

Memorandum

TO: Terri Hruby, Director of Planning and Community Development
Greg Varda, Co-Acting Director, Recreation

FROM: Molly Porter, Community Planner I;
Nicole DeWald, Arts Supervisor

DATE: March 15, 2019

RE: Maryland Arts & Entertainment Districts

Background

The State of Maryland established the Arts and Entertainment (A&E) Districts program in 2001. Since that time there have been 26 A&E Districts established in the state. These districts range in size from 45 acres to 362 acres. An A&E District is defined by Americans for the Arts as a, “well-recognized, labeled, mixed-use area of the city in which a high concentration of arts and cultural facilities serve as the anchor attraction.” The Gateway Arts and Entertainment District is the only A&E District currently established in Prince George’s County. To be eligible for this program the applicant must document a level of existing arts and cultural assets. Elements that are considered during the application process include number of seasonal events and entertainment, high concentration of artistic, cultural, or entertainment enterprises, and measurable goals and objectives specifically for arts and entertainment.

Benefits of A&E Districts

Arts and Entertainment District designation can lead to benefits for:

- ... **“Qualifying residing artists”** who create and sell their work in the district. A local income tax subtraction modification would apply.
- ... **Property owners** who create or renovate space for arts and entertainment uses. Property tax credits would apply.
- ... **The Arts District management entity (i.e. the City) and its stakeholder partners.** Districts are eligible to apply to the State for certain small grants. These include public art matching grants (up to \$5,000) and technical assistance matching grants (up to \$2,500).

Costs and associated with Arts and Entertainment District Management

- ... **Reduced tax revenues.** The Admissions and Amusement tax (10% of gross taxable sales) would be waived within the District. Reductions in property taxes may also apply.

- ... **Administrative costs.** The City would need to provide “professional paid personnel dedicated in total or in part” to administration of the District on an ongoing basis. Annual reporting requirements apply.
- ... **Programmatic costs.** The City would be required to define a program of “incentives capable of increasing the number of residents and businesses” in the district, and to identify “measurable goals and objectives specifically for arts and entertainment”. Funds would need to be appropriated on an ongoing basis to advance these self-set goals, and to match any grants which may be received.

Application Process

Applications to designate an area an A&E District are accepted by the Maryland State Arts Council twice annually, with due dates of April 1 and October 1. A letter of intent to apply must be submitted ninety (90) days in advance (therefore by July 1 if the City wished to apply in October of this year).

Municipal applicants: A municipal corporation may apply for designation of an area if, before it applies, the municipal corporation:

- ... Obtains acknowledgement in the form of a letter or resolution from the county in which it is located that the income tax subtraction modification to be offered in the district may affect the county’s income. The county’s acknowledgement must be included in the application.
- ... Obtains a statement from the county as to whether, if the district is designated, the county will offer a property tax credit and the exemption from the admissions and amusement tax.
- ... The municipal corporation shall state in its consent, if the district is designated, what property tax credits it will offer and acknowledge the exemption from the admissions and amusement tax and the income tax subtraction modification.
- ... Written consent shall be in the form required by local law or the governing body of the municipal corporation, or both. This is generally a resolution.

Upon receipt of the letter of intent, the Maryland State Arts Council staff will arrange a meeting during which they will tour the proposed A&E District. To finish the application process the municipality must hold a community forum and submit a fourteen (14) part application. This application includes:

- ... Table of Contents
- ... Cover Sheet
- ... Endorsement by Chief Elected Official
- ... Vicinity Map(s)
- ... Tax Map or Block Plat

- ... Building Inventory
- ... Narrative
- ... Listing of Artists and Arts and Entertainment Enterprises and Assets in the proposed district
- ... Local Standards
- ... Evidence of Incentives
- ... Evidence of Public Hearing
- ... Size Justification (if the size of the proposed district exceeds one hundred (100) acres)
- ... Priority Funding Certification
- ... Additional reports

The application will be reviewed by a panel made up of staff from the Department of Commerce, Department of Housing and Community Development, current A&E District managers among others. This committee will forward recommendations to the Secretary of Commerce who will then designate one or more A&E Districts for a designation period of up to ten (10) years. Applicants will be notified within sixty (60) days of submission. No more than six (6) designations per calendar year will be made and only one designation per county is allowed per calendar year. If an area is given A&E District designation an annual report must be submitted on a fiscal year basis to the Secretary of Commerce by September 1.