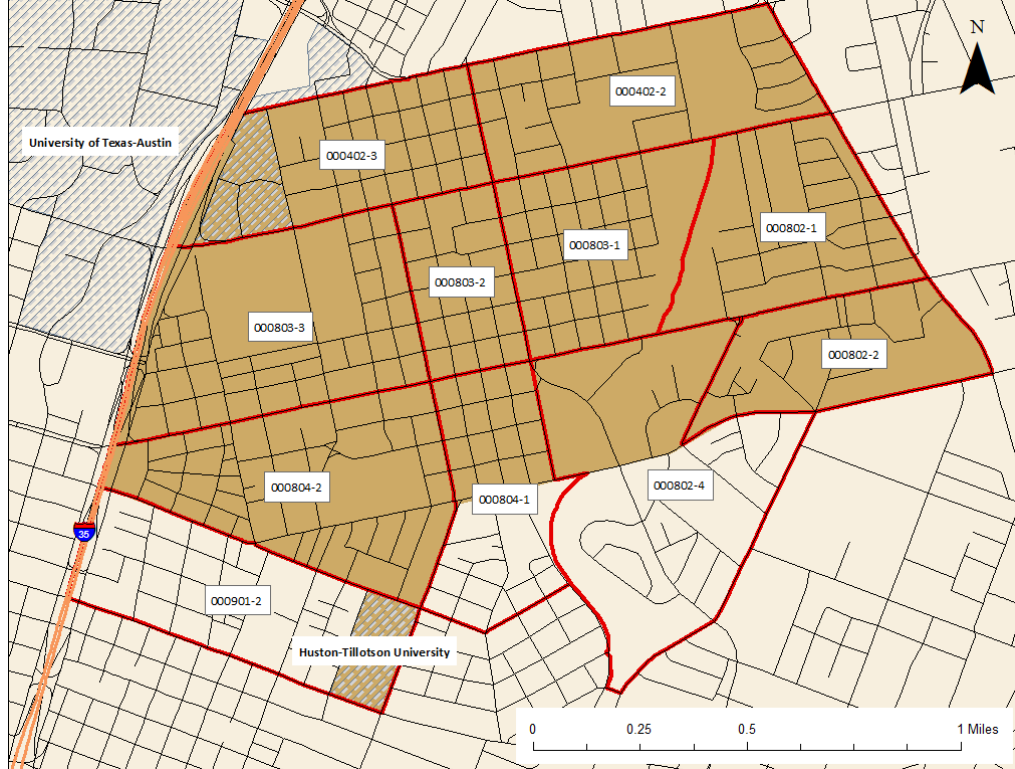
The African American Cultural Heritage District (AACHD) is located near downtown Austin. AACHD's boundaries are I-35 to the west, Airport Boulevard on the east, Manor Road on the north, and Huston-Tillotson University to the south. The AACHD was created to preserve, restore, and recognize the historic buildings and other culturally significant aspects of an area that contains a concentration of African American landmarks. The district emerged from recommendations in the City of Austin African American Quality of Life Initiative. In 2006, the city awarded \$1.5 million in bond money to build a facility on East 11th Street to serve as the district headquarters. The AACHD contains a number of cultural and historic sites including the Bertram-Huppertz House, Blackshear Elementary School, Evergreen Cemetery, the Heritage House, the Hofheinz houses, and the John Case Buildings, and Carver Museum and Cultural Center. The district is also home to a diverse mix of contemporary arts and cultural organizations, workspaces, and individual creative businesses. Stakeholders in the AACHD state that they have already seen the district as a catalyst for cooperation between artists' groups as well as collaboration with economic development agencies, foundations, and the convention and visitors bureau.

Figure 2: Austin African American Cultural Heritage District Boundary



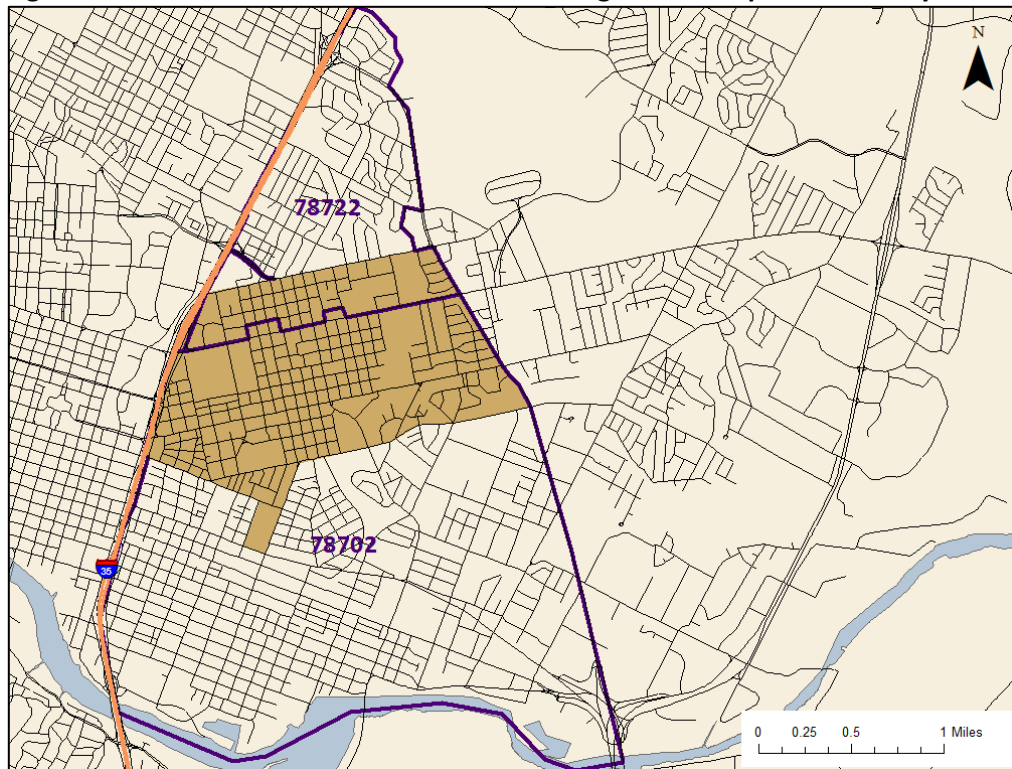
Source: TXP, Inc.

Figure 3: Austin African American Cultural Heritage District Census Block Overlay



Source: TXP, Inc.

Figure 4: Austin African American Cultural Heritage District Zip Code Overlay



Source: TXP, Inc.

Table 3: Austin Cultural District Area Baseline Values

Description	Acres	Population	Employment	Taxable Sales	Tax Base
Year	2009	2008	2008	2009	2009
Geography	Boundary	Census Block	Census Block	Zip Code	CD Boundary
Baseline Values	1,107.7	11,770	5,039	\$214,343,025	\$486,175,572

Source: TXP, U.S. Census Bureau - LEHD Program

Table 4: Austin Cultural District Area Employment Trends

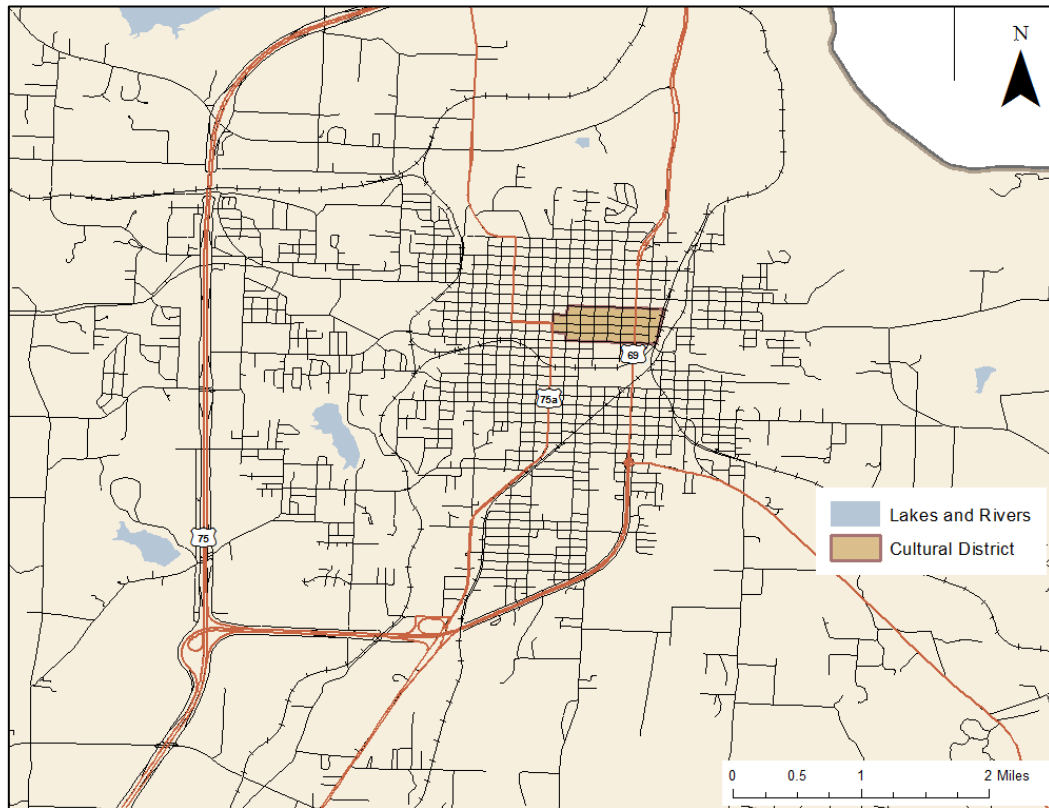
Description	2004	2005	2006	2007	2008
Agriculture, Fishing, & Hunting	0	0	0	0	0
Mining, & Oil and Gas Extraction	0	4	0	0	0
Utilities	1	3	0	0	1
Construction	12	51	14	67	72
Manufacturing	35	35	31	34	53
Wholesale Trade	104	127	116	108	110
Retail Trade	482	696	683	359	371
Transportation & Warehousing	1	10	14	5	10
Information	27	26	26	32	26
Finance & Insurance	25	23	1,708	1,903	1,991
Real Estate, Rental, & Leasing	63	43	38	7	7
Professional & Scientific Services	67	44	57	68	74
Management of Companies	2	0	0	0	0
Administration & Support	211	186	155	158	138
Educational Services	323	347	540	520	540
Health Care & Social Assistance	326	328	370	407	414
Arts, Entertainment, & Recreation	6	15	8	5	0
Accommodation & Food Services	323	334	326	282	369
Other Services	172	146	142	166	166
Public Administration	11	17	58	50	50
Total	2,191	2,435	4,286	4,171	4,392

Source: TXP, U.S. Census Bureau - LEHD Program

Denison Arts and Cultural District

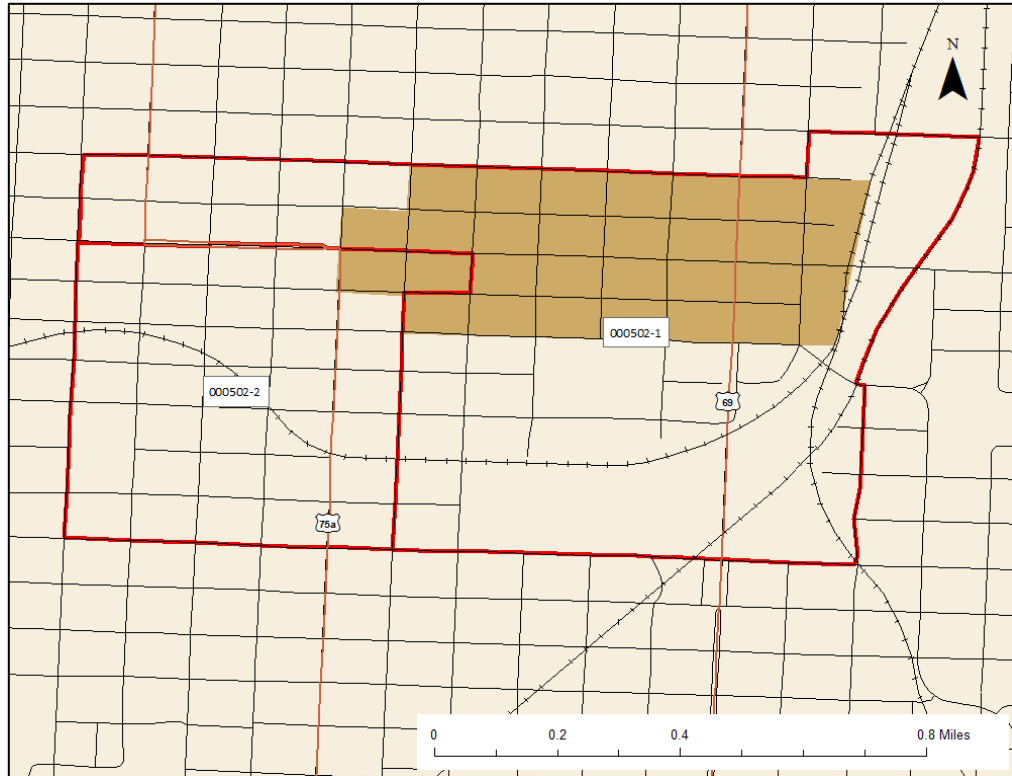
The Denison Arts and Cultural District is located in downtown Denison. The district is comprised of 30 blocks bordered by Gandy Street on the north, Crawford Street on the south, Armstrong Avenue on the west, and the Katy Railroad tracks on the east. This neighborhood contains more than 30 arts and culture related entities as well as restaurants, wine tasting rooms, retail shops, and the Old Katy Railroad Depot. Denison has been aggressively developing its arts community and art tourism for more than a decade through the leadership of the Denison Arts Council. Historic preservation and revitalization of the downtown area have been priorities for the Denison Arts Council, which is consistent with the goals of the Arts and Cultural District. The City of Denison has made a ten-year commitment to support the activities of its district.

Figure 5: Denison Arts and Cultural District Boundary



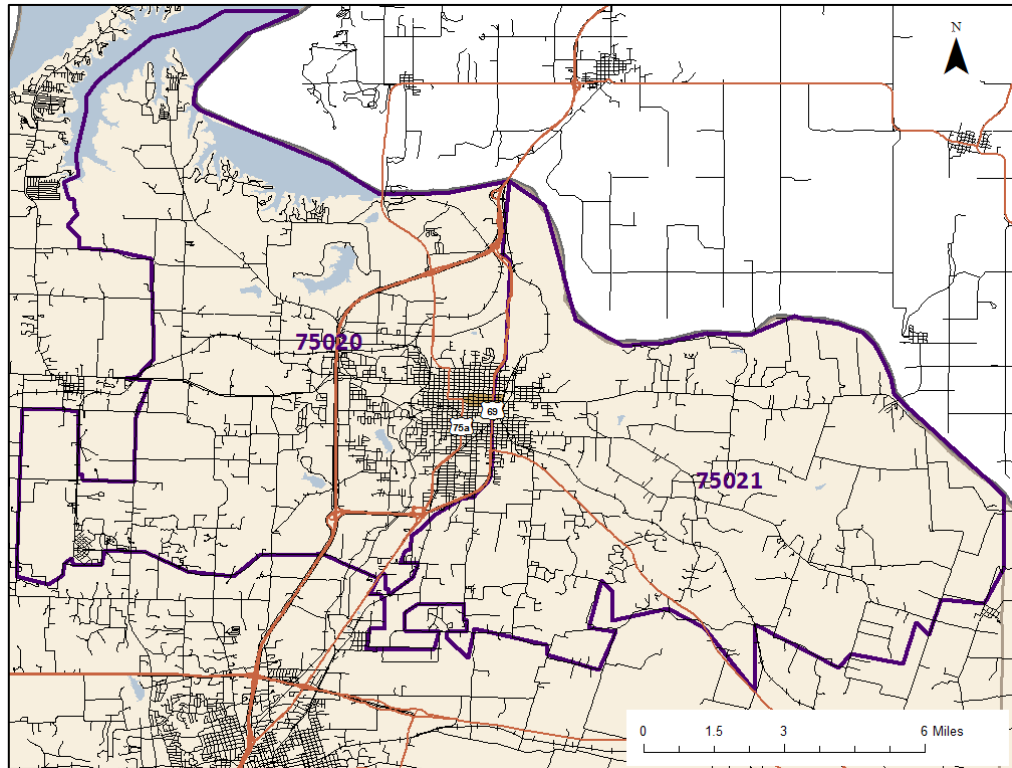
Source: TXP, Inc.

Figure 6: Denison Arts and Cultural District Boundary Census Block Overlay



Source: TXP, Inc.

Figure 7: Denison Arts and Cultural District Boundary Zip Code Overlay



Source: TXP, Inc.

Table 5: Denison Cultural District Area Baseline Values

Description	Acres	Population	Employment	Taxable Sales	Tax Base
Year	2009	2008	2008	2009	2010
Geography	Boundary	Census Tract	Census Tract	Zip Code	CD Boundary
Baseline Values	120.8	1,406	1,257	\$142,444,402	\$22,761,464

Source: TXP, U.S. Census Bureau - LEHD Program

Table 6: Denison Cultural District Area Employment Trends

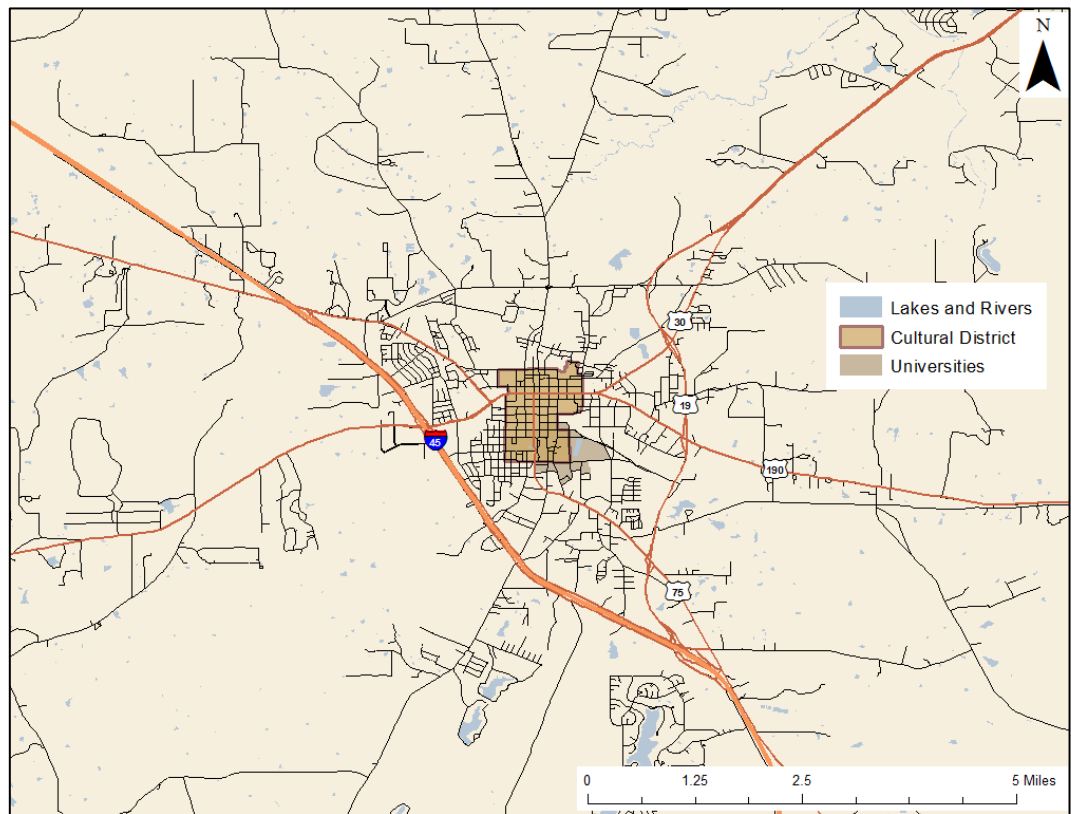
Description	2004	2005	2006	2007	2008
Agriculture, Fishing, & Hunting	4	3	2	6	0
Mining, & Oil and Gas Extraction	0	0	0	0	0
Utilities	0	1	2	0	0
Construction	32	22	27	32	24
Manufacturing	25	19	24	23	20
Wholesale Trade	72	96	97	71	83
Retail Trade	284	304	330	319	317
Transportation & Warehousing	1	6	1	5	1
Information	108	108	34	36	33
Finance & Insurance	151	157	159	157	156
Real Estate, Rental, & Leasing	14	11	15	11	10
Professional & Scientific Services	116	121	107	107	101
Management of Companies	0	0	0	0	0
Administration & Support	10	14	15	6	13
Educational Services	162	166	163	129	83
Health Care & Social Assistance	69	52	54	35	50
Arts, Entertainment, & Recreation	36	4	2	1	48
Accommodation & Food Services	93	74	69	92	103
Other Services	72	69	45	34	29
Public Administration	154	172	175	152	152
Total	1,403	1,399	1,321	1,216	1,223

Source: TXP, U.S. Census Bureau - LEHD Program

Huntsville Cultural District

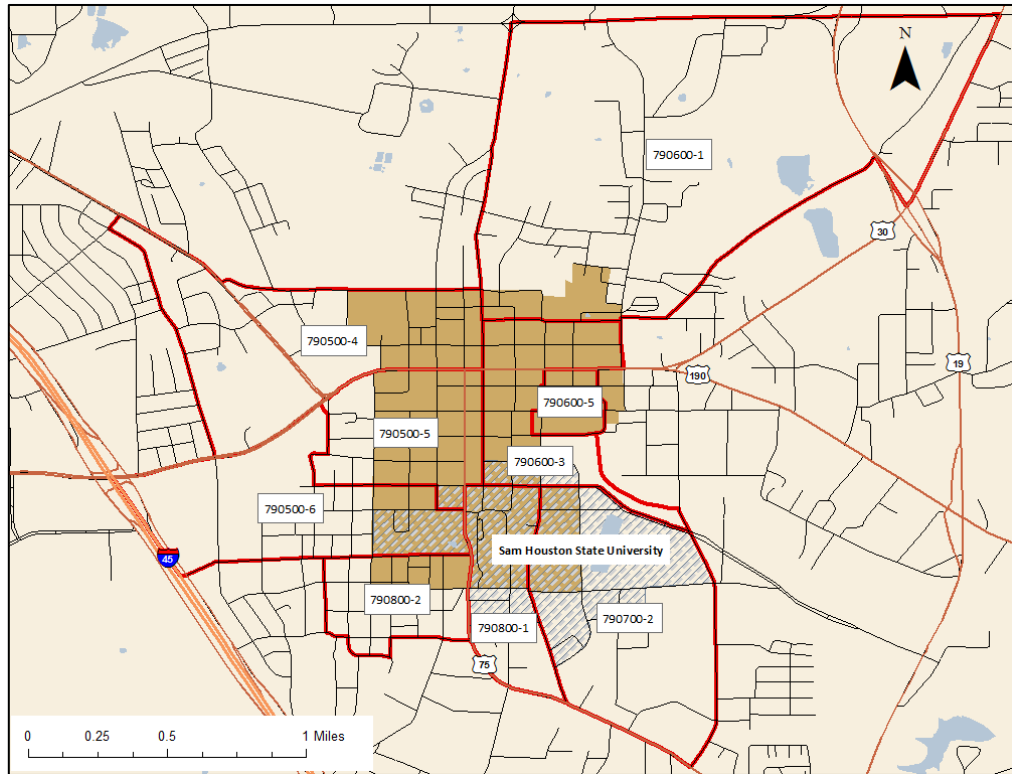
The Huntsville Cultural District, located in the city’s downtown, markets the zone as a coherent cultural neighborhood. A goal of the district is to increase local tax revenues from retail, lodging, restaurant, entertainment, and arts venues. The cultural assets of the district include the Wynne Home Art Center, Sam Houston State University, Sam Houston Memorial Museum, and several artist studios and galleries. David Adickes, a nationally recognized artist and sculptor, purchased an old high school in the district to serve as studio space and workshop. The new \$38.5 million, 91,976 square foot Performing Arts Center at Sam Houston State University is an anchor for the Huntsville Cultural District. This venue features a 150-seat recital hall, an 800-seat concert hall, an outdoor performance area, practice rooms, and offices. The Huntsville Cultural District is the culmination of two decades of planning and implementation by the City of Huntsville, Huntsville Arts Commission, Huntsville Main Street, and the Downtown Business Alliance.

Figure 8: Huntsville Cultural District Boundary



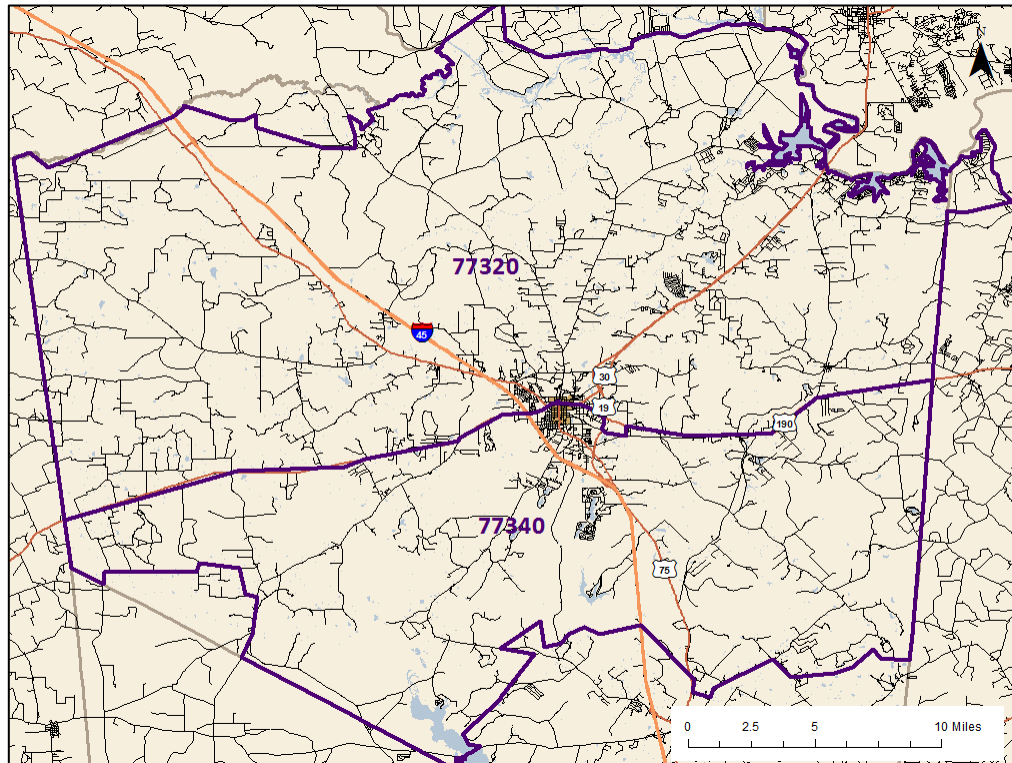
Source: TXP, Inc.

Figure 9: Huntsville Cultural District Boundary Census Block Overlay



Source: TXP, Inc.

Figure 10: Huntsville Cultural District Boundary Zip Code Overlay



Source: TXP, Inc.

Table 7: Huntsville Cultural District Area Baseline Values

Description	Acres	Population	Employment	Taxable Sales	Tax Base
Year	2009	2008	2008	2009	2009
Geography	Boundary	Census Tract	Census Tract	Zip Code	CD Boundary
Baseline Values	452.3	9,377	15,397	\$267,610,353	\$46,506,564

Source: TXP, U.S. Census Bureau - LEHD Program

Table 8: Huntsville Cultural District Area Employment Trends

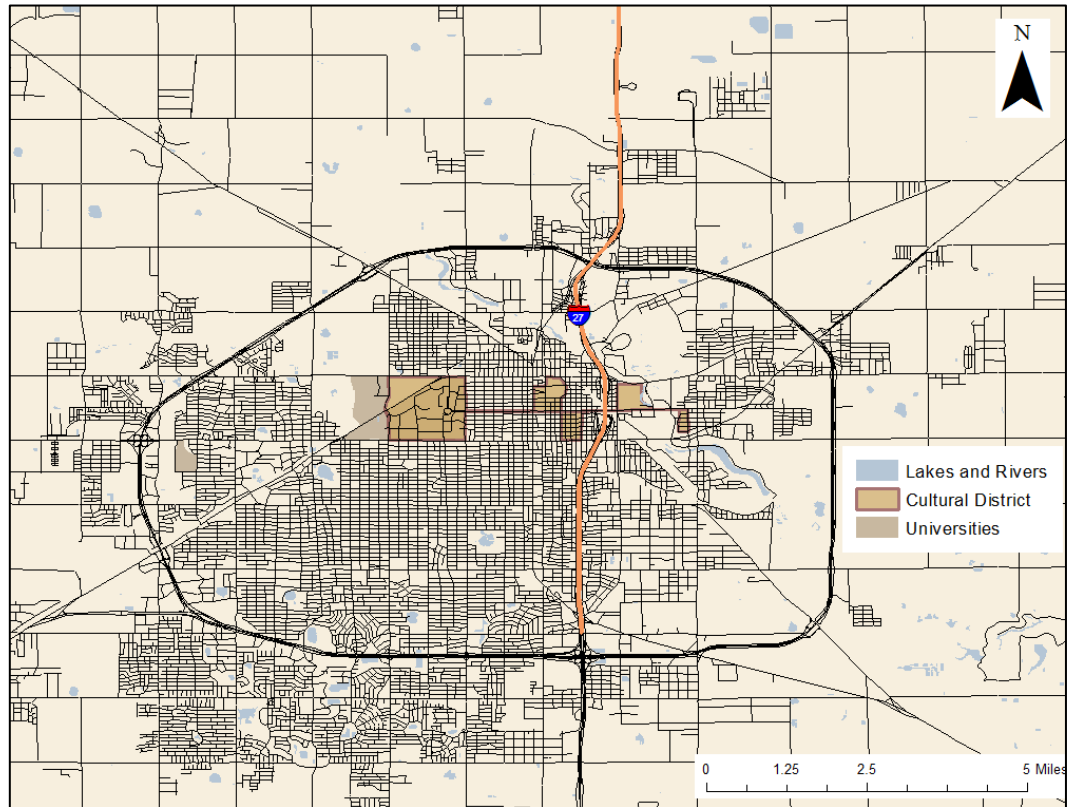
Description	2004	2005	2006	2007	2008
Agriculture, Fishing, & Hunting	5	3	4	5	3
Mining, & Oil and Gas Extraction	0	0	4	8	7
Utilities	79	87	80	79	53
Construction	118	100	98	162	132
Manufacturing	15	9	25	41	29
Wholesale Trade	72	75	87	94	98
Retail Trade	1,404	766	737	689	1,250
Transportation & Warehousing	67	52	43	14	22
Information	169	163	145	146	130
Finance & Insurance	189	196	170	201	188
Real Estate, Rental, & Leasing	88	129	116	77	90
Professional & Scientific Services	162	177	198	188	260
Management of Companies	1	2	4	0	1
Administration & Support	97	113	100	105	76
Educational Services	2,275	2,391	2,426	2,374	2,408
Health Care & Social Assistance	549	492	463	445	455
Arts, Entertainment, & Recreation	65	62	60	72	46
Accommodation & Food Services	795	644	683	644	752
Other Services	219	215	227	228	257
Public Administration	9,934	10,119	9,648	9,384	9,370
Total	16,303	15,795	15,318	14,956	15,627

Source: TXP, U.S. Census Bureau - LEHD Program

Lubbock Cultural District

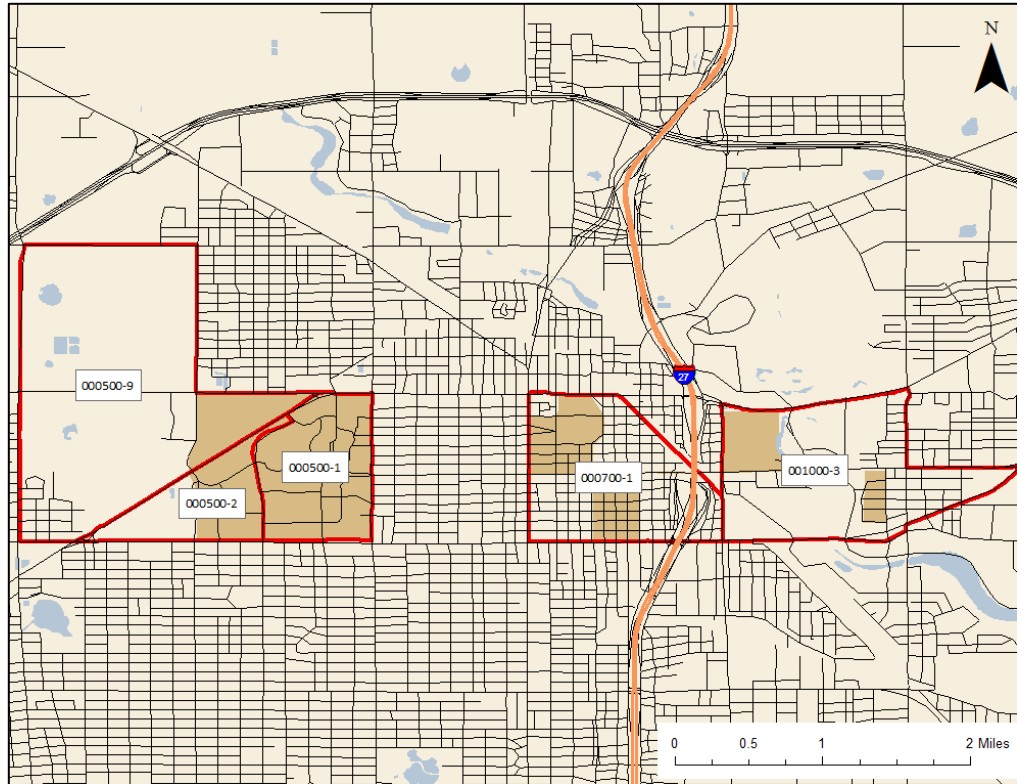
The Lubbock Cultural District is comprised of the city's main cultural facilities, including the Louise Hopkins Underwood Center for the Arts, Lubbock Memorial Civic Center, Wells Fargo Amphitheater, American Wind Power Center, Buddy Holly Center, Depot Entertainment District, Municipal Auditorium and Coliseum, Ranching Heritage Center, and Texas Tech University and its public art collection. The facilities located in the Cultural District host a number of cultural events including the Lubbock Arts Festival, the National Cowboy Symposium and Celebration, First Friday Art Trail, and the Flatland Film Festival. Primary goals for the Cultural District are to enhance Lubbock's physical cultural assets and to cultivate relationships among the city's several hundred artists and performers.

Figure 11: Lubbock Cultural District Boundary



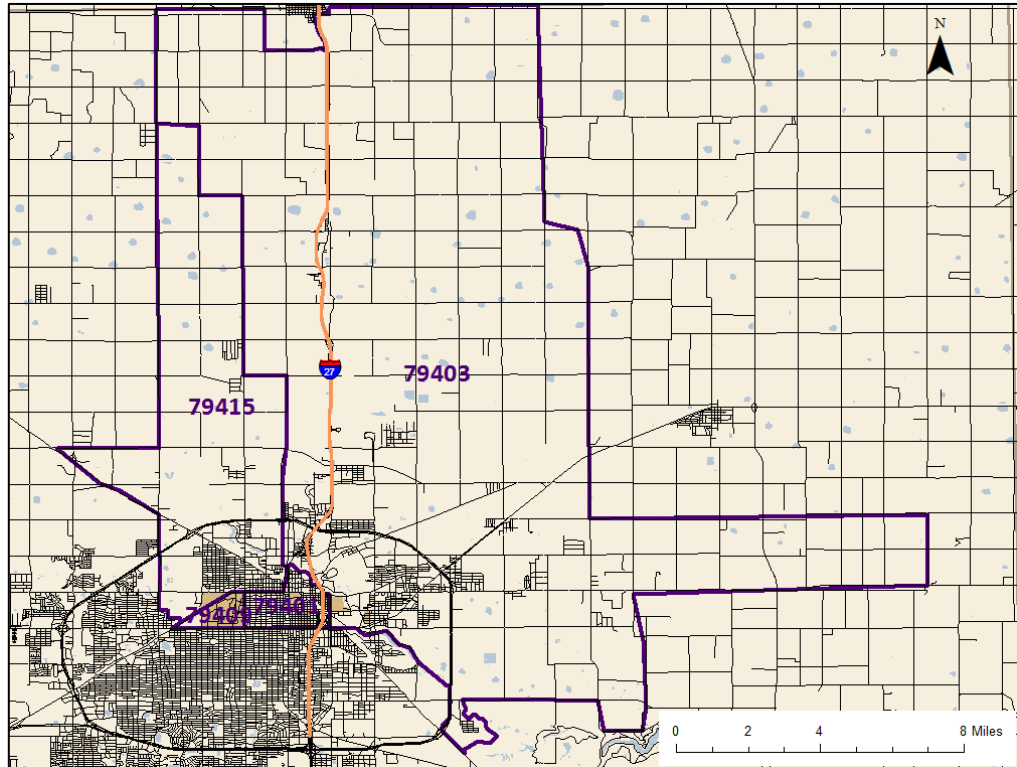
Source: TXP, Inc.

Figure 12: Lubbock Cultural District Boundary Census Block Overlay



Source: TXP, Inc.

Figure 13: Lubbock Cultural District Boundary Zip Code Overlay



Source: TXP, Inc.

Table 9: Lubbock Cultural District Area Baseline Values

Description	Acres	Population	Employment	Taxable Sales	Tax Base
Year	2009	2008	2008	2009	2009
Geography	Boundary	Census Blocks	Census Blocks	Zip Code	CD Boundary
Baseline Values	920.0	7,501	32,206	\$313,815,401	\$59,191,910

Source: TXP, U.S. Census Bureau - LEHD Program

Table 10: Lubbock Cultural District Area Employment Trends

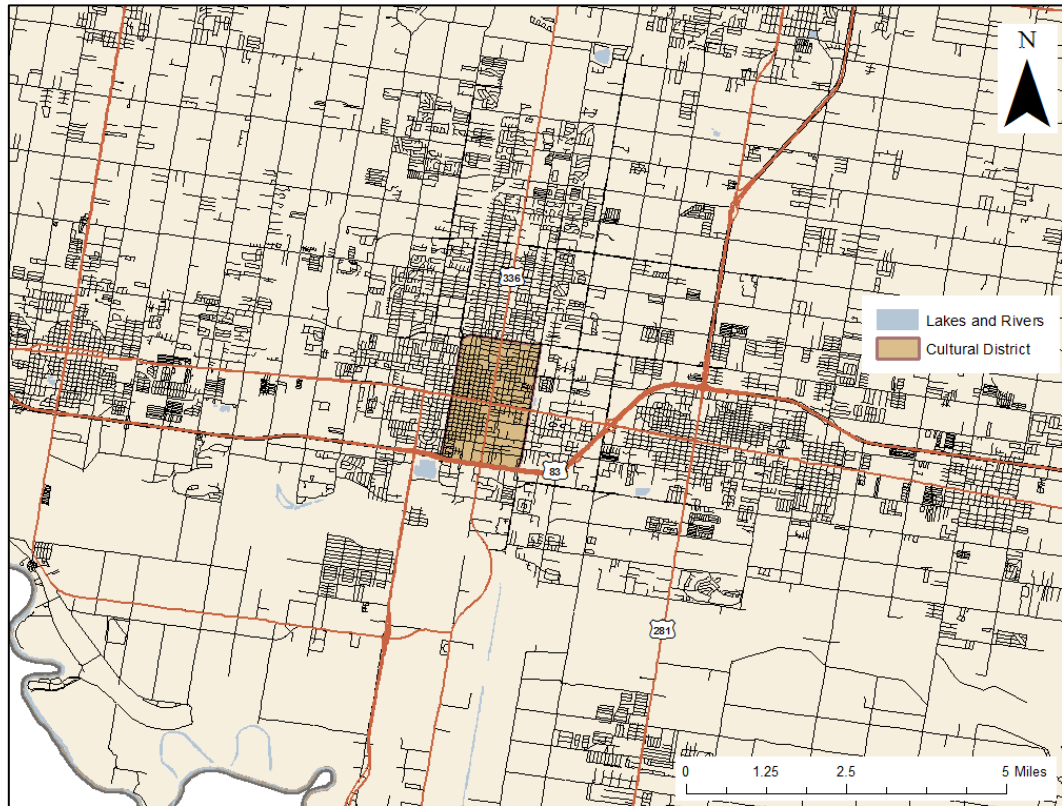
Description	2004	2005	2006	2007	2008
Agriculture, Fishing, & Hunting	20	36	33	31	26
Mining, & Oil and Gas Extraction	10	6	7	15	9
Utilities	294	285	285	283	286
Construction	282	312	308	279	348
Manufacturing	379	288	350	330	351
Wholesale Trade	742	601	605	611	554
Retail Trade	500	470	464	464	428
Transportation & Warehousing	459	432	395	373	387
Information	825	792	775	645	638
Finance & Insurance	1,320	1,295	1,092	1,076	1,133
Real Estate, Rental, & Leasing	105	73	75	85	80
Professional & Scientific Services	681	716	654	657	676
Management of Companies	17	29	43	41	47
Administration & Support	377	323	295	319	335
Educational Services	18,829	18,896	18,243	18,582	18,663
Health Care & Social Assistance	4,481	4,414	4,173	4,789	5,621
Arts, Entertainment, & Recreation	217	232	314	316	336
Accommodation & Food Services	823	767	832	783	681
Other Services	455	396	413	403	411
Public Administration	1,609	1,596	1,502	1,521	1,550
Total	32,425	31,959	30,858	31,603	32,560

Source: TXP, U.S. Census Bureau - LEHD Program

McAllen Cultural District

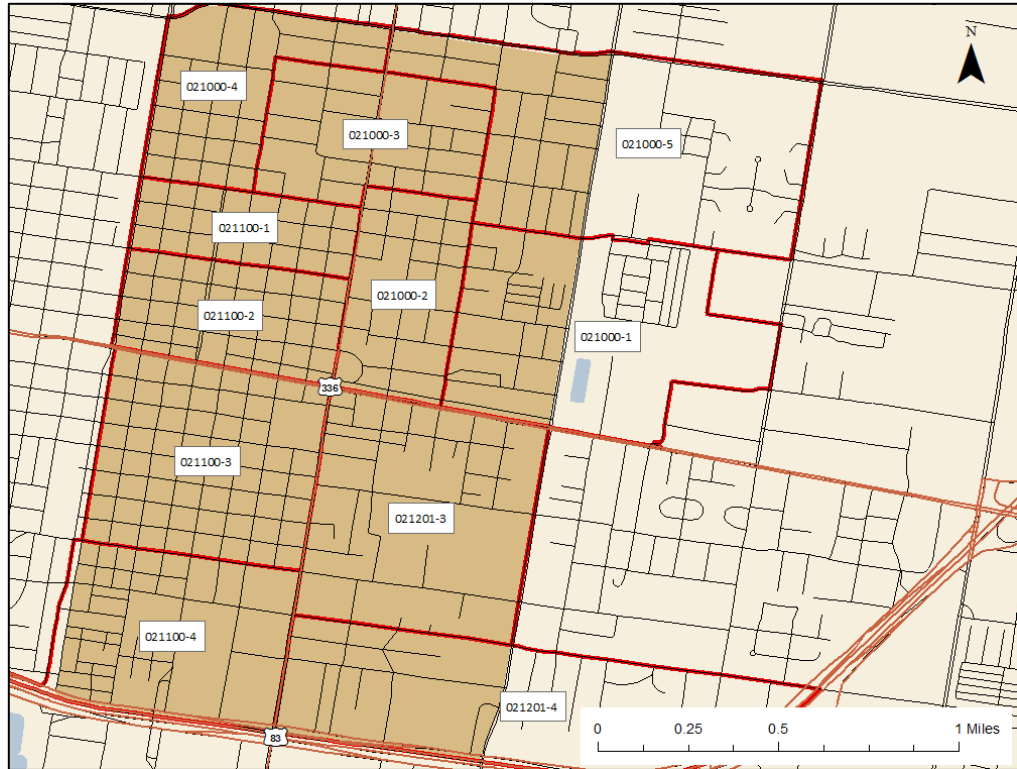
Located in the Old Town area of downtown, the McAllen Cultural District includes the city's informal entertainment, downtown, and arts districts. The Cultural District is bound by Expressway 83 to the south, Pecan Boulevard to the north, Bicentennial to the west, and Second Street to the east. The many cultural and historical assets of the McAllen Cultural District include the Cine El Rey (a restored historic movie theatre), the Heritage Museum, the restored Southern Pacific Railroad Depot, Civic Center and Auditorium, and a number of historic churches. The Cultural District also contains many restaurants, bars, music venues, shops, hotels, parks, and galleries. The organizations located within the district host a number of regular events including the Candlelight Posada, Music After Hours outdoor concerts, Movies in the Park, and the First Friday Artwalk. One of the anchors for the Cultural District, the McAllen Creative Incubator, houses artists and art organization in an old community college building. Its programs provide low cost artist studios, managerial advice, and legal and technical support to qualified artisans. The newly remodeled building contains 13 art studios, an exhibition space and a stage for performances.

Figure 14: McAllen Cultural District Boundary



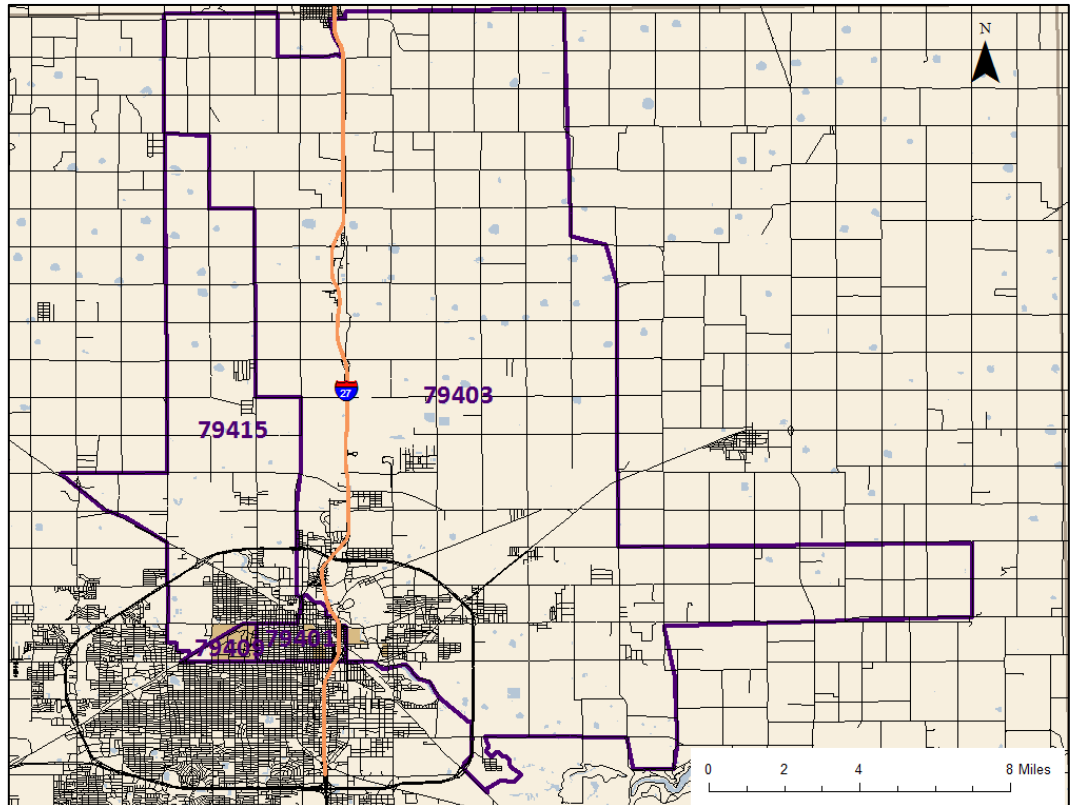
Source: TXP, Inc.

Figure 15: McAllen Cultural District Boundary Census Block Overlay



Source: TXP, Inc.

Figure 16: McAllen Cultural District Boundary Zip Code Overlay



Source: TXP, Inc.

Table 11: McAllen Cultural District Area Baseline Values

Description	Acres	Population	Employment	Taxable Sales	Tax Base
Year	2009	2008	2008	2009	2009
Geography	Boundary	Census Blocks	Census Blocks	Zip Code	CD Boundary
Baseline Values	1,387.6	11,319	17,677	\$609,608,053	\$508,455,692

Source: TXP, U.S. Census Bureau - LEHD Program

Table 12: McAllen Cultural District Area Employment Trends

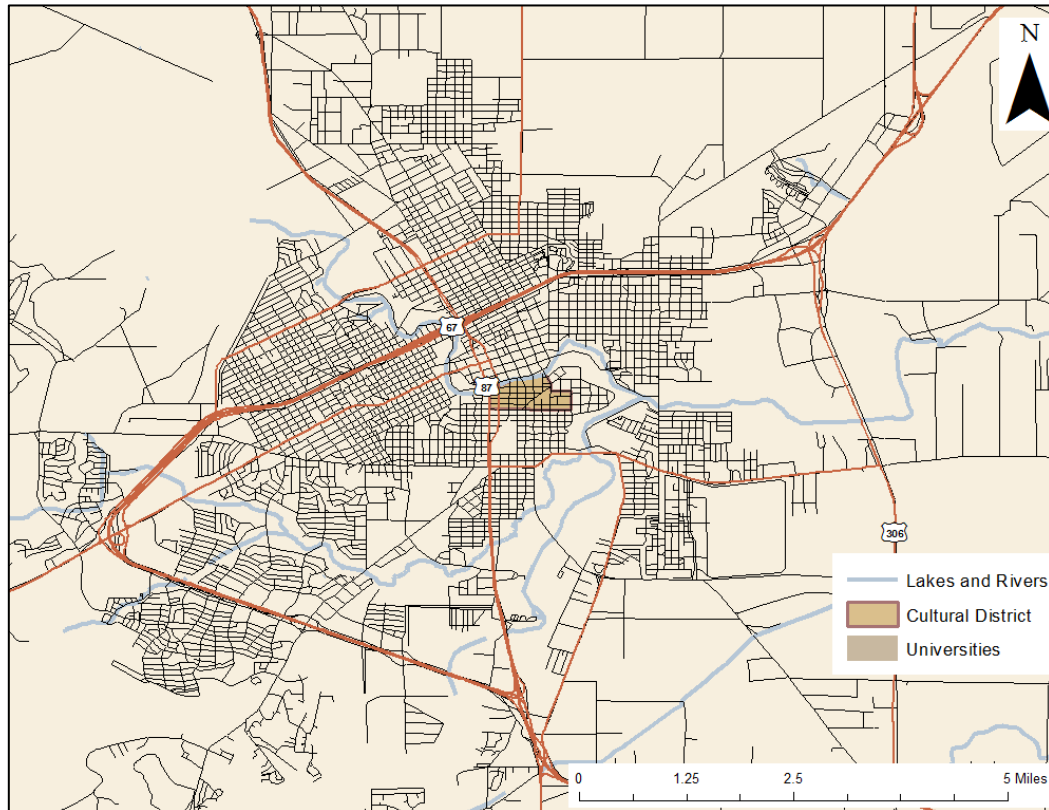
Description	2004	2005	2006	2007	2008
Agriculture, Fishing, & Hunting	4	5	3	4	7
Mining, & Oil and Gas Extraction	11	14	14	10	17
Utilities	193	198	210	210	218
Construction	538	585	493	522	631
Manufacturing	436	192	131	118	118
Wholesale Trade	434	594	792	501	716
Retail Trade	2,580	2,500	2,511	2,574	2,680
Transportation & Warehousing	98	119	160	152	183
Information	579	570	576	520	495
Finance & Insurance	609	601	560	564	621
Real Estate, Rental, & Leasing	178	148	145	165	92
Professional & Scientific Services	394	366	389	388	386
Management of Companies	2	0	17	23	17
Administration & Support	674	689	746	724	731
Educational Services	1,653	1,675	1,552	1,414	1,578
Health Care & Social Assistance	1,848	2,500	2,226	2,217	2,914
Arts, Entertainment, & Recreation	372	371	373	396	425
Accommodation & Food Services	1,714	1,800	1,653	1,491	1,603
Other Services	263	244	268	194	181
Public Administration	1,013	1,052	1,071	1,069	1,113
Total	13,593	14,223	13,890	13,256	14,726

Source: TXP, U.S. Census Bureau - LEHD Program

San Angelo Historic City Center Cultural District

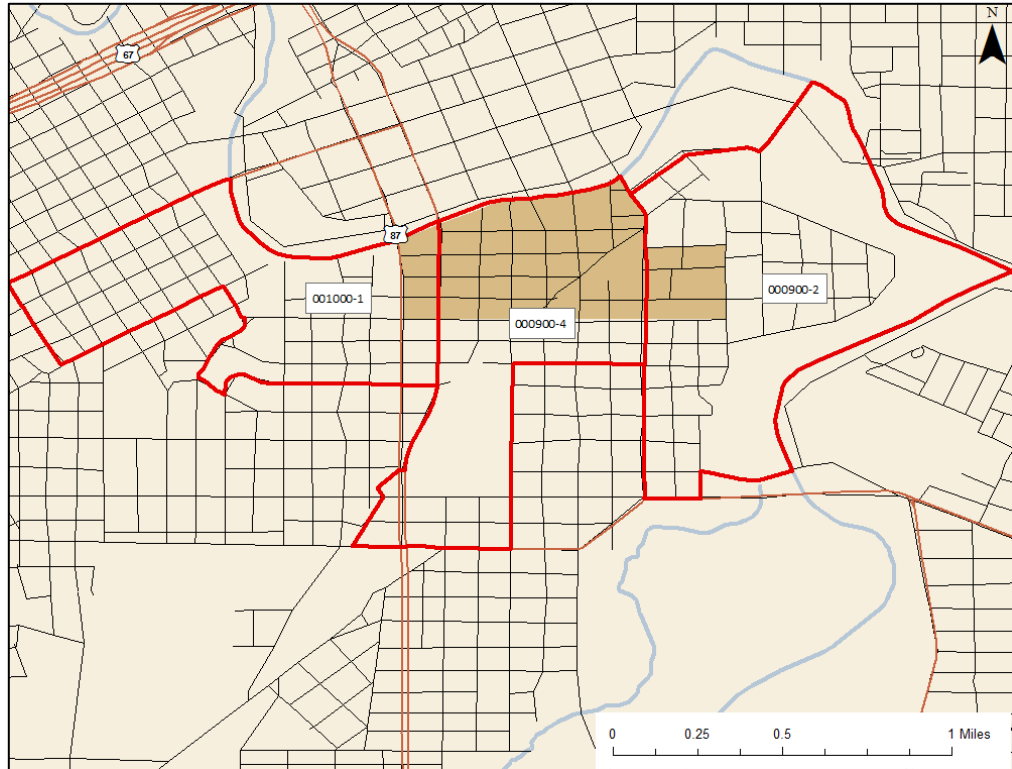
Anchored by the San Angelo Museum of Fine Arts, the San Angelo Historic City Center Cultural District includes the El Paseo de Santa Angela and its pavilions, Fort Concho, the two railroad depots, RiverStage, Cactus Hotel, and the Old Town neighborhood. Also located in the Cultural District is the Chicken Farm Art Center, which is a cooperative of artists' studios and galleries as well as the location for the annual Sculpture Symposium. Because 80 percent of the properties included in the Cultural District are exempt from property tax assessment, one of the primary goals for the Cultural District is to enhance the economic impact of this area through a coordinated investment, marketing, and programming effort. The City of San Angelo's innovative plan for its Cultural District includes promoting heritage businesses, such as saddle and boot makers, to relocate to renovated spaces downtown. San Angelo is also a Main Street program city.

Figure 17: San Angelo Historic City Center Cultural District Boundary



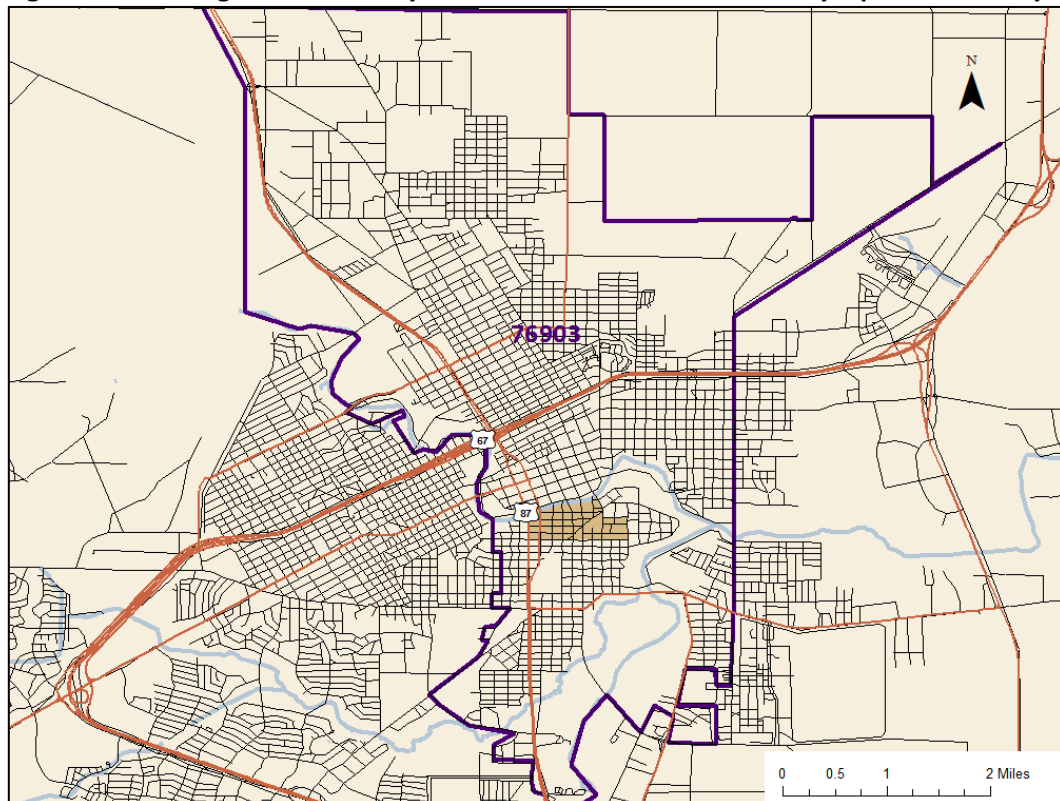
Source: TXP, Inc.

Figure 18: San Angelo Historic City Center Cultural District Boundary Census Block Overlay



Source: TXP, Inc.

Figure 19: San Angelo Historic City Center Cultural District Boundary Zip Code Overlay



Source: TXP, Inc.

Table 13: San Angelo Cultural District Area Baseline Values

Description	Acres	Population	Employment	Taxable Sales	Tax Base
Year	2009	2008	2008	2009	2010
Geography	Boundary	Census Blocks	Census Blocks	Zip Code	CD Boundary
Baseline Values	162.7	2,637	1,807	\$250,573,387	\$12,026,230

Source: TXP, U.S. Census Bureau - LEHD Program

Table 14: San Angelo Cultural District Area Employment Trends

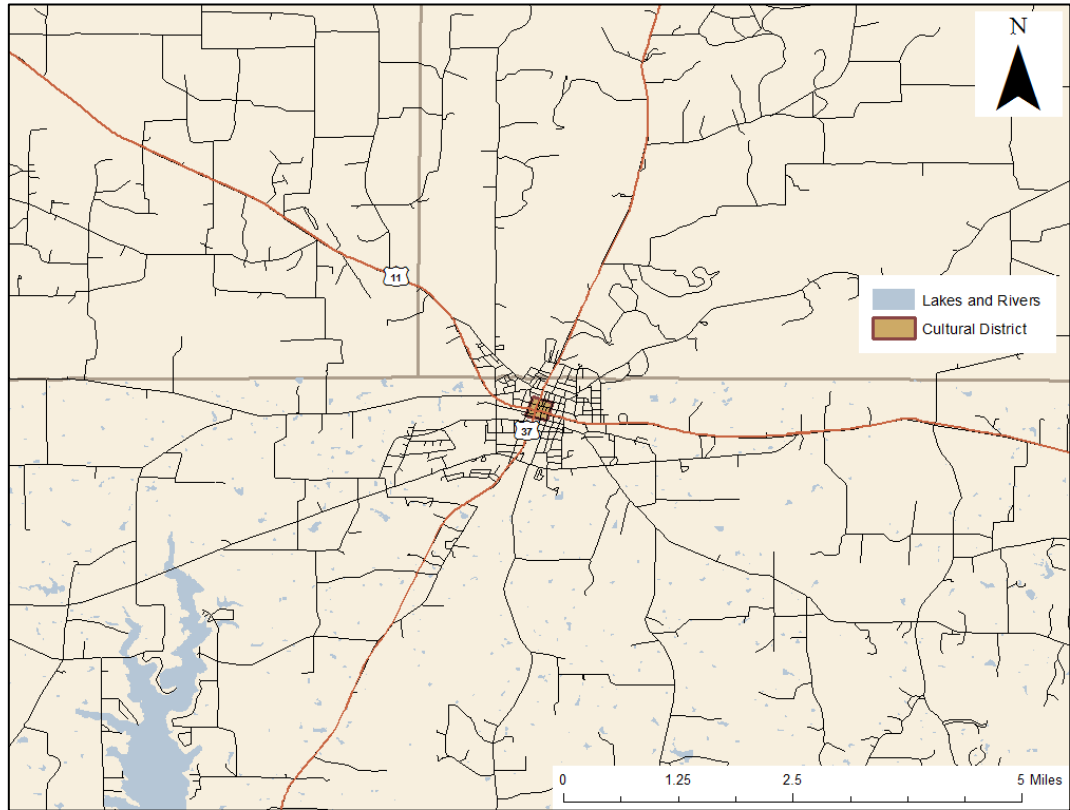
Description	2004	2005	2006	2007	2008
Agriculture, Fishing, & Hunting	0	1	1	3	3
Mining, & Oil and Gas Extraction	7	5	5	5	13
Utilities	1	2	0	0	0
Construction	92	79	120	119	107
Manufacturing	129	134	123	125	122
Wholesale Trade	196	204	193	161	142
Retail Trade	131	124	119	146	144
Transportation & Warehousing	70	74	67	70	82
Information	48	39	38	45	40
Finance & Insurance	139	231	190	147	154
Real Estate, Rental, & Leasing	23	17	17	12	14
Professional & Scientific Services	50	46	70	78	75
Management of Companies	8	0	0	0	0
Administration & Support	82	66	76	81	75
Educational Services	141	220	163	148	140
Health Care & Social Assistance	495	429	368	331	306
Arts, Entertainment, & Recreation	19	14	47	52	26
Accommodation & Food Services	180	173	175	143	197
Other Services	126	104	93	97	107
Public Administration	41	31	35	26	36
Total	1,978	1,993	1,900	1,789	1,783

Source: TXP, U.S. Census Bureau - LEHD Program

Winnsboro Cultural Arts District

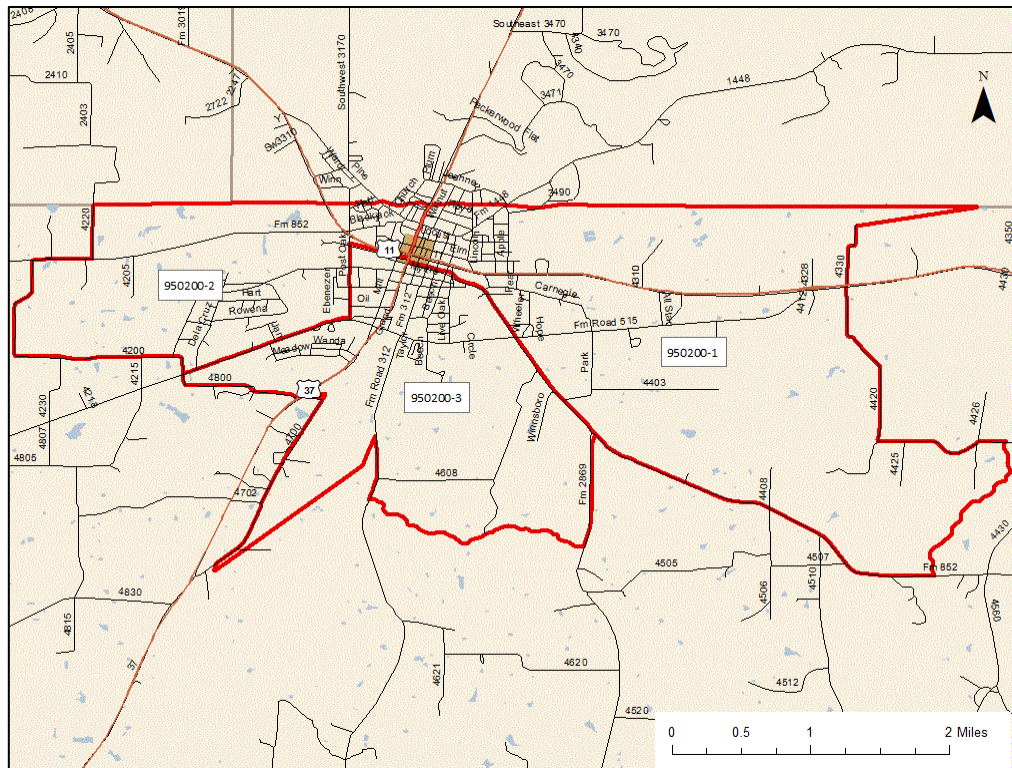
The Winnsboro Cultural Arts District is located in the center of downtown and contains twenty-two arts and entertainment venues as well as restaurants and retail shops. Anchored by the Winnsboro Center for the Arts, the Cultural Arts District is bound by Locust Street to the north, Mill Street on the West, Carnegie Street to the south, and Walnut Street on the east. Live music is a central component of the arts in Winnsboro with performances at the Crossroads Music Company, the annual Northeast Texas Music Festival in June, and free live music at Art & Espresso throughout the year. One of Winnsboro’s central goals is to attract new cultural resources and residents. As a part of the Cultural Arts District, the city of Winnsboro is planning two downtown cooperative spaces to house artists’ studios. Winnsboro is also a Texas Certified Retirement Community and a Main Street Program city.

Figure 20: Winnsboro Cultural Arts District Boundary



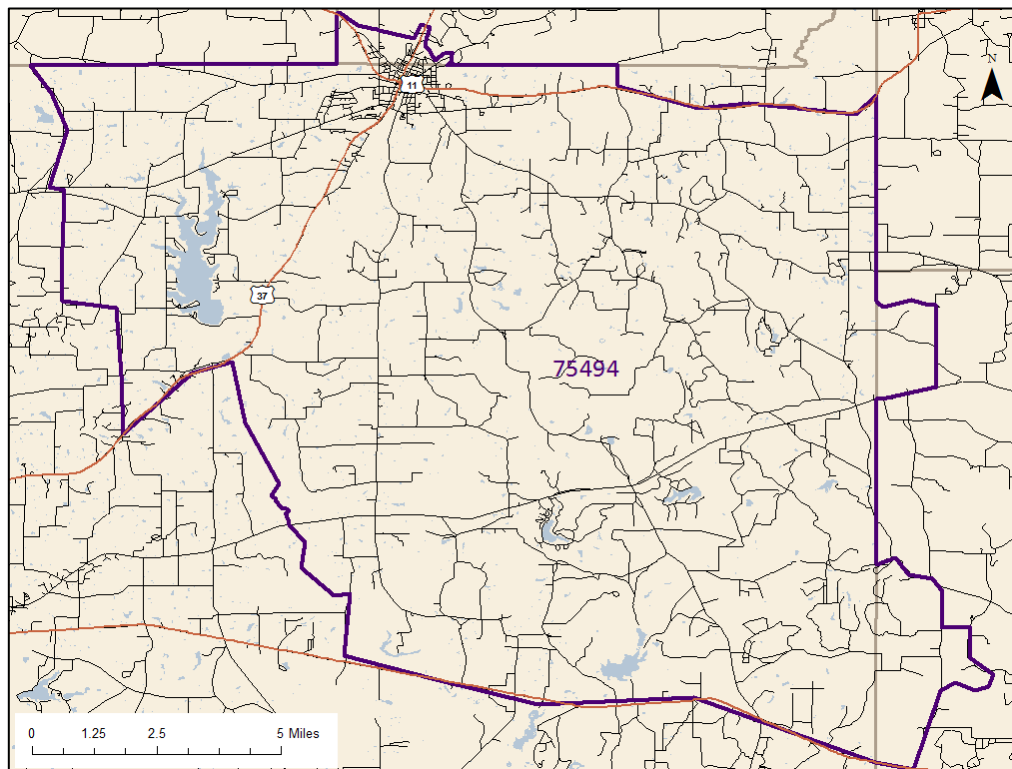
Source: TXP, Inc.

Figure 21: Winsboro Cultural Arts District Boundary Census Block Overlay



Source: TXP, Inc.

Figure 22: Winsboro Cultural Arts District Boundary Zip Code Overlay



Source: TXP, Inc.

Table 15: Winnsboro Cultural District Area Baseline Values

Description	Acres	Population	Employment	Taxable Sales	Tax Base
Year	2009	2008	2008	2009	2010
Geography	Boundary	Census Blocks	Census Blocks	Zip Code	CD Boundary
Baseline Values	25.6	3,685	2,400	\$28,838,513	\$7,339,463

Source: TXP, U.S. Census Bureau - LEHD Program

Table 16: Winnsboro Cultural District Area Employment Trends

Description	2004	2005	2006	2007	2008
Agriculture, Fishing, & Hunting	55	59	44	69	109
Mining, & Oil and Gas Extraction	104	100	75	89	89
Utilities	22	12	12	13	10
Construction	199	120	122	124	138
Manufacturing	528	504	501	430	437
Wholesale Trade	102	107	73	90	101
Retail Trade	247	251	244	252	220
Transportation & Warehousing	32	31	48	57	94
Information	8	9	12	17	17
Finance & Insurance	75	74	71	72	65
Real Estate, Rental, & Leasing	16	16	17	13	13
Professional & Scientific Services	167	199	209	188	202
Management of Companies	0	0	0	0	0
Administration & Support	68	39	7	16	14
Educational Services	225	289	183	205	245
Health Care & Social Assistance	408	437	391	396	424
Arts, Entertainment, & Recreation	2	1	1	1	1
Accommodation & Food Services	135	105	100	111	124
Other Services	73	68	75	59	61
Public Administration	77	71	77	78	74
Total	2,543	2,492	2,262	2,280	2,438

Source: TXP, U.S. Census Bureau - LEHD Program

Potential Impact of Texas Cultural Districts

Since the Texas Cultural District program is in its infancy, there are no existing impact studies for the districts. However, it is possible to overlay the experiences in non-Texas cultural districts to generate an order of magnitude estimate for each cultural district. Based on the economic impact analyses of other cultural district programs, two approaches emerged that are useful methodologies to forecasting the economic and tax revenue impact of Texas cultural districts over time: 1) the impact associated with promotion and event planning activities by the cultural district organization and 2) changes in property value for parcels within the culture district.

The first approach focuses on the impact of cultural district marketing and promotion efforts, events within the cultural district, and cultural tourism. A University of Massachusetts Dartmouth study for ArtsUnion links the budget of the cultural district to the overall economic impact on the community. Based on a visitor and artist survey as well as the ArtsUnion operating budget, the study determined how the impacts rippled through the local economy. This study was chosen because ArtsUnion performs a function similar to the Texas cultural districts and the annual operating budget is comparable (\$70,000 for ArtsUnion). The idea is that the cultural district event programming and marketing brings in visitors to the area to buy art, shop at other retailers, and patronize restaurants. While the cultural district organization is not generating direct revenue per se, it has a direct impact on the surrounding local businesses. The study found the total economic impact on the local economy was roughly 3.1 times the ArtsUnion budget. TXP applied this ratio to the initial three-year budget of the Texas cultural districts.

Table 17: Texas Cultural District Total Economic Impact – First Three Years of Operation

Cultural District	3 Year Budget	Total Impact
Austin	\$2,337,700	\$7,246,870
Denison	\$105,760	\$327,856
Huntsville	\$233,200	\$722,920
Lubbock	\$315,000	\$976,500
McAllen	\$318,600	\$987,660
San Angelo	\$232,650	\$721,215
Winnsboro	\$58,650	\$181,815

Source: TXP, Cultural District Applications, University of Massachusetts Dartmouth 2009 Study

The second impact approach considers how the presence of a cultural district and cultural anchors influence property values. Each of the Texas cultural districts has at least one cultural anchor or institution. The employment base for the majority of Texas cultural districts has been flat or slowly declining. Since the cultural district programs have not been in existence very long, the property tax impact will be negligible. Over time, these values

should move up or down based on the attractiveness and drawing potential of the area. In addition, this model tests the assumption that noncreative sector firms want to locate near creative sector businesses and nonprofits. The property value impact metric is most meaningful for communities that are looking to revitalize a downtown neighborhood through the implementation of a cultural district. This metric would be the most accurate means of identifying increased demand for residential and retail space located in the cultural district or surrounding areas.

A study conducted by QBL Real Estate found that property values increase around cultural anchors and districts. The firm examined property values in 23 cities over ten years and compared the values of properties close to major cultural anchors to properties in the rest of the city. Properties in the selected cities were divided into three categories:

1. those within a 0.3 mile radius of the cultural anchor (the anchor’s “retail district”)
2. those outside of the 0.3 mile radius of the cultural anchor but considered to be within the same general neighborhood market by real estate brokers (the “submarket”)
3. those outside of these two areas but within the Metropolitan Statistical Area

By comparing the real estate transactions at all three levels, QBL Real Estate determined that the properties within the retail district of these cultural anchors generated a premium of 7 to 35 percent over submarket values.

Table 18: Land Value Premium for Properties Near Cultural Anchors

Asset Type	Average Premium to Metro Market	Average Premium to Submarket	Observations	Average # of Metro Market Comps	Average # of Submarket Comps
Apartment	52%	21%	76	162	33
Dev Site	184%	35%	59	30	7
Hotel	38%	7%	72	25	6
Industrial	23%	10%	26	46	7
Office	0%	8%	656	90	24
Retail	47%	24%	152	83	15
Total			1,041		

Source: QBL Real Estate

Note: Development Site, Industrial, Office, and Retail assets were examined on a dollar per square foot basis, while Apartment and Hotel assets are examined on a dollar per unit basis

Using the results of the QBL Real Estate analysis, it is reasonable to assume Texas cultural districts properties would command a 10 to 20 percent premium over the larger regional market. The following table depicts the estimated net increase in city and county tax revenue

if the cultural district is successfully implemented assuming a 15 percent price premium. It will likely take at least 5 to 10 years for this premium to materialize as properties are sold, redeveloped, and reappraised.

Table 19: Texas Cultural District Estimated Property Tax Base Increase

Cultural District	Current Property Base	Projected Property Base	Net Change	Net New City & County Property Tax Revenue
Austin	\$486,175,572	\$559,101,908	\$72,926,336	\$614,331
Denison	\$22,761,464	\$26,175,684	\$3,414,220	\$37,043
Huntsville	\$46,506,564	\$53,482,549	\$6,975,985	\$68,204
Lubbock	\$0	\$0	\$0	\$0
McAllen	\$508,455,692	\$584,724,046	\$76,268,354	\$771,302
San Angelo	\$12,026,230	\$13,830,165	\$1,803,935	\$24,218
Winnsboro	\$7,339,463	\$8,440,382	\$1,100,919	\$10,294

Source: TXP

State and City Cultural Districts Programs Review & Assessment

The following review of specific statewide programs and individual city initiatives illustrate some of the strategies used in the development and incentivizing of cultural districts as well as outcomes. In addition, these findings serve as a guide for what might happen to cities in Texas that create cultural districts.

A cultural district is most often a contiguous area of a town with a set boundary. Within these boundaries the preservation and renovation of historical buildings and complementary new construction is incentivized. Artists, cultural arts organizations, and performing arts venues often serve as anchors for the cultural district. The presence of the arts as well as increased foot traffic enhances property values, the profitability of the surrounding businesses, and the tax base in a virtuous cycle of investment and growth. Cultural districts have also proven to be a successful strategy for strengthening community identity, which in turn drives occupancy, commerce, tourism, and jobs.

Cultural districts in many communities employ incentive strategies to stimulate investment and/or attract residents and businesses. These strategies are all place-based, in that they apply only to transactions, investments, residents, or enterprises within the boundaries of the cultural district. Cultural district incentives utilized by state or local governments fall into one of six categories:¹

1. ***Sales tax credits or exemptions for works of art produced and/or sold within the district.*** By forgoing the sales tax receipts from works produced or sold (depending on the structure of the incentive) within the cultural district, a community can attract artists to live and work in a specific area. While sales tax incentives are sought after by artists, cultural district programs have found that it is important to structure the incentive program and requirements such that the paperwork and bureaucracy required is not a barrier to participation for the low- or moderate-income artists. The sales tax credits or exemptions are usually offered only for original, one-of-a-kind works in a limited number of mediums, such as paintings, jewelry, pottery, etc. Artisanal craft works may be included under this exemption; however, performance art is not.
2. ***Income tax credits or exemptions for artists living and working within the district.*** This tax credit or exemption has the same purpose as the sales tax credit or exemption, in that it seeks to increase the number of artists living and working with

¹ National Assembly of State Art Agencies. "State Cultural Districts". *State Policy Briefs* 3, no 1 (2008). Available at: http://www.nasaa-arts.org/Research/Key-Topics/Creative-Economic-Development/cultural_policy_brief.pdf. Accessed on August 5, 2010.

the cultural district. For states with limited or no local income tax, the sales tax credit or exemption is a more useful program.

3. ***Property tax credits or exemptions for qualified renovation or construction projects.***

For communities looking to incentivize investment in the cultural district neighborhood, credits or exemptions (ex. tax increment financing) are sometimes offered for the increment of the property tax assessed on the increased value of the renovated property. It is typical for these property tax incentives to last for a decade or more after the establishment of the cultural district to drive long-term growth in the area.

4. ***Preservation tax credits for historic property renovation or rehabilitation projects.***

Many communities have existing historic preservation tax credits in effect. Frequently, these tax credits are increased within the boundaries of the cultural district. Historic structures are often concentrated in designated arts districts, and a number of locales have made an explicit connection between the state historic tax credit and affordable live/work space for artists. The most successful state programs have clear eligibility and rehabilitation standards and make credits available for owner-occupied residences as well as commercial properties.²

5. ***Amusement and/or admission tax waivers for events and/or organizations with the district.***

These credits or exemptions are structured most often to apply only to tax assessed during specific events or festivals. However, some programs, such as Baltimore's two Arts and Entertainment Districts, allow for a blanket exemption from the state's Admissions and Amusement tax for qualified artists or enterprises within the district.

6. ***Eligibility for special funding mechanisms.***

Artists and cultural arts organizations residing or operating within the cultural district can be eligible for grant funding or special loans offered at below-market interest rates. These incentives allow for artists to become investors in the cultural district and can promote the growth of creative industries as well as the professionalization of the community's artist population.

² "State Tax Credits for Historic Preservation" National Trust Forum. May/June 2006.

Statewide Cultural District Programs

Louisiana

Since 2002, the state of Louisiana has sought to position itself as a national leader for creative industries. The state has passed a number of laws that grant tax credits to film, music, and digital media industries.³ Seeking to expand the state’s creative sectors, the Louisiana legislature approved the cultural district program in 2007. The first cultural districts were certified in October 2009. While the cultural district program is relatively new, it already has 51 participating cultural districts (half of which are located in the greater New Orleans area). The state guidelines for cultural districts require that they are “geographically contiguous,” contain “cultural resources that play a vital role” in the life of a community, “focus on a cultural anchor such as a major arts institution, art and entertainment businesses, an area with arts and cultural activities or cultural or artisan production,” and “be engaged in the promotion, preservation and educational aspects of the arts and culture of the locale.”⁴

With the approval of Act 298 in 2007, the Louisiana state government provided the framework for local governments to begin offering tax incentives to their recognized cultural districts. Eligibility for the existing tax credit for historic building restoration and renovation was extended to include historic, commercial buildings within cultural districts. It also increased the cap on owner-occupied historic preservation tax credits from \$1 million to \$10 million. The cultural district program also incentivizes the production of individual artists through a sales tax exemption for all “one-of-a-kind” works of art sold in the districts. In practice, this can mean a savings of up to 9 percent for the artists and/or their customers. The sales tax incentive was created specifically to address the issue of both retaining local artists as well as recruiting native talent to return to the state. Art work shipped out of state was already exempt from sales tax, which means this incentive is meant to incentivize local collectors or the purchases of cultural tourists.

As a part of the cultural district designation program, each local government is required to provide the State Department of Culture, Recreation, and Tourism with an annual impact report. The information collected includes: the number of renovation projects; the number of historic rehabilitation tax credits (both applications received and credits awarded); the dollar amount of awarded historic rehabilitation tax credits; number of businesses, organizations, events, and artists who applied for sales tax exemptions; the number of new

³ Mt. Auburn Associates. Louisiana: Where Culture Means Business. July 2005.

<http://www.crt.state.la.us/culturaleconomy/mtauburn/culturaleconomyreportcompact2.pdf>

⁴ Office of the Lieutenant Governor, Department of Culture, Recreation, and Tourism. Louisiana Cultural Districts presentation. 2008.

<http://www.crt.state.la.us/culturaldistricts/Documents/CDPresentation20100308.ppt>

businesses opened in the cultural district; the number of cultural events; and any change in the vacancy rate within the cultural district boundaries.

Maryland

In 2001, Maryland became the first state to develop a cultural district program as a statewide policy tool for economic development.⁵ With the goal of the districts becoming a focal point for commerce, cultural development, and civic pride, Maryland has recognized eighteen Arts and Entertainment Districts. While both counties and municipalities are eligible to propose a specific area as an Arts and Entertainment District, the application process for Maryland's program focuses heavily on demonstrating a "threshold level" of existing cultural arts amenities and organizations as well as community buy-in and strong leadership.

The Maryland Arts and Entertainment Districts program offers both tax incentives and technical assistance grants as a part of the cultural district incentive structure. The tax incentives include an income tax subtraction for all artistic works sold by artists who live and work within the district, a property tax exemption for developers who renovate or construct live/work space for artists or arts-related enterprises, and an admissions and amusement tax exemption for all businesses within the district. The grant program runs twice each year and provides up to 50 percent funding for technical assistance activities. The grants are available for \$200 to \$2,000 and provide assistance for contracting consulting services, attending professional development events, and producing marketing materials.

The economic benefits experienced by Maryland Arts and Entertainment District participants include an increase in occupancy rates, commercial activity, and overall property values. A 2008 Americans for the Arts Impact Study determined that the nonprofit arts and culture organizations in Frederick, Maryland directly generate \$10 million in the local economy and support 239 jobs.⁶ Nonprofit culture and arts organizations spend \$3.4 million annually and audiences spend an additional \$6.6 million at local restaurants, hotels, retailers, etc. This is a 23 percent increase in the total expenditures generated by art and culture nonprofits and their audiences over the median for similarly sized communities.

The arts also have a substantial statewide impact. Between 2005 and 2007, the economic impact of Maryland's nonprofit arts grew nearly 25 percent. During 2007, nonprofit arts

⁵ National Assembly of State Arts Agencies. "Maryland's Arts and Entertainment Districts Merge Commerce and Culture". In *State Agencies*. 2007. http://www.nasaa-arts.org/Research/Best-Practices/State-Spotlight/Maryland_s-Arts-and-Entertainment-Districts-Merge-Commerce-and-Culture.php

⁶ Americans for the Arts. *Arts and Prosperity III: The Economic Impact of the Nonprofit Arts and Culture Organizations and their Audiences in Frederick, MD*. 2008. http://www.businessinfrederick.com/userfiles/File/Arts_Economic_Impact_study_results.pdf

organizations and arts programs in Maryland contributed more than \$1.2 billion to the state economy and provided 15,000 jobs to Maryland residents.⁷

New Mexico

New Mexico's cultural district program began in 2005 with a preliminary study regarding the economic impact of the arts throughout the state conducted for New Mexico Arts, the state's art agency.⁸ The cultural district program was envisioned as a means to attract more culture and heritage tourism and to create an economically viable and sustaining community of local artists. There is a specific emphasis in the New Mexico program to assist rural areas and other communities whose artistic work has been not as widely marketed to both state residents and tourists. The cultural district program was envisioned specifically to complement the existing MainStreet Program in order to promote the cultural heritage of the entire state and to support the growing arts market that has developed in communities outside of the Santa Fe area.

Currently, New Mexico is in the process of developing strategic plans for two "pilot" cultural districts – arts communities in Silver City and Las Vegas. These planning efforts will determine the goal and structure of the cultural district as well as metrics to measure the success of these initiatives. Participants in the state cultural district program in New Mexico are able to tap into a collection of existing financial assistance programs including marketing support from the Tourism Department, access to the historic property tax credit, specialized technical assistance from the MainStreet Program, and grant funding from the State Arts and Culture Capital Improvement Fund. The state historic property tax credit for renovation is doubled in cultural districts.

While the New Mexico cultural district program is relatively new, it is indicative of similar state programs that have emerged over the past few years. It also demonstrates that this type of program can facilitate arts promotion through previously existing incentives and services associated with other downtown revitalization and tourism promotion programs.

Rhode Island

As a small state looking to compete regionally with such artistic centers as New York City and Boston, Rhode Island implemented a program in 1998 to incentivize artists to live and work in designated arts districts in nine communities. The state emphasized that this was a natural outgrowth of its economic development plan to target technology, biotech, and finance

⁷ Maryland State Arts Council. Arts Maryland Newsletter. Summer 2008.

http://www.emarketingmd.org/Tourism/Arts_Council/summer_08/OrganizationProfile.html

⁸ Western State Arts Federation. New Mexico Arts: Nurturing the State's Economy. January 2005.

<http://www.nmarts.org/pdf/westaf-econ-impact-report-jan05.pdf>

industry employers, creating an “innovation economy.”⁹ Rhode Island has been able to compete with the neighboring major metro areas by offering creative sector employees a far more affordable cost of living and is developing an active artistic community as a result.

Rhode Island’s art districts offer both state sales tax and state personal income tax exemptions for work created in the district for artists who live and work in the district. Gallery spaces within the district can also claim sales tax exemption for works sold. The state also offers one of the largest historic building tax credits in the country, equal to 30 percent of the total expenditures on rehabilitation of buildings that qualify, without any annual or project cap of the credit.

In ten years, this aggressive economic development strategy focused on promoting innovation, the arts, and a business-friendly environment has transformed Providence and other parts of Rhode Island into a thriving economy. Between 2001 and 2006, overall employment in Rhode Island grew 2.7 percent, the fastest rate in New England.¹⁰ The creative industry has been a driver of this economic success. Between 2007 and 2008, the number of creative industry businesses grew by nearly 11 percent to more than 2,520 enterprises that employ almost 12,000 individuals. During this same period, while overall employment at the national and state level declined, employment in these creative sector businesses grew by 5.1 percent. Moreover, the nonprofit creative sector in Rhode Island has shown its ability to prove its worth to potential funders, leveraging \$21.55 in outside funding for every \$1 invested by the Rhode Island State Council on the Arts.¹¹ The statewide figures for Rhode Island show that the state’s cultural nonprofits, businesses, and professionals pay more than \$350 million to their employees each year, and annually contribute more than \$750 million to the state’s economy.¹²

⁹ Johnson, C. *The Boston Globe*. “Can smallest state be a high-tech hub?” February 27, 2008. http://www.boston.com/business/technology/articles/2008/02/27/can_smallest_state_be_high_tech_hub/

¹⁰ *Ibid.*

¹¹ Rhode Island Citizens for the Arts. Making the Case for the Arts and the Creative Industries Sector. <http://www.ri4arts.org/Making-the-Case-for-the-Arts-and-Creative-Industries-Sector.pdf>

¹² New England Foundation for the Arts. Tracking the Art’s Impact on the Region. May 2008. http://www.nefa.org/news/tracking_arts_impact_regions_economy_0

Table 21: Summary of Statewide Cultural Districts Programs

State Body	Program	Funding Mechanism	Highlights
Louisiana Department of Culture, Recreation, and Tourism	Louisiana Cultural Districts	tax incentives	Goal is community revitalization through the creation of a hub of cultural activity, which can include affordable artist housing and workspace. Offers tax credits for rehabilitation of historic structures; sales tax exemptions for sale of works of art within districts.
New Mexico Economic Development Department	Arts and Cultural Districts	tax incentives, marketing program, technical assistance and support, and grants	Goal is to increase cultural and heritage tourism. State’s Historic Property Tax Credit is doubled within the districts. Districts are encouraged to take advantage of preexisting arts, tourism, and economic development funding and assistance programs.
Maryland State Arts Council	Maryland Arts and Entertainment Districts Program	tax incentives and grants	Goal is the promotion of “smart growth” throughout state. Range of tax incentives includes: <ol style="list-style-type: none"> 1. property tax credits for renovation of buildings for live-work space for artists and/or space for arts and entertainments enterprises 2. income tax subtraction for artistic work sold by residents 3. exemption from Admissions and Amusement tax Organizations located in district can apply for technical assistance grants (for professional development and marketing expenses).
Rhode Island State Council on the Arts	Rhode Island Tax-Free Arts Districts	tax incentives	Goal is the capture of the arts market and artists from NYC area. Offer sales tax exemption and personal income tax exemption for artists who live and work within district as well as sales tax exemption for all unique/original artwork sold in district.

Source: Various state studies and websites

Individual City Cultural District Programs

While some cities have neighborhoods where cultural arts groups or venues have organically clustered, this analysis focuses on those communities that have specifically designated a district with the purpose of promoting the arts.

Cumberland, Maryland

After Maryland's statewide Arts and Entertainment District (A&E District) program started, Cumberland was the first community to take advantage of the new initiative. Cumberland believed the implementation of an A&E District would be a critical component to revitalize its dilapidated downtown. By the early 1990s, the city had almost completely lost its manufacturing and transportation base, the previous centerpieces of the Cumberland economy. However, the A&E District proved to be the necessary catalyst for economic development and community revitalization.

As a part of the A&E District, Cumberland offers a variety of incentive programs. These include a Rehabilitation Tax Credit, an Admission and Amusement Tax Exemption, an Income Tax Subtraction Modification, a Lenders Loan Pool, a Micro-Enterprise Grant Program, and access to the city's Historic District Tax Incentive program. The Cumberland A&E District is also an Enterprise Zone, which includes income tax credits on new employees and property tax credits on new investments for qualified businesses.¹³

Because of the A&E District program, more than a dozen artists, including several out-of-state and international artists, have relocated to Cumberland's downtown. Many of these artists have purchased and renovated historic buildings, and have established residences, working studios and/or retail venues in Downtown Cumberland and the surrounding districts.¹⁴

The Cumberland District is one of Maryland's model programs and received the Outstanding Achievement Award in 2009 for Arts and Entertainment Districts. *American Style* magazine consistently recognizes Cumberland as one of the Top 25 small-size art cities in the country. The program has caused an increase in occupancy rates, commercial activity, and overall property values in the A&E District. The Executive Director of the Allegany Arts Council, which administers the Arts and Entertainment District, asserts, "buildings have been reused

¹³ For more information on the incentive programs offered by the Cumberland A&E District: <http://www.alleganyartscouncil.org/static.php?page=4>

¹⁴ The Allegany Arts Council. The Cumberland Arts and Entertainment District. 2010. <http://www.alleganyartscouncil.org/static.php?page=208>

and revitalized, tourism is flourishing and new people are moving to the area and paying taxes.”¹⁵

Somerville, Massachusetts

Created in 2005 with funding from the Massachusetts Cultural Council’s Adams Arts grant program, the Somerville Arts Council’s ArtsUnion Project promotes economic development in downtown Union Square. For the past half-decade, the ArtsUnion program has fostered the revitalization of the artistic and commercial aspects of the Union Square neighborhood.

Union Square is the oldest business district in Somerville and includes some of the town’s most historically significant architecture. The Union Square area also has an ethnically diverse business community and a growing population of artists. Despite its assets, Union Square lacked consistent foot traffic and venues to support its growing artistic population. It is for these reasons that Union Square lagged behind other areas in Somerville. By transforming Union Square into an active cultural destination, ArtsUnion has increased economic activity in the square for local businesses and artists.

ArtsUnion promotes and supports the artist and businesses members of its district’s community through outdoor events, markets, cultural tours, and public art projects. Between 2005 and 2008, the outdoor event series has produced thirty-two different festivals with an estimated total attendance of more than 13,000 people. The arts festivals capture the cultural diversity of the Union Square community. The outdoor arts and crafts market, held in conjunction with a new farmers market, has also been a success. During the same four-year period, twenty-six arts markets have seen a total attendance of more than 12,000 people but more importantly has served as a draw for shoppers to the Union Square neighborhood on Saturdays.¹⁶ The public art commissioned as a part of the ArtsUnion project has contributed to the renovation of the Square’s streetscape with benches, trash barrels, information kiosks, a performance space, and lighting designed and built by local artisans.

The ArtsUnion program also provides zoning incentives through the Arts Overlay District which supports the art-driven development. The Overlay District was created to protect existing arts-related uses, and provide incentives for the creation of new ones in order to preserve and enhance the artistic character of Union Square.

¹⁵ National Assembly of State Arts Agencies. “Maryland’s Arts and Entertainment Districts Merge Commerce and Culture”. In *State Agencies*. 2007. http://www.nasaa-arts.org/Research/Best-Practices/State-Spotlight/Maryland_s-Arts-and-Entertainment-Districts-Merge-Commerce-and-Culture.php

¹⁶ Center for Policy Analysis. ArtsUnion Economic Impact Evaluation FY2007-2008. March 2009.

The ArtsUnion has seen a steady growth in its return on investment from the funding and incentives it provides to the Union Square neighborhood and residents artists. In 2006, the total impact on the local economy was calculated as nearly 3 times the ArtsUnion budget, while in 2008 the total economic impact was measure as nearly 4.5 times than its budget for that year.

Table 22: Economic Impacts of ArtsUnion

	2005	2006	2007	2008
Direct Impact	\$51,233	\$77,400	\$67,468	\$65,584
Indirect Impact	\$107,836	\$220,941	\$111,409	\$174,039
Induced Impact	\$31,226	\$54,129	\$41,699	\$56,898
Total Impact	\$190,296	\$352,470	\$220,576	\$296,521
Grant from MCC	\$20,000	\$20,000	\$40,000	\$40,000
Total Budget		\$126,042	\$70,085	\$67,150

Source: Center for Policy Analysis

The ArtsUnion arts district in Somerville demonstrates the potential for the implementation of a cultural district in distinct phases. As funding and political support grow due to the benefits of the district, so can the cultural districts programing. The Somerville Arts Council was able to leverage the designation and marketing of Union Square as an arts and culture district into the implementation of zoning incentives for artists living and working within the neighborhood. This was possible through the Somerville Arts Council’s ability to document the economic growth generated by the initial phases of the ArtsUnion project.

Peekskill, New York

In the early 1990s, the city of Peekskill faced a downtown that was losing both residential and commercial occupants. Approximately 50 miles north of New York City, Peekskill decided to capitalize on rising real estate prices in New York City and attract artists to live/work spaces in its own downtown neighborhoods. An important part of Peekskill’s revitalization strategy was incentivizing artists’ studios and galleries.

Property owners were encouraged to purchase and renovate downtown buildings into studios and live/work spaces. Financial incentives include grants façade improvement programs and other loans. Since 1991, property owners have created 58 artist live/work spaces. In 2002, the City created a public-private partnership with a private real estate company to construct The Peekskill Art Lofts, a 28-unit affordable co-op for artists. This project was selected by the New York State Department of Housing and Community Renewal as a model for rethinking housing projects to include workspace. Other recent city-driven revitalization efforts include a \$1.1 million streetscape improvement plan. By 2004, the District housed more than one hundred artists with studios or live/work spaces. The Artists

District also contains 12 galleries and related businesses, including graphics, framing, music, and photography.

The Artists District built upon the presence of the historic 1930s Paramount theatre. Now restored and repurposed as the Paramount Center for the Arts, it is the center-point of the Artists District. It houses live performances, arts-in-education programs, films, visual arts, and hosts more than 50,000 visitors annually.

The city's largest employer, White Plains Linen, expanded its facility in the Artists District in 2009. This expansion project's \$7.6 million investment in the Peekskill Artists District is the largest economic development project undertaken in Peekskill in the past decade.¹⁷ In the next two years, White Plains Linen expects to increase its number of employees by more than 6 percent as it fully utilizes its new space.

Since 2000, this area has experienced private investment of \$8 million in housing, retail, and cultural facilities. The city of Peekskill reported an increase in property tax assessment for the downtown area for the first time in more than a decade, due to the increased commercial and residential demand generated by the Artists District.¹⁸

Denver, Colorado

Since 1989, the Scientific and Cultural Facilities District (SCFD) has supported facilities whose primary purpose is improving the quality of life of local residents. Started during a recession, the SCFD and its tax-based funding mechanism were a response to decreased funding from other state and city agencies to these organizations. The SCFD also demonstrates the local community's support for cultural institutions, even during difficult economic times. This model of a cultural district is different from that used by other cities. However, it demonstrates the catalytic impact the arts can have on a region's economy.

The SCFD distributes funds from a one-tenth of one percent sales and use tax that voters of the seven-county Denver metropolitan area approved. Initially conceived as a means to support the operations of the major area cultural institutions, the SCFD funding mechanism is now available for all qualifying nonprofit and public arts, cultural, and science organizations in the seven-county Denver area. The number of eligible organizations has grown from 145 in 1989, to more than 300 in 2009.

¹⁷ City of Peekskill. White Plains Linen Invests \$76 Million in Peekskill. 2010.

<http://www.cityofpeekskill.com/economicdevelopment/white-plains-linen-invests-76-million-peekskill>

¹⁸ Tom Borrup. The Creative Community Builder's Handbook. Fieldstone Alliance: St. Paul, MN, 2009.

In its more than 20 years of existence, the SCFD has generated more than \$628 million in support for the cultural community of Denver. Of revenue collected, 99.75 percent is distributed directly to cultural organizations, with just 0.75 percent allocated for program administration.¹⁹ Total distributed dollars has grown from \$14 million in 1989 to \$37 million in 2009.

Pittsburgh, Pennsylvania

Initiated in 1989 for the purpose of downtown revitalization, the Cultural District was seen as a way to encourage the diversification of the Pittsburgh economy and replace declining steel and heavy manufacturing jobs. The Pittsburgh Cultural District is a unique model in that all of its programs have been conducted through a public-private partnership, managed by the Pittsburgh Cultural Trust. This collaboration between a nonprofits arts agency and a real estate, economic development, and promotion enterprise has led to one of the more impressive urban revitalization projects in the country.

The Pittsburgh Cultural District, located north of the city's business district, links the interests and activities of historic preservation groups, art organizations, and downtown developers. For example, the rehabilitation of the Benedum Theatre District resulted from a complex agreement to preserve the historic nature of the district, to create a new private office tower, and to provide income for the development of art spaces. By selling the air rights over the Benedum Theatre to a neighboring site, the developers of the district were able to preserve the venerable theatre and secure a federal Urban Development Action Grant, which supported the development of a new private office complex. The CNG Tower, in turn, provides office space for the Pittsburgh Cultural Trust, among other entities.

The Pittsburgh Cultural District transformed the decaying commercial and warehouse district with few surviving businesses into an urban arts district with fourteen cultural facilities, public parks and plazas, and both new and proposed commercial development. The Cultural District today attracts over 2 million visitors annually to over 1,500 events and generates an estimated economic impact of \$303 million.²⁰ Property values are still rising and unemployment rates are below the national average.²¹

¹⁹ Scientific and Cultural Facilities District. Celebrating 20 Years: 2009 SCFD Annual Report. http://www.scfid.org/downloads/ar/SCFD_AR09_Final.pdf

²⁰ Pittsburgh G20 Summit. Leveraging the Power of the Arts to Stage One of the Country's Most Successful Urban Transformations. <http://www.g20pittsburghsummit.org/quality-of-life/cultural-phenomenon/cultural-district/>

²¹ Bill Saporito. Finding One Economic Bright Spot on Main Street. *Time*. October 2008. <http://www.time.com/time/magazine/article/0,9171,1848760,00.html>

More than 830 artists and art organizations are located within the Cultural District. The District includes the Pittsburgh Ballet Theatre, Pittsburgh CLO, Pittsburgh Opera, Pittsburgh Public Theater, Pittsburgh Symphony and August Wilson Center for African American Culture, among hundreds of other arts groups and artists. The Cultural District is also home to the city's High School for Creative and Performing Arts.

In an April 2010 interview with the radio show "The American Entrepreneur," several prominent figures in the Pittsburgh business community specifically credited the Cultural District with increasing the activity level downtown in the evenings and improving the overall attractiveness of downtown for employers. They also noted that the number of residents in the downtown area had doubled over the past three years.²²

Cleveland, Ohio

The Gordon Square Arts District (GSAD) was started in 2006 as a means to revitalize part of downtown Cleveland. It is a unique combination of three nonprofit organizations: the Cleveland Public Theatre, the Detroit Shoreway Community Development Organization, and the Near West Theatre. The GSAD's development efforts are centered in five specific capital projects, including the historic renovation of the Capitol Theatre, Streetscape improvements, preservation and renovation of Cleveland Public Theater properties, construction of the Near West Theatre, and additional surface parking. The state of Ohio has invested \$1.9 million in capital funds and leveraged an additional \$4.4 million in federal tax credits and \$200,000 in federal stimulus funds for asbestos clean-up in historic buildings.

The existing businesses, including restaurant, retailers, and galleries are thriving and the GSAD has already attracted 33 new businesses with 520 new jobs to the area since 2006. With the completion of the five planned construction projects in 2013, it is estimated that GSAD will create an additional 950 permanent jobs and have generated \$317 million in the Cleveland economy between 2006 and 2013. These five projects represent a total investment of \$30 million.²³ Cleveland is already seeing an increase in demand for housing downtown.

In June of 2010, the Gordon Square Arts District was awarded the Martha Joseph Prize for Distinguished Service to the Arts by the Cleveland Arts Prize. Usually only awarded to

²² Ron Morris with Michael Edwards, Tom Harrington and Rich Beynon. The Business Climate in Downtown Pittsburgh. April 2010.

http://www.downtownpittsburgh.com/_files/docs/pdptranscript.pdf

²³ Kim Wendel. Cleveland: Governor praises Gordon Square Arts District economic investment. WKYC-TV. May 2010. http://www.wkyc.com/news/news_article.aspx?storyid=136543

individuals and organizations, the neighborhood was honored due to “their vision and influence to revitalize an inner-city neighborhood using the arts as an economic engine.”²⁴

²⁴ Backstage at the Gordon Arts Square District. Summer 2010.
http://gordonsquare.org/newsletters/GSAD_newsletter_issue10_Aug_2010.pdf

Lessons Learned

Texas' Cultural District program has the potential to be a leading statewide catalyst for economic development. The willingness of communities to complete the application process that requires bringing together diverse local stakeholders, developing a detailed funding plan, and documenting strategies and tactics bodes well for long-term success. After reviewing the programs in other states and cities, a series of adjustments and recommendations emerged that would improve the competitiveness and viability of the Texas model. In addition, these changes should make it easier to attract other communities to create a cultural district.

Recommendation #1 – Modify the boundary requirements to ensure that private sector spillover effects are included in the cultural district. Existing cultural districts vary by size and purpose, but some focus heavily on tax-exempt properties. Communities should consider adjusting the boundaries to capture the private sector business that have chosen to locate in proximity to the cultural arts.

Recommendation #2 – Develop specific state and local tax revenue funding mechanisms. Cultural district leaders and stakeholders should ask local and state governments to dedicate financial resources to the program. Without this assistance, it will be difficult for Texas to compete with other states for attracting artists and creative sector businesses. A revenue sharing option that is performance based is a tax increment financing (TIF) zone that incorporates the cultural district. This funding mechanism uses future gains in property values (and resulting property tax revenues) to finance current improvements.

Recommendation #3 – Encourage cultural district communities to submit annual metrics. It is imperative the nonprofit and cultural arts groups make the “business case” for why they are an important component of a region’s overall economic development strategy. A simple strategy is to track and publish a standard set of metrics each year.

Recommendation #4 – Create a standardized visitor tracking survey used by all cultural districts. This recommendation not only helps communities gather all of the relevant data but it allows the Texas Commission on the Arts to compare the results across communities.

Recommendation #5 – Consider strategies or programs that assist interested communities in building the cultural base needed to qualify for cultural district designation. The majority of cultural district communities had well established cultural institutions and leadership. For communities that do not have these existing cultural resources, general strategies and recommendations could provide important guidance.

Appendix – Steps for Gathering Data

Data collection for Cultural Districts

The first step in the data collection process for a cultural district is to determine the boundaries of the district and map them using mapping software such as ESRI's ArcGIS. Most city planning and appraisal district offices will have access to this software and the capacity to assist with this step.

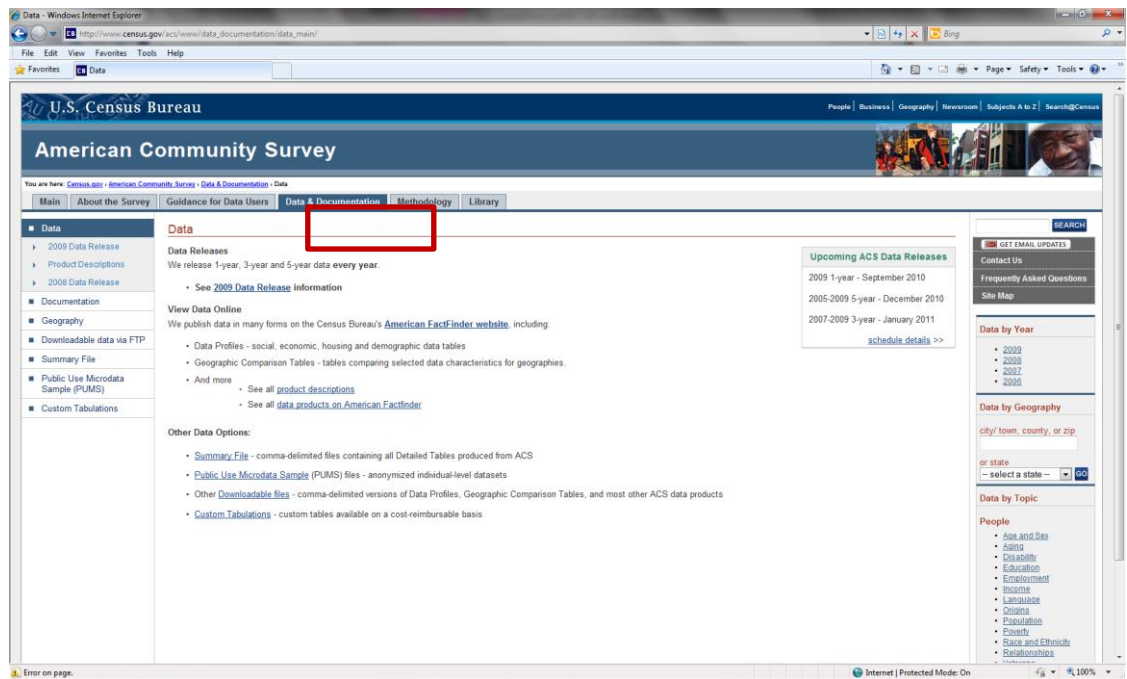
Once the cultural district boundaries have been mapped, determine the census block groups, postal zip codes, cities, and counties which it may overlap. (It is likely that the cultural district will be in only one city and/or county.) It is important that these geographic areas correspond as closely as possible to the cultural district boundaries as they will form the basis of the data selected to represent demographic and economic trends within the cultural district.

Data: Population

Source: US Census Bureau – American Community Survey
(<http://www.census.gov/acs/www/>)

Steps for collection and use:

1. This data will be collected using the census block groups geographic area.
2. Determine the census block groups that most closely comprise the same geographic area as the cultural district boundaries. This can be accomplished using ArcGIS software to import the census block groups shapefiles into the same map with the shapefiles for the cultural district boundaries. (ESRI ArcGIS software package includes shapefiles with census block group boundaries.) Select the census block groups which most closely match the cultural district boundaries and export to a new shapefile. Then, export the attribute table to an Excel worksheet.
3. Use the identified census blocks to create a total approximate population for the cultural district. Many third party companies (including ESRI) provide census block level data as a part of their software package. This information is regularly updated. Another option is to use the data available as a part of the American Community Survey (the 2009 census block group level data will be available as of December 2010 on the Census Bureau's website).



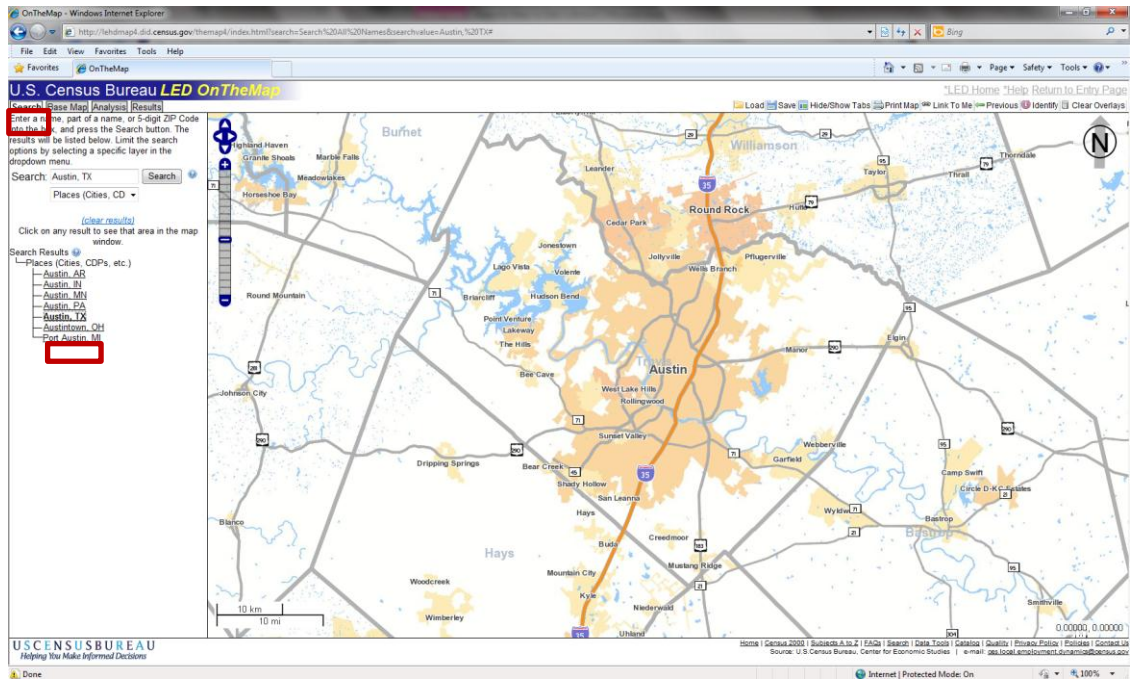
The report generated with ESRI-provided data will give past and current population data. With this information it is possible to estimate the total resident population in the cultural district and track changes over time.

Data: Employment

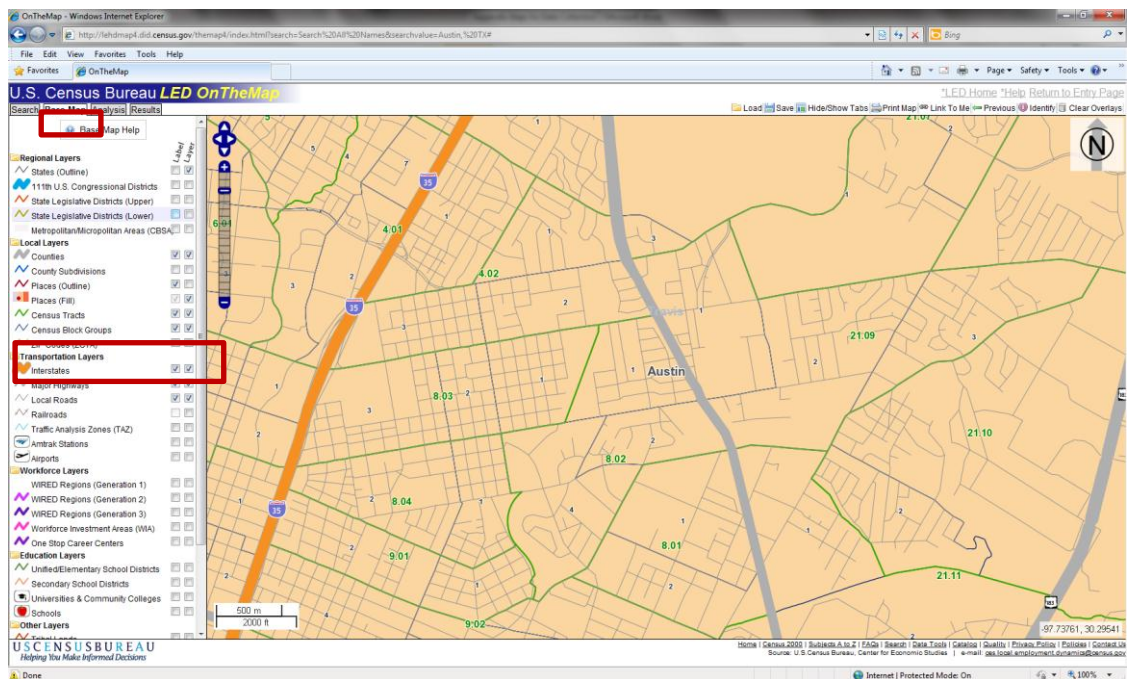
Source: US Census Bureau – LEHD Program (<http://lehdmap4.did.census.gov/themap4/>)

Steps for collection and use:

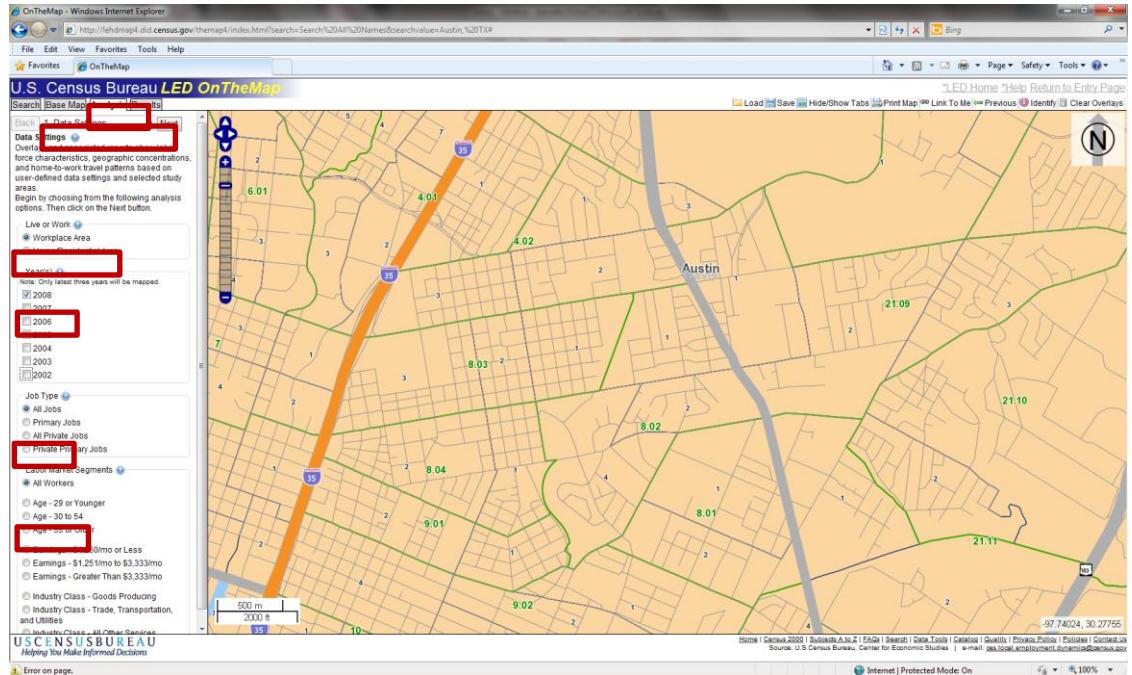
1. This data will be collected using the census block groups geographic area.
2. Using the US Census Bureau’s LEHD website, search for the location of the cultural district (City, State). Navigate to the approximate location of the cultural district using the map tools.



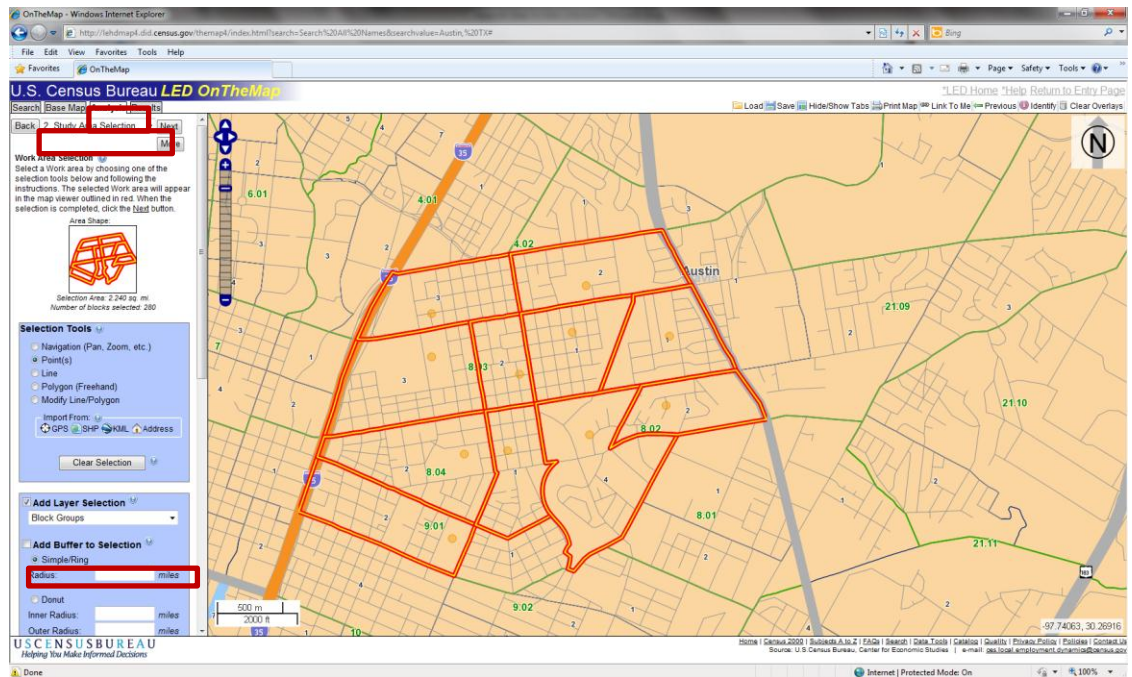
3. At the top left corner of the webpage, there are several tabs to assist in selecting and analyzing the data contained within this program. Navigate from the “Search” tab to the “Base Map” tab.
4. Select both the “Label” and “Layer” options for both Census Tracts and Census Block Groups.



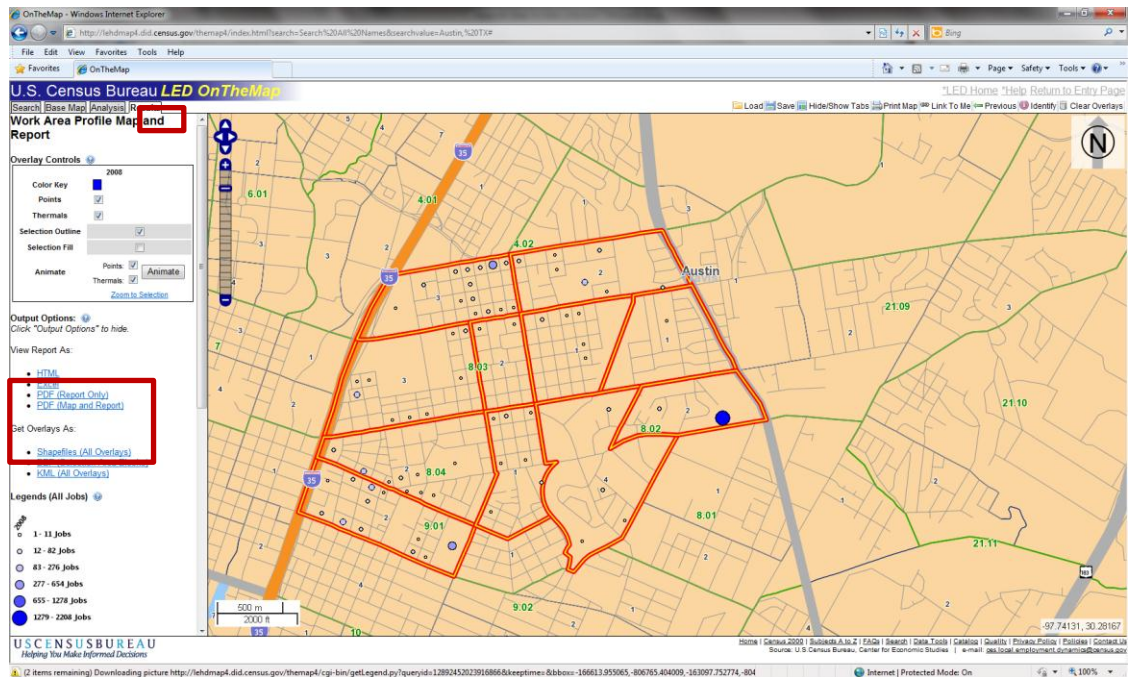
5. Navigate from the “Base Map” tab to the “Analysis” tab. This tab has a drop down menu at the top. Begin with selection “1. Data Settings.”
6. Select the options “Workplace Area”, the most recent year (or years for which data should be collected), “All Jobs,” and “All Workers” from this menu.



7. Using the drop down menu at the top left of the webpage, select “2. Study Selection Area.”
8. In the drop down menu under the heading “Add Layer Selection”, select “Block Groups.”
9. Click the “Clear Selection” button under the “Selection Tools” heading.
10. Select the census block groups which correspond with the geographic boundaries of the cultural district. Click on their location on the map to select them. At any time, click the “clear selection” button to clear all selected areas and start over.



11. Using the drop down menu at the top left of the webpage, select “3. Map Overlay/Report.”
12. Select “Work Area Profile Analysis.” Select “Automatic” under the “Map Precision” heading.
13. Navigate from the “Analysis” tab to the “Results” tab at the top of the screen. Click the “Go!” button at the top left of the webpage to generate a report.
14. Under the “View Report As” heading, select the desired data format and save the report to your computer. The shapefiles for the visualization of this data using ArcGIS software can also be downloaded and saved at this time (under the heading “Get Overlays As”).



The report generated will provide information as to the total number of jobs in the selected census block groups for the selected year, as well as a breakdown of the jobs and workers (by worker's age, salary, and job sector). By tracking this information year to year, it is possible to see the impact of the cultural district on the employment levels within its geographic boundary.

Data: Property Tax Base

Source: Local Appraisal District

Steps for collection and use:

1. This data will be collected initially at the county level and then refined to the cultural district boundary geographic area.
2. Contact the county's appraisal district for the current year's **certified appraisal roll** and **parcel shapefiles**. The certified appraisal roll is a database of all assessed property values in the appraisal district. This information will likely be in several files and need to be imported into a database for analysis. The parcel shapefiles are a set of files which can be imported into ArcGIS software to visually display the properties (or parcels) within the appraisal district.
3. Determine the parcels which are contained within the cultural district boundaries. This can be accomplished using ArcGIS software to import the parcel shapefiles into the same map with the shapefiles for the cultural district boundaries. Select the parcels which are within the cultural district and export to a new shapefile. Then, export the attribute table to an Excel worksheet.

4. Using the certified appraisal roll data and the spreadsheet with the parcel numbers (from those parcels that are within the cultural district boundary), create a database.
5. Query the database to create a report which returns the certified appraisal roll data for only those parcels within the cultural district.

The report generated will provide information as to the total appraised value of properties within the cultural district. Other information provided will include size (both average of land and square feet of living space) and land use. This information will allow a district to more specifically examine the property values by property type (such as commercial, residential, etc.) and per square foot or per acre. By tracking this information year to year, it is possible to see the impact of the cultural district on the property values within its geographic boundary.

Data: Taxable Sales

Source: Texas Comptroller of Public Accounts
(<http://www.window.state.tx.us/taxinfo/sales/>)

Steps for collection and use:

1. This data will be collected using the postal zip code geographic area.
2. Determine the zip codes that most closely comprise the same geographic area as the cultural district boundaries. This can be accomplished using ArcGIS software to import the zip code shapefiles into the same map with the shapefiles for the cultural district boundaries. (ESRI ArcGIS software package includes shapefiles with zip code boundaries.) Select the zip codes which most closely match the cultural district boundaries and export to a new shapefile. Then, export the attribute table to an Excel worksheet.
3. Contact Comptroller's Office for sales tax data by zip codes.

The report generated by the Comptroller's Office provides sales tax data per industry for each zip code for the previous 5-10 years. By tracking this information year to year, it is possible to see the impact of the cultural district on types of industries located in the approximate area of the district and their productivity.



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