



# MOVING MINDS & MONEY

**TO TRANSFORM ARTS & CULTURE INVESTMENT**

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*An investor's primer for catalyzing capital into place-based,  
arts & culture-driven impact*

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## TEAM & CONTRIBUTORS

**Research and writing:** Megan McFadden and Sammetria Goodson

**Research, project management, and administrative support:** Clyde Valentin, Cory Donovan, Elizabeth Sankarsingh, Kristi Poling, Marcia Burns, Megan McFadden, Sofia Bastidas Vivar, and Tram Ha

**Editing:** Kristi Poling and Zannie Giraud Voss, Ph.D.

**Layout/Design:** Brass Tacks Collective & Meg De Brito

## LEARNING & ADVISORY COHORT

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// James Johnson-Piett - Founder & CEO, Urbane Development // Jin-Ya Huang - Founder, Break Bread Break Borders // Judilee Reed - President & CEO, United States Artists // Lizzie MacWillie - Director, buildingcommunityWORKSHOP // Merrick Porcheddu - Founder, Artist Uprising // Penelope Douglas - Co-Founder, CultureBank // Sarah Martinez-Helfman - Director, Samuel S. Fels Fund // Seulky McInnshein - Vice President, The Enterprise Center\* // Valerie Gillespie - Co-Founder, Pencil on Paper // Will Evans - Founder, Deep Vellum // Will Toms - Co-Founder & Chief Creative Officer, REC Philly // Zannie Giraud Voss, Ph.D. - Director, SMU DataArts // 35+ Questionnaire respondents from across the U.S.

## RESEARCH METHODOLOGY

The research methodology included three approaches - desktop research, stakeholder interviews, and a public questionnaire. From January through May 2022, the team engaged a total of 55+ arts & culture-driven entrepreneurs and enterprises, investors, intermediaries,

and other leaders in Philadelphia, Dallas, and across the U.S. Interviews were conducted with a cohort of 15 arts & culture-driven leaders and practitioners through 1.5-hour individual phone interviews and a 2-hour, virtual group convening. The questionnaire was shared publicly and received 35 respondents. Finally, seven advisors were engaged throughout the research strategy, writing, editing, and design phases. The primary inquiry was how arts & culture funding is perceived and experienced and how leaders and practitioners see the potential for future investment in arts & culture beyond public and philanthropic funding.

*The perspectives and information included in this publication do not represent the opinion of the producing and supporting organizations, nor do they constitute an endorsement. The publication is strictly for educational and informational purposes and should not be regarded as investment advice or an investment recommendation. Further, the publication is not intended to be comprehensive but rather an illustrative primer for potential new investment pathways for arts and culture.*

*This resource is hosted and has a permanent home at [impactphl.org](http://impactphl.org). If you need more information, please email [info@impactphl.org](mailto:info@impactphl.org).*

# WHAT DO YOU IMAGINE FOR THE FUTURE OF INVESTMENT IN ARTS & CULTURE?

“

INVESTING IN ARTS & CULTURE WILL BE WITH A 7 GENERATION MINDSET, NOT A 5-YEAR OUTCOME.

“

AS 5% OF THE US ECONOMY, THE CREATIVE ECONOMY SHOULD GARNER 5% OF THE \$8.4 TRILLION SUSTAINABLE AND IMPACT DOLLARS INVESTED IN THE U.S.

“

INVESTMENTS SHOULD BE MADE INTO COMMUNITY-BASED ARTISTS WHERE GOALS ARE DEVELOPED AND MEASURED BY AND FOR THE COMMUNITY. WE NEED A RADICAL CHANGE IN INVESTMENT STRATEGY THAT IS INCLUSIVE AND GENERATES WEALTH-BUILDING AND EXPERTISE DEVELOPMENT RATHER THAN INDEBTEDNESS.

“

VENTURE CAPITAL MODEL FOR ARTS. TRUE INVESTMENT, WITH THE OPPORTUNITY TO INNOVATE AND EXPERIMENT - WHICH MEANS HAVING A SAFETY NET FOR EXPERIMENTS THAT DO NOT WORK.

“

STRATEGIC PUBLIC-PRIVATE INVESTMENTS FOCUSED ON PRESSING SOCIAL NEEDS (CLIMATE, POVERTY, HOUSING), AND UTILIZING ARTISTS' ASSETS/RESOURCES TO CHANGE HEARTS AND MINDS AND ADVANCE SOLUTIONS MORE QUICKLY.

*\*These are a few sample voices from stakeholder interviews and a public questionnaire.*

# FOREWORD

## INVEST IN ARTISTS, SAVE LIVES, TRANSFORM THE WORLD

BY DARRYL RATCLIFF



It is often folly to predict the future, but I feel fairly confident that our most pressing problems will continue to be complicated and complex issues that require nonlinear thinking. Do you know who specializes in complex thinking? Artists and creatives. Yet, as a society, we often underutilize and underinvest in the very people most equipped to help us transform our world.

Let me be clear - artists should not just be utilized for beautification. Artists should be utilized as problem solvers, woven into every aspect of our lives from politics to business, religion to social services, law enforcement to the military. There should be an artist on every board, in every city hall, and on every investment team. Indeed, we need such creatives and the diversity of thought they bring to the table.

It is so timely to publish the report, *Moving Minds & Money To Transform Arts & Culture Investment*, which provides a detailed look into how capital has traditionally been invested into our artists and creative enterprises and how investors can make aligned investments moving forward.

Part 1 offers a window into creatives and arts & culture-driven enterprises

enacting diverse solutions. It's exciting to think that there could be hundreds, if not thousands, waiting for the right investors and investment to further unlock potential and birth transformation.

Part 2 explores the inner work and mindset shift investors should consider for successful investment in the arts and cultural sector. I believe that investments are both math and magic; unfortunately, many only understand the math. Artists aren't widgets, but investors can trust in creatives' power to harness the immaterial world for solving intractable problems, get out of the way, and give the space and time for magic to happen.

Part 3 offers an invaluable toolkit for making investments in arts & culture. And really, the impetus is to start. Don't wait to be perfect. Remember that for every creative enterprise that needs a five million dollar investment to facilitate a real estate development project, there is a creative that needs a five thousand dollar investment to buy a piece of equipment that could scale their practice. Please consider both.

Finally, Part 4 provides a look at the contextual landscape of two cities, Dallas

and Philadelphia, because it's important to look at U.S. cities that are not Los Angeles, New York City, or Chicago. However, the principles outlined in this paper don't require a large city at all. Arts & culture investments must happen in the suburbs, small towns, and rural America. We must go where the need exists.

And perhaps that is a great place to land this introduction. Simply put, investing in arts & culture is where the need exists. The future of our society is not just technological advancement. We desperately need to advance how human beings relate to each other and our planet. This paper is a call to invest in the evolution of the human soul and experience. It is urgent work, and the time to either get started or deepen one's commitment is right now.

A handwritten signature in black ink that reads "Darryl Ratcliff". The signature is stylized and cursive.

**Darryl Ratcliff**

*Co-Founder / CEO Gossypian Investments and an award-winning artist, poet, writer*

# EXECUTIVE SUMMARY

Across the U.S., arts & culture-driven practitioners generate deeply-rooted and broad-reaching impact in local communities. Yet, they face complex barriers to obtaining capital that will sustain, deepen, and scale their work. This resource is a primer for investors committed to challenging the arts & culture investment status quo by making ongoing, values-aligned investments into place-based arts & culture-driven solutions. *Moving Minds & Money to Transform Arts & Culture Investment* aims to:

- Illuminate barriers and opportunities for arts & culture-driven practitioners to receive investment across the capital spectrum - from catalytic grants to equity investment
- Acknowledge gaps between investors, local communities, and arts & culture-driven practitioners and ways to align around shared investment goals, values, and principles
- Provide investors with examples of how they might immediately take action to build investment readiness and practice aligned, local investment strategies
- Model how a review of the cultural, economic, policy and legal landscape of two places - Dallas, Texas, and Philadelphia, Pennsylvania - can inform an arts & culture-driven investment strategy

## KEY TAKEAWAYS

- Beyond traditional funding sources (i.e. public and philanthropic capital), there is an opportunity to access trillions in socially responsible and impact investing capital in the U.S to bring more capital to bear to arts & culture-driven solutions
- Arts & culture-driven practitioners are advancing a wide range of business models, pioneering solutions that affect everything from mental health to the racial wealth gap
- Practitioners face investment barriers that range from lack of trust in investors and inaccessible language to policy impediments and extractive market culture
- Investors have the opportunity to intentionally overcome gaps and model transformative investments by adopting principles like being rooted in place or centering community voices
- Investors - regardless of type, location, impact focus and more - have the opportunity to take action immediately with ongoing readiness steps and local investment practice
- Place-based investors have the opportunity to consider a comprehensive ecosystem investment approach, based on their unique cultural, economic, policy, legal, and investment landscape

## ACTIONS FOR INVESTORS

UNDERSTAND BARRIERS & OPPORTUNITIES	CONSIDER GAPS TO ALIGN IN GOALS, VALUES, & PRINCIPLES	ASSESS READINESS & WILLINGNESS TO TAKE ACTION & IDENTIFY NEXT STEPS	FIND ALIGNED INVESTMENT OPPORTUNITIES, INVEST, & LEARN	COMMIT TO COMPREHENSIVE & TRANSFORMATIVE INVESTMENT
Understand traditional barriers of public and philanthropic funding as well as new and diverse opportunities arising with a growing impact/mis-sion-aligned investment space.	Consider how you might invest time, energy, and more to bridge gaps - such as different lived experiences and expectations of growth - with local communities and practitioners and align with their needs.	Ask whether you're willing to think differently about risk, return, and time horizons to prioritize communities, practitioners, and impact outcomes.	Look to your local ecosystem for aligned arts and culture-driven enterprises, funds, or crowdfunding opportunities that need capital and make an investment or multiple investments to practice.	Consider adjusting your investment goals and thesis to include arts and culture, connect with aligned co-investors, build relationships with enterprises, and participate in local ecosystem investment strategies.

# INTRODUCTION

Arts & culture have played an essential role in human cohesion<sup>[1]</sup>, inspiration, and evolution since early civilization<sup>[2]</sup>, and - indeed - that influence resounds today. In the U.S., thriving arts & culture communities report decreases in areas such as crime and income disparity while marking increased health, education success, civic participation, and the ability to solve local challenges.<sup>[3]</sup> Further, the arts & culture sector contributes \$876.7 billion in GDP (or 4.2%) to the U.S. economy.<sup>[4]</sup>

**Arts & culture leaders and practitioners - from working artists to nonprofit and for profit entities focused on the arts and cultural aspects of life - are estimated to be over 3.5 million, including roles as diverse and varied as visual artists to theater producers, chefs to community architects.<sup>[5]</sup>**

Despite the measurable and immeasurable value generated in joy, community resilience, and economic benefit, arts & culture-driven practitioners face complex barriers to capital. As funding sources fluctuate and new investment models arise, arts & culture investment stands ripe for transformation.

As evidence, traditional funding for the U.S. arts & culture sector - public financing and private philanthropic contributions<sup>[6]</sup> - have seen federal, state, and local budget stagnation, decreases, and eliminations<sup>[7]</sup> while - conversely - philanthropic commitments have marked a double-digit increase following the COVID-19<sup>[8]</sup> pandemic.

**Adjusted for inflation, total public funding for the arts decreased by 31% from 2001 to 2021.**

**Giving in 2021 increased in nearly every sector, with a 27.5% growth in gifts for arts, culture, and humanities.**

Beyond public funding and philanthropy, the capital markets - including \$8.4 trillion in socially responsible and impact investing capital in the U.S.<sup>[9]</sup> - offer the potential to bring values-aligned private debt, equity, and blended capital to bear on arts & culture, though the opportunity is primarily under-tapped.<sup>[10]</sup>

While innovation can undoubtedly benefit the arts & culture sector at large, there is a distinct opportunity to support a subset of "arts & culture-driven entrepreneurs and enterprises" offering investable strategies that create a positive impact in "place-based" contexts or local communities. And further, an opportunity to support women<sup>[11]</sup>, BIPOC<sup>[12]</sup>, and LGBTQ+<sup>[13]</sup> practitioners that disproportionately experience well-documented systemic challenges and inequitable capital access.<sup>[14]</sup>

Positive signals can already be seen from pioneers and leaders across the U.S. modeling values-aligned approaches across the capital spectrum - catalytic philanthropic capital to test bold ideas<sup>[15]</sup>, democratically-governed community investment<sup>[16]</sup>, and impact investment funds.<sup>[17]</sup> This resource calls forward all investors interested in transforming arts & culture investment in neighborhoods, cities, and regions across the U.S. today, creating a new arts & culture investment paradigm for the future.



# WHY

This resource provides a pathway to viewing arts & culture as a focal point of impact/mission-aligned investment, not simply as a collateral benefit or by-product. We aim to expand investors' mindsets beyond philanthropy and public finance and toward a values-aligned, blended capital approach - including private debt and equity investments - to arts & culture practitioners.

# WHO

This resource's intended audience is impact/mission-aligned investors seeking ways to make investments in arts & culture through measures of risk, return, and sustainability that serve local communities and arts & culture practitioners - not the impact investing apparatus. Many investors "value" arts & culture from the perspective of philanthropy, where monetary donations or grants support artists and culture workers through nonprofit institutions. An even narrower group of investors "invest" in for-profit arts & culture enterprises, but these investments are often siloed in the entertainment, hospitality, recreation, and food and beverage industries.

# WHAT

This resource may be utilized in two different ways: 1) as a lens through which arts & culture are the focal points of impact/mission-aligned investments; and 2) as a toolkit to self-assess and challenge both philanthropy-dependent and risk/return-dependent investor mindsets.

# WHERE

Although this resource is intended for impact/mission-aligned investors and intermediaries in the U.S., the information presented may apply to and be implemented anywhere where place-based or community investing is of interest.

# WHEN

This resource is a clarion call for immediate action. Impact/mission-aligned investors and financial intermediaries will be equipped to reconfigure or create an arts & culture investment strategy after reading this resource. Indeed, we argue that these strategies could and should have been implemented 20 years ago.



# PART 1

## **Barriers and Opportunities for Investment in U.S. Arts & Culture-Driven Impact**



WE'RE A FEMALE-OWNED BUSINESS CONNECTING ARTISTS, MUSICIANS, AND DESIGNERS TO BRANDS OR LOCAL COMMUNITIES.



OUR ENTERPRISE EXISTS TO PRESERVE AND PROTECT LAND COLLECTIVELY THROUGH COLLECTIVE STEWARDSHIP AND COLLECTIVE OWNERSHIP. WE DO THIS BY DECOMMODIFYING REAL ESTATE, WHICH MEANS TO TAKE IT OFF THE OPEN MARKET, PLACE IT INTO A TRUST, PRESERVE IT, AND STEWARD IT ON BEHALF OF THE NEIGHBORHOOD.



I AM CO-FOUNDER OF A COLLABORATIVE PROJECT SPACE IN A PREDOMINANTLY BLACK AND BROWN WORKING-CLASS COMMUNITY. ADDITIONALLY, I AM A VISUAL ARTIST FOCUSED ON THE RELATIONSHIP BETWEEN CONTEMPORARY AND HISTORICAL INEQUALITIES IN AFRICAN-AMERICAN EXPERIENCES/ OPPORTUNITIES AND THE LACK OF LAND WEALTH IN THE BLACK COMMUNITY.



I RUN A PLAY DEVELOPMENT PROGRAM FOCUSED ON ENVIRONMENTAL ISSUES AND A TRAVELING THEATER TRUCK PROGRAM SERVING UNDERSERVED COMMUNITIES IN PARKS AND PARKING LOTS.



I MANAGE A LATINX THEATER COMMITTED TO THE EMPOWERMENT OF OUR COMMUNITY THROUGH THE SUPPORT OF DIVERSE CULTURE, WORKFORCE TRAINING, AND CIVIC PARTICIPATION.

*\*These are a few sample voices from stakeholder interviews and a public questionnaire.*



## UNDERSTANDING BARRIERS: HOW PRACTITIONERS AND INVESTORS PERCEIVE AND EXPERIENCE INVESTMENT CHALLENGES

To shift the arts & culture investment paradigm, it's critical to acknowledge barriers that entrepreneurs, enterprises, and investors presently face - whether perceived or directly experienced - in connecting any form of capital for arts & culture-driven strategies.

To that end, arts & culture-driven entrepreneurs and enterprises report multi-faceted barriers to sustaining, growing, and scaling their work. The barriers illuminated in Table 1A - which range from personal considerations such as housing to systemic considerations like economic instability - indirectly or directly relate to how investment (or lack thereof) can hinder or support practitioners' ultimate success.



**Our economy was not built for artists and cultural workers. They're often folks who are left out of our economy or are working jobs to support their ability to do their art. Even then, those jobs are often not living-wage jobs.**

- A Philadelphia-based investor

## BARRIERS FOR ARTS & CULTURE-DRIVEN ENTREPRENEURS & ENTERPRISES Table 1A

PERSONAL	ORGANIZATIONAL	ECOSYSTEM	SYSTEMIC
<p><i>***While not directly related to funding and investment barriers, we'd be remiss not to report the foundational challenges that entrepreneurs and enterprise leaders surfaced as affecting personal well-being and, therefore, stability in advancing their arts and culture-driven work and impact.</i></p> <ul style="list-style-type: none"> <li>• Affordable housing</li> <li>• Healthcare access</li> <li>• Childcare support</li> <li>• Financial freedom or safety nets</li> <li>• Ability to use own dialects or language</li> <li>• Mental health including stress &amp; anxiety</li> </ul>	<ul style="list-style-type: none"> <li>• Strenuous grant writing and reporting cycles detracting from work</li> <li>• Predatory, biased, or incompatible loan offerings</li> <li>• Lack of in-house investment expertise or ability to navigate investor networks</li> <li>• Amount of time required to educate funders and investors</li> <li>• Slow process and turnaround time for funding/investment</li> <li>• Investors requirement to articulate value and impact outcomes in a way that must be measured instead of being understood and trusted</li> <li>• Investors not investing time to understand the solution or committing to requested terms</li> </ul>	<ul style="list-style-type: none"> <li>• Local economies devaluing arts and culture's role in community health and well-being</li> <li>• Governments cutting arts and culture budgets</li> <li>• Lack of funding for critical ecosystem infrastructure such as events and community building</li> <li>• Lack of funding for aligned technical assistance</li> <li>• Institutional gatekeepers - like art museums and significant funders - having closed doors or not "seeing" local, community-driven work</li> <li>• Investor's gaps in lived experience, language, knowledge, and expectations</li> <li>• Not trusting investors</li> </ul>	<ul style="list-style-type: none"> <li>• Economic instability</li> <li>• Political instability</li> <li>• COVID-19 pandemic and other health epidemics</li> <li>• Systemic racism</li> <li>• Extractive market culture</li> <li>• Policy barriers</li> </ul>

\*Barriers listed were aggregated from stakeholder interviews and a public questionnaire with 55+ arts & culture practitioners. This list is intended to be illustrative and not comprehensive.

As investors seek not only to acknowledge or understand but to alleviate or eliminate these barriers, they might consider various factors to inform potential interventions. These considerations could include, for example, whether an investment process needs to change, whether an existing model needs more capital, or whether a barrier is far more complex and requires transformational investment.

For example, foundations could address strenuous grant writing and reporting cycles by shifting to adopt more trust-based practices.<sup>[18]</sup> A CDFI could provide investment support services to alleviate art and culture enterprises' lack of in-house investment expertise.

However, reported barriers more deeply rooted in and emerging from legacy economic systems - systems that prioritize privatization, profits, or shareholder returns (sometimes at all costs) while denying or disregarding damage to communities and the planet<sup>[19]</sup> - arguably present the greatest challenge and opportunity for transformation. For example, lacking trust in investors stems partly from practices like predatory lending, which has roots in systemic racism.<sup>[20]</sup>

These barriers are far more complex and interconnected and require examination of the harmful or extractive culture that has dominated mainstream capitalism<sup>[21]</sup> and continuously informed the mindsets, behaviors, practices, policies, and investment vehicles with which investors have operated and made investments.

Investors seeking solutions may be hearing about, learning about, or starting to practice new approaches to investment. Strategies such as Environmental, Social, Governance (ESG), Socially Responsible Investing (SRI), impact/mission-aligned investing<sup>[22]</sup>, community investing<sup>[23]</sup>, and regenerative investing<sup>[24]</sup> seek to divest from harmful investments and move toward investments that center on humanity, environmental sustainability, and resilience. While hopefully a step in the right direction, these approaches are also not without critique, challenges, and harmful behaviors themselves.<sup>[25]</sup> Some challenges carry over from traditional financial culture and behaviors. At the same time, other practices - like impact measurement<sup>[26]</sup> - however well-intentioned and useful - can create new barriers for entrepreneurs and enterprises.



**We are in this place where we depend more on this grant funding, and that's not always reliable. For as many grants as we've applied to and received, there are a lot of other grants we applied for and didn't get.**

- Philadelphia-based arts & culture small business

It is with this understanding that investors - regardless of where they may find themselves on the innovation curve - not be prohibited by unaligned systems and investment culture but rather assess their own will in committing the time and resources necessary to overcome barriers that could prohibit or prevent their investment in arts & culture-driven strategies. Such considerations might include:

- Misconceptions of arts & culture sector practitioners as “starving artists,” as “nice to have” strategies (vs. integral), or as enterprises that are likely not “investment ready”
- Not always having proximity to arts & culture practitioners and local communities
- Not being able to identify investment pipeline or aligned co-investors
- Having the ability and willingness to make more time intensive, 1-off, or bespoke investments
- Not being able to align with investees on risk, return, and time horizons
- Seeking to identify, track and measure the value of arts & culture-driven impact outcome, instead of trusting and believing its inherent and often immeasurable value

In conclusion, barriers reported by entrepreneurs, enterprises, and investors serve as signals the current system for arts & culture investment is - at best - not achieving its fullest potential. At worst, it is counterproductive to the goal of generating arts & culture-driven positive impact in the U.S. Investors are invited to understand the challenge and opportunity of overcoming such barriers and - more importantly - their role in taking intentional, accountable, and transformational action.



**In some cases, customers have been in tears and asked whether they could hug me. They've said things like, "This is the kind of space that I needed as a kid."**

- Founder of an arts & culture small business

## UNDERSTANDING OPPORTUNITY: HOW ARTS & CULTURE-DRIVEN PRACTITIONERS ARE CREATING IMPACT SOLUTIONS

In the face of significant cultural, social, environmental, and economic challenges in the U.S., investors have a distinct opportunity to understand problems faced by U.S. communities, then understand how arts & culture-driven interventions can offer strategic solutions.

The entrepreneurs and enterprises engaged in this resource's research address well-documented, complex challenges such as social inequalities, education access, and environmental vulnerability. Such challenges are interconnected, nuanced, and continuously emergent, particularly as circumstances shift in anticipated and unanticipated ways - a policy change, a public health crisis, or a climate event devastating a local community. For example, consider how the COVID-19 pandemic impacted communities' mental health<sup>[27]</sup> or how legislation like Opportunity Zones impacted investment in low-income community census tracts.<sup>[28]</sup> Such factors affect how arts & culture practitioners navigate their work and serve their communities.

While higher-funded and capitalized U.S. sectors - like pharmaceuticals, technology, or entertainment - might also work to address such challenges, arts & culture practitioners point to an important advantage. Their position "on the front lines" in communities with the ability to understand what's happening, spot trends, and work alongside communities to imagine new possibilities is critical. Such practitioners see themselves as artists, culture workers, problem-solvers, bridge-builders, activists, creators, storytellers, healers, and economic generators.

Informed - partly by the legal and policy landscapes in which they operate - arts & culture-driven enterprises are incorporated at the state level as nonprofits, B Corps, and LLCs. They have sought designation as 501(c)3s, C Corps, and S Corps at the federal level. They have financially supported their work in common ways that entrepreneurs, small businesses, social enterprises, or startups do, including but not limited to:

- **Self-funding** through personal savings, credit, or income
- **Donations** from friends and family or community via crowdfunding platforms
- **Grants** from local, state or federal governments, and foundations
- **Loans** from Community Development Finance Institutions (CDFIs), foundations, and individual investors
- **Equity Investments** from angel investors
- **Earned Revenue** from selling art, commissions, consulting retainers, membership fees, product sales, client services, and more.

Arts & culture practitioners reported that "people" and "community" - including knowledgeable and talented teams, neighborhood relationships, community pride, social capital, and networks - were their most valuable assets. Other assets included a strong reputation, strong governance, and the ability to inspire and move people.

Engaged arts & culture-driven entrepreneurs and enterprises reported serving clients and communities in the dozens to the tens of thousands, including immigrant woman, young artists, local business owners, municipalities, senior citizens, marginalized youth, underrepresented creatives, and more. Some strategies are highly responsive to a current cultural moment - like supporting refugees arriving in the U.S. after fleeing international inhumanities. Other strategies intend to execute over generations, like reclaiming ancestral land and affordably preserving it for communities in perpetuity.



**Picking a business that worked was one thing. Picking a business that was going to economically empower a whole marginalized population was another.**

- Founder of an arts & culture small business

The examples in Table 1B illuminate a variety of arts & culture-driven initiatives working across the United States.

Further, Tables 1C-1E share examples of arts & culture-driven enterprise models, challenges being addressed, and solution approaches.

## ARTS & CULTURE-DRIVEN ENTERPRISES ADVANCING IMPACT IN THE U.S. Table 1B

### **blink!LAB** | Oakland, California

*blink!LAB's focus is the re-design of communities and cities for a regenerative future. They are a research-based design, architecture, and urban planning practice that investigates the transformative potential of space through design, advocacy, and technology.*

[Learn more at blink-lab.com](https://www.blink-lab.com)

### **ArtSpace** | Minneapolis, Minnesota

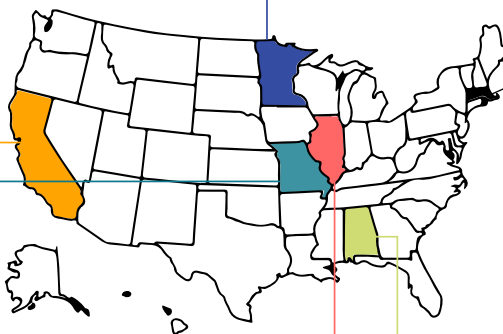
*Artspace aims to contribute to an accelerating national movement of equitable, artist-led community development through finding solutions to arts-related space needs and ensuring that art spaces remain accessible to artists and their families. They use the tools of real estate development to construct or restore places where artists can affordably live and work.*

[Learn more at artspace.org](https://www.artspace.org)

### **Boston Ujima Project** | Boston, Massachusetts

*Boston Ujima's vision for a just and sustainable Boston is based on the belief that everyone has a role to play in creating an equitable economy. They organize Greater Boston area neighbors, workers, business owners, and investors to participate in various ways, including a worker empowerment network, an alternative local currency, and a community-controlled investment fund.*

[Learn more at ujimaboston.com](https://www.ujimaboston.com)



### **Hope Nation** | New Haven, Missouri on traditional Osage Land

*Hope Nation is a Native woman-owned company providing services that build capacity, nurture talent, strengthen relationships, and grow leadership potential. Through strategic services like retreats, coaching, and specialized projects, Hope Nation works to create systemic change by honoring both personal and organizational potential through the lenses of hope, decolonization, and justice.*

[Learn more at hopenationconsulting.com](https://www.hopenationconsulting.com)

### **Dorchester Industries** | Chicago, Illinois

*Dorchester Industries is on a mission to promote culture-based, artist-led, neighborhood-driven community revitalization. They are a manufacturing platform that creates beautiful things - furniture, objects, and spaces - using overlooked materials sourced in Chicago while also training employees to pursue careers in the building trades and creative industries.*

[Learn more at theastergates.com/project-items/dorchester-industries](https://www.theastergates.com/project-items/dorchester-industries)

### **Soul Center** | Alabama

*SoulCenter believes that the multidisciplinary development of future creative leaders in acting, writing, and producing is essential to creating a world with social and artistic changemakers and that creative digital spaces can be used to reshape the fabric of communities and address social inequities in the Deep South. They are a design studio that offers content development, Fellowship and Incubator programs, and Blk Arts Workshops.*

[Learn more at soulc.org](https://www.soulc.org)

## A CLOSER LOOK: ARTS & CULTURE-DRIVEN SOLUTIONS

Arts & culture-driven entrepreneurs and enterprises are creatively diverse in their models, the challenges they address, and the impact strategies they deploy in service of their local communities. This page illustrates a few components that, when paired together, might make up the profile of an arts & culture-driven solution. For example, a small arts/culture business might address lack of resource access by creating inclusive, safe, and inspiring spaces or a creative backbone enterprise might work to reduce the wealth gap by supporting artists' financial self-determination.

### SAMPLE ENTREPRENEUR AND ENTERPRISE MODELS Table 1C

<p><i>The Artist Entrepreneur</i></p> <p>The artist that is creating art themselves, but also building a social enterprise that utilizes art as a tool to create a positive impact in communities.</p>	<p><i>Arts/Culture Enterprise</i></p> <p>The enterprise that is led by someone that wouldn't necessarily identify as an artist themselves but is using arts or culture as a strategy to create a positive local impact.</p>	<p><i>The Community Steward</i></p> <p>The entity that is deeply rooted in place, typically at the neighborhood level, and is advocating for and helping to steward the community's participation in how the community evolves/develops.</p>	<p><i>The Creative Backbone</i></p> <p>The entity that is building critical infrastructure to support artists and culture workers, entrepreneurs, and enterprises.</p>
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### SAMPLE CHALLENGES ADDRESSED BY ARTS & CULTURE MODELS Table 1D

<p><i>Mental Health Challenges</i></p> <p>Mental health challenges - such as stress and anxiety - due to intergenerational or childhood trauma, discrimination, racism, or current events.</p>	<p><i>Inequitable Representation</i></p> <p>Lack of representation that prevents people from, for example, reaching broader audiences, having a voice on issues that affect their neighborhood, or being in positions of power.</p>	<p><i>Racial Wealth Gap</i></p> <p>Communities having significantly less generational wealth and assets due to slavery, systematized racism, migration, and the systems and process of immigration.</p>	<p><i>Lack of Resource Access</i></p> <p>Lack of outright access, affordable access, or culturally-aligned access to the resources - such as community spaces or jobs - that contribute to well-being.</p>	<p><i>Community Displacement</i></p> <p>Communities being physically displaced from their homes and neighborhoods or culture being deprioritized and displaced.</p>
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### SAMPLE IMPACT STRATEGIES Table 1E

<p><i>Creating Inclusive, Safe, &amp; Inspiring Spaces</i></p> <p>Creating inclusive and safe spaces for underrepresented artists, culture workers, and communities (ex: Black, indigenous, POC, queer, women) that cultivate belonging.</p>	<p><i>Supporting Financial Self-Determination</i></p> <p>Connecting local artists and communities with access to infrastructure/ services (ex: education, mentors, equipment, services, etc.) and financial opportunities (ex: new jobs, contracts, clients, markets, funding, and more).</p>	<p><i>Improving Community Health &amp; Well-being</i></p> <p>Improving communities' physical, emotional, and mental well-being through closer community ties, support systems, and access to healthcare.</p>	<p><i>Lifting Voices &amp; Bridging Cultural Divides</i></p> <p>Lifting voices by empowering people to express themselves, tell their stories, and illuminate diverse experiences and perspectives; Driving greater cultural understanding and empathy across groups through - for example - food, literature, public art, and more.</p>	<p><i>Cultivating Community Power &amp; Assets</i></p> <p>Advocating community agency through protecting land, stewarding land, democratically deciding a community or neighborhood's future, and building collective ownership and assets.</p>
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**So \$1 million at five years undoes 300 years of Black and Brown disinvestment, blocking people out of capital? There's just this huge disconnect that exists in the worthiness of investment, the value of investment, and alignment in investment.**

- Leader of an arts & culture-driven neighborhood enterprise

#### **ADDRESSING THE NEED FOR ALIGNED INVESTORS & BROADENED INVESTMENT OPPORTUNITIES**

To advance arts & culture-driven solutions across the U.S., entrepreneurs and enterprises need capital to deepen community impact, increase reach, scale, or replicate to other places. And with a supply of capital, investors have a crucial role in committing to being aligned investment partners.

While public and philanthropic funding is inevitably necessary and will undoubtedly continue, it cannot be the only solution due to, for example, the following challenges:

- Public funding's limitations compared to the scale of need and opportunity<sup>[29]</sup>
- Billions in philanthropic dollars that sit in Donor-Advised Funds (DAFs) without being distributed<sup>[30]</sup>
- Grantmaking as an inequitable, exclusive, and resource-intensive funding process<sup>[31]</sup>
- Philanthropists' distance or disconnection from communities they seek to serve<sup>[32]</sup>

While there is ample need and opportunity to tackle public and philanthropic funding challenges, there is also an opportunity to explore and practice how additional capital sources and types might serve as a counterpoint or complement to this capital. For example, investors with the will can broaden the capital toolkit to include tools like recoverable grants, community notes, debt or equity investments, or a blended stack of capital to support the arts & culture-driven practitioners. However, they risk repeating mistakes of traditional public funding, philanthropy, and investment - harmful mindsets, behaviors, practices, policies, and investment vehicles.

To not only transact investments but to transform the culture of investment, investors have a critical opportunity to commit to and practice investment goals, values, and principles that are informed by and aligned with local communities and arts & culture-driven entrepreneurs and enterprises. Tables 1F-H share examples of sample investor types potentially positioned to invest in arts & culture, the types of capital they might invest, and possible investment vehicles.

*\*These examples were aggregated from stakeholder interviews and a public questionnaire with 55+ art & culture practitioners. This list is intended to be illustrative and not comprehensive.*

## A CLOSER LOOK: ARTS & CULTURE-DRIVEN INVESTORS

Arts & culture-driven investors can vary greatly in their profiles, the types of capital they're able and willing to deploy, and the vehicles through which they might make investments. This page illustrates a few components that, when paired together, might make up the profile of an arts & culture-driven investor. For example, a community investor might make a debt investment through a crowdfunding platform, or a foundation might make a loan directly to an enterprise.

### SAMPLE INVESTOR TYPES Table 1F

<p><i>Community Investors</i></p> <p>"Retail" or unaccredited investors that have a stake in their communities and want to be a part of and invest in solutions.</p>	<p><i>Accredited Investors</i></p> <p>High-net-worth (HNW) individuals that might identify as philanthropists or impact/mission-aligned investors who are willing to invest creatively.</p>	<p><i>Community Development Finance Institutions (CDFIs)</i></p> <p>Institutions traditionally funded by governments or banks with longevity, experience, trust, and respect in and with the local communities they serve.</p>	<p><i>Foundations or Family Offices</i></p> <p>Entities looking to think differently about their grantmaking and aligning their endowments with their missions or impact goals.</p>
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### SAMPLE CAPITAL TYPES Table 1G

<p><i>Catalytic Grants</i></p> <p>Philanthropic capital to advance ecosystem support infrastructure, reach underserved geographies or populations, prototype novel solutions or new revenue streams, or derisk additional investment into an enterprise<sup>[33]</sup>.</p>	<p><i>Debt</i></p> <p>A loan that can be offered at zero or low percent interest and flexible timelines as lines of credit, cash flow, or working capital to buy new equipment, hire talent, acquire real estate, and more.</p>	<p><i>Revenue-Based Investments</i></p> <p>A revenue-based investment allows investment without taking an ownership stake but does have upside potential through an agreed-upon percentage of metrics such as gross revenue, net revenue, EBITDA (Earnings before interest, taxes, depreciation, and amortization), or net income<sup>[34]</sup>.</p>	<p><i>Equity Investments</i></p> <p>An equity investment - which provides investors shares of ownership in an enterprise - can be provided to enterprises seeking to increase the number or types of partners, or take on more capital to grow, significantly scale, or replicate their solutions.</p>
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### SAMPLE INVESTMENT VEHICLES Table 1H

<p><i>Donor-Advised Fund (DAF)</i></p> <p>A DAF is an account that allows donors to make charitable contributions, receive an immediate tax deduction, then recommend grants from the fund over time. A subset of donors use DAFs to make impact investments for social and financial returns<sup>[35]</sup>.</p>	<p><i>Community Note</i></p> <p>A community note can democratize an investment opportunity by allowing individual investors, including non-accredited investors, to make debt investments in a fund with targeted community impact.</p>	<p><i>Crowdfunding</i></p> <p>Crowdfunding collects small amounts of capital from many individuals through donations, loans<sup>[36]</sup>, and equity investments<sup>[37]</sup>. Some specifically focus on local investments, while others focus on art and cultural initiatives<sup>[38]</sup>.</p>	<p><i>Direct Enterprise Investment</i></p> <p>Direct investments into enterprises are 1-off or multiple investments into an individual enterprise with agreed-upon terms between the investor and enterprise.</p>	<p><i>Impact Investment Fund</i></p> <p>Impact investment funds allow investors to invest in a pooled fund with an investment committee that makes investments into enterprises with the expectation of impact and financial returns. Governance can be decoupled from investors in the fund.</p>
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\*Listed examples were aggregated from stakeholder interviews and a public questionnaire with 55+ arts & culture practitioners. This list is intended to be illustrative and not comprehensive.

# PART 2

**Moving Minds: Aligning  
for Shared Goals, Values,  
and Principles**

“

I'M WARY OF IMPACT INVESTING. SURE, THERE'S A GREAT NEED FOR IT, BUT THERE SHOULD BE A PROCESS TO QUESTION THE ORIGIN, PURPOSE, AND REAL GOAL [OF THE INVESTMENT].

“

WE'RE OFFERING A NEW MODEL, NEW WAYS OF THINKING, NEW WAYS OF MOVING CAPITAL, AND A NEW WAY OF GOVERNANCE. AND SO FROM A TRADITIONAL LENS, THERE IS RISK THERE.

“

IN THE INVESTMENT SPACE, IT'S RICH WHITE PEOPLE WITH MONEY. AS A BLACK ENTREPRENEUR AND CREATIVE, I'M NERVOUS ABOUT WHAT IT MEANS TO ANSWER TO A WHITE LENDER.

“

YOU DON'T WANT PEOPLE TO CHANGE THE ART TO SATISFY THE MONEY.

“

PEOPLE THINK THEY'RE GOING TO BE OUR SAVIORS AND WANT TO HELP US, THEN COMPLETELY NEGLECT OUR NEEDS AND ARE TONE DEAF.

*\*These are a few sample voices from stakeholder interviews and a public questionnaire.*



## ALIGNING FOR SHARED GOALS & VALUES

After acknowledging the barriers and opportunities for disrupting the arts & culture investment status quo, investors might consider three key goals:

- Making investments that prioritize the successful positioning of arts & culture-driven practitioners for advancing positive impact outcomes in place-based communities
- Considering a full spectrum of capital tools for arts & culture investment beyond public and philanthropic funding, including private debt and equity capital
- Modeling aligned mindsets, behaviors, practices, policies, and investments that will signal transformation for arts & culture investment

To successfully achieve these goals, investors will have to assess and align their values, especially with the local communities and arts & culture-driven practitioners that they're seeking to invest in and serve. However, even if investors are committed to such alignment, gaps between investors and arts & culture-driven practitioners will likely emerge. Such gaps could be wide and varied - from differences in lived experience to conflicting perceptions of risk - and will have to be acknowledged, addressed, and reconciled - at least to a certain extent - to position such relationships and investments for success.

Examples of gaps that might impede values alignment between investors and arts & culture-driven enterprises are outlined in Table 2A.



**When investment is from the perspective of someone who is wealthy and wants to invest with good intentions versus the perspective from the ground, the investment is more likely to create harm. That's what I've seen. We need to do much better. We need to have much more humility.**

- A Philadelphia-based investor



**If this system of investment requires the people in which it says it wants to invest, to be lesser versions of themselves to receive the investment, then, in my mind, it is the system that needs to change, not the folks.**

- A Dallas-based artist and investor

<b>UNACKNOWLEDGED LIVED EXPERIENCES</b>	Understanding how differences in race, ethnicity, class, and more can impact the experience of needing/wanting, creating or investing in a solution.
<b>PROXIMITY TO COMMUNITY</b>	Having proximity, listening to and trusting the voices, needs, and desires of the communities and individuals that are intended to be impacted.
<b>JARGON OR SILO-AFFIRMING LANGUAGE</b>	Understanding that language can often be a barrier and that it's helpful to recognize that clarity or meaning has the potential to get lost in translation or that jargon may need to be removed, dissected, or abandoned in favor of bridge building.
<b>LACK OF TRUST</b>	Acknowledging traditional, extractive investment behaviors and understanding how investors and enterprises might not be aligned, both of which lead to a lack of trust.
<b>PRIORITIZING SCALE OR REPLICABILITY</b>	Understanding that some enterprises will pursue sustainability, but not necessarily aspire toward growth through scale, replicability, or "return" as understood under the current investing paradigm.
<b>NARROW RISK PERSPECTIVES</b>	Challenging narrow perceptions of risk by exploring what risk means to the arts and culture entrepreneur/enterprise and investor, what's at stake for each, and why/where/how recalculations of risk need to be implemented.
<b>PRIORITIZING RETURN</b>	Understanding that impact and financial returns are possible with a priority on the impact outcomes and centering the needs of the community and arts/culture-driven entrepreneur and enterprise.
<b>SHORT TIME HORIZON EXPECTATIONS</b>	Understanding that some enterprises are not thinking in terms of 1, 5, or 10-year returns but potentially longer and to the length of multiple generations.

## **INTENTIONALLY ACKNOWLEDGING & BRIDGING GAPS**

While all gaps may need to be acknowledged and bridged in some form, some gaps may be more deeply rooted than others, more complex, and require more time, energy, and resources to reconcile on both an individual and systemic basis. Two examples could include a lack of trust between investors and investable opportunities and different perceptions of risk.

### **A CLOSER LOOK: LACK OF TRUST**

One of the most significant, common gaps to bridge in the pursuit of aligned goals and values is likely trust. While trust is a two-way street, it may be a further road for entrepreneurs and enterprises to trust in investors. At a systems level, the culture of finance and investment has often been inequitable, unjust, extractive, and harmful to the communities that many arts & culture-based practitioners are from and based in - women, Black people, people of color, indigenous communities, low-income communities, and the LGBTQ+ community. From stolen generational wealth through slavery<sup>[39]</sup> and redlining to discriminatory lending practices and implicit bias<sup>[40]</sup>, such patterns have led to leeriness and skepticism of investment and its potential negative implications.

Further, entrepreneurs and enterprises cite not knowing where to find investors or aligned investor networks, not commonly sharing space with investors, perceiving investors as being unwilling to invest time to build relationships, and having to extend a lot of their own time to educate investors without the promise of investment - all of which constrain the growth of relationships and trust.

## **A CLOSER LOOK: PERCEPTIONS OF RISK**

Another stark example of how disparate arts & culture-driven entrepreneurs and enterprises and investors' experiences are could be exhibited in their respective perspectives of risk. For example, investors traditionally think of risk as the possibility that their investment may not return (or they get a lower rate of return than they'd prefer). Simply put, the risk is based on how much money an investor thinks they may lose or gain. This perspective will vary from investor to investor. It may be thought of differently, for example, by a high net worth individual with a high-risk tolerance that prioritizes impact outcomes versus a foundation that's new to impact investing and focused on market rate returns to preserve their endowment in perpetuity.

On the other hand, arts & culture-driven entrepreneurs and enterprises describe their risks differently. While certainly concerned about the financial viability of their business model and their businesses' financial success, such individuals also name risks that include their financial stability, mental health, physical safety, or ability to deliver much-needed positive change for the communities in which they live and are in close proximity. Simply put, the risk is based on the success of their work, ensuring that they personally, their families, and their communities can be emotionally, spiritually, financially, and physically safe and well.

While it may not be commonplace or best practice to discuss whether practitioners and investors trust each other or how they perceive and calculate risk, this may be a part of the opportunity to acknowledge and bridge gaps.

*\*Listed examples were aggregated from stakeholder interviews and a public questionnaire with 55+ arts & culture practitioners. This list is intended to be illustrative and not comprehensive.*



**I think the hardest part tends to be trust.**

- Dallas-based investor

## CENTERING COMMUNITY AND ARTS & CULTURE-DRIVEN PRACTITIONERS

If investors' are aligned with the goals outlined at the beginning of this section, then they may consider - for example - a blended capital co-investment into a BIPOC-led art enterprise that is improving the mental health of local communities in the face of converging health and climate crises. In doing so, it's hopefully clear whom and which voices the investment should prioritize.

Communities embody lived experience and intimately understand their challenges, needs, wants, and solutions. Arts & culture-driven entrepreneurs and enterprises can be highly attuned and responsive, bringing a distinct set of assets and power to an investment opportunity that an investor does not necessarily bring, including but not limited to:

- Community Relationships
- Knowledge of Place
- Shared Language
- Trust
- Creative Talent

With these assets, arts & culture-driven enterprises are positioned to bring inspired, creative, diverse, and aligned solutions in partnership with communities. They can be straightforward, like an inclusive bookstore. They can mimic successful mainstream business models like a coworking space for artists or ethnic food delivery service. They can be rooted in cultures and practices developed over decades, like solidarity economics, mutual aid infrastructures, collective power, or indigenous matriarchal practices. Or they can push new boundaries like modeling a Neighborhood Trust that's the first of its kind. Traditionally, these assets and power have often been under-recognized or undervalued in investment relationships. Whether perceived or explicitly experienced, traditional power dynamics of investment relationships can often prioritize the investor - placing the highest weight on the money, assuming investors hold more knowledge and implying enterprises must do all the work to prove their readiness and value.

To move into values alignment, investors can shift perspectives around roles and power dynamics, seeing communities and practitioners not only as investees and beneficiaries but also as collaborators, partners, and co-investors. Each partner will bring an invaluable piece of the equation.

The roles and relationships that each stakeholder have with each other, as well as to the investment, return, and risk, are outlined in Table 2B to illustrate how those roles and relationships are both common and distinct, potentially conflicting or complimentary.



**Investors would not be investors without businesses. Their entire industry and reason for being would not exist. So the fact that businesses are not seen as partners in investment is a mindset change that has to happen.** -- A Philadelphia-based investor

### ALIGNING FOR SHARED INVESTMENT PRINCIPLES

Investors that come into alignment with the goals and values of local communities and arts & culture practitioners - whether through immediate commitment, a journey of mutual understanding, or some combination - may agree that common principles should be established. Principles can serve as guideposts to successfully orient everything from conversations and relationship development to deciding on the appropriate investment vehicles and aligned terms.

Whether it's a comprehensive place-based ecosystem (ex: a city determining its arts & culture investment strategy), a group of stakeholders (ex: a cohort of foundations or family offices seeking to invest in local arts & culture strategies), or a direct relationship between an investor and investable opportunity (ex: an angel impact investor providing a 0% interest loan to a small arts & culture-oriented business), the principles decided to serve that specific relationship, the investments, and the desired outcomes will inevitably vary.

The principles outlined in Table 2C illustrate a starting place or potential guidelines to broadly inform how investors can invest in arts & culture-driven solutions that further transform arts & culture investment.

*\*The content above was informed by stakeholder interviews and a public questionnaire with 55+ arts & culture practitioners. This list is intended to be illustrative and not comprehensive.*



<p><b>LOCAL COMMUNITIES</b></p> <p>(THE PEOPLE AND BUSINESSES WHO ARE ULTIMATELY POSITIVELY OR NEGATIVELY IMPACTED)</p>	<p><b>ARTS &amp; CULTURE-DRIVEN PRACTITIONERS</b></p> <p>(THE ENTREPRENEURS AND ENTERPRISES LEADING AND FACILITATING SOLUTIONS)</p>	<p><b>INVESTORS</b></p> <p>(THE INDIVIDUALS AND INSTITUTIONS THAT ARE INVESTING IN THE SOLUTIONS)</p>
<p><b>INVESTMENT</b></p> <p>Local communities invest insights from their lived experience including their priorities and ideas for solutions, they bring relationships with their community and place, and provide feedback on whether solutions are working or not. As community investors, they may also invest financial capital.</p>	<p><b>INVESTMENT</b></p> <p>Practitioners respond to the community's priorities, and they invest their time, talent, art, creativity, expertise, and relationships to create, facilitate, and iterate investable solutions.</p>	<p><b>INVESTMENT</b></p> <p>Investors can trust the community's priorities and agree to the practitioner's terms needed to fund the solution. They invest their financial capital, technical support, and access to additional investors and relationships.</p>
<p><b>RETURN</b></p> <p>Communities will ideally receive returns in the form of the intended positive impact that will increase the quality of life and well-being. If they are community investors, they will ideally and additionally receive a financial return.</p>	<p><b>RETURN</b></p> <p>Arts &amp; culture-driven practitioners will ideally receive returns in the form of intended positive impacts for the community (of which they may be a part) and a financial return that allows their work to sustain and grow.</p>	<p><b>RETURN</b></p> <p>Investors will ideally receive a successful case study of impact investment to bring learnings to other investors while also receiving the agreed-upon financial return. Investors will also receive a "return" in the form of generative arts and culture, the value of which is often immeasurable.</p>
<p><b>R I S K</b></p> <p>Communities face the risk that impact outcomes do not successfully happen, and the impacted individuals, families, and the community-at-large will face challenges that stay the same, decline or support the status quo. Community investors risk not having their money returned or to the targeted rate of return.</p>	<p><b>R I S K</b></p> <p>Practitioners face the risk of opportunity cost from spending their time differently (i.e., more stable or higher paying job), testing a new solution and failing, the pressure and stress of running an enterprise, etc.</p>	<p><b>R I S K</b></p> <p>Investors face the risk of not having their money returned at all or to the targeted rate of return, which incidentally already happens in the world of philanthropy and venture capital.</p>

*\*The content above was informed by stakeholder interviews and a public questionnaire with 55+ arts & culture practitioners. This list is intended to be illustrative and not comprehensive.*

<p><b>ROOTING IN PLACE</b></p>	<p>Focusing on a defined place - whether neighborhood, city, or region - allows the investment strategy to target distinct geographical challenges and opportunities. It also focuses on aligning the investment strategy and any legal or policy opportunities created by city, county, state, and national legislation.</p>
<p><b>CENTURING COMMUNITY POWER &amp; KNOWLEDGE</b></p>	<p>Acknowledging that power is not only held by a few individuals or financial capital alone, but it exists throughout local communities in many forms. This allows stakeholders to reassess how power and participation can and should be mutually understood and valued in investment relationships and encourages deep engagement of the community to ensure solutions are attuned to the needs, desires, and ideas of those who will be most impacted.</p>
<p><b>PRIORITIZING ARTISTIC AND CULTURAL IMPACT</b></p>	<p>Prioritizing an art, culture and impact-first investment strategy does not preclude financial returns but ensures that the capital is in service of the solution driving impact outcomes - such as reducing the wealth gap or increasing carbon capture - instead of the solution working in service of the investment and financial returns. This also assumes trust in the arts and culture practitioner’s strategy and the understanding that some value created will be immeasurable.</p>
<p><b>COMMITTING AGNOSTIC OR BLENDED CAPITAL</b></p>	<p>Committing to understanding the investment need and opportunity - including outcomes, risks, returns, and time horizons - from the perspective of the arts and culture-driven practitioners before deciding on capital types and investment terms ensures the strategy receives the right capital. Further, it cultivates the acknowledgment that arts and culture-driven strategies will require different types of capital in different phases or “blended capital.”</p>
<p><b>SHIFTING THE CULTURE OF INVESTMENT</b></p>	<p>Acknowledging that the traditional culture of investment has excluded, marginalized, exploited, co-opted, or extracted from communities, and arts and culture-driven practitioners allow participants to be thoughtful and intentional about not perpetuating or recreating those conditions. It allows participants to practice just and regenerative cultural conditions and terms of investment for individual investments that model and contribute to the transformation of arts and culture investment.</p>

*\*The content above was informed by stakeholder interviews and a public questionnaire with 55+ arts & culture practitioners. This list is intended to be illustrative and not comprehensive.*

# PART 3

## **Moving Money: Community-Informed and Arts & Culture-Led Investment**

“

THE [ENTERPRISES] WHO KNOW HOW TO TAKE [INVESTMENT] ARE NOT HEAVILY INFLUENCED [BY INVESTORS] FROM WHAT I'VE SEEN. IF YOU KNOW EXACTLY WHY YOU'RE TAKING INVESTMENT DOLLARS, USUALLY YOU CANNOT DEVIATE FROM THAT BECAUSE THEN YOU'LL MESS UP YOUR ENTIRE BUSINESS MODEL.

“

HOW DO YOU REALLY INVEST WITH THE COMMUNITY AND NOT JUST IN COMMUNITY?

“

THE [LOCAL FOUNDATION] JUST DRAGGED US THROUGH A DIFFERENT PILE OF PAPERWORK THAT WAS REALLY FRUSTRATING. AND WE DIDN'T END UP GETTING ANY FUNDS FROM THEM UNTIL [MONTH/YEAR]... AND WE'RE NOW IN [MONTH/YEAR], AND WE STILL DON'T HAVE A DEAL WITH THEM... I HAVEN'T BEEN ABLE TO TALK TO OTHER INVESTORS BECAUSE I DON'T HAVE A DEAL WITH THE ORIGINAL INVESTOR.

“

I THINK WE NEED TO CHALLENGE RISK AVERSION. I THINK PLAYING IT SAFE IS NOT A VERY SAFE THING TO DO, ESPECIALLY AT A TIME LIKE NOW.

*\*These are a few sample voices from stakeholder interviews and a public questionnaire.*





**When I hear mission or impact-aligned investment, I think of a lot of people who want to align themselves with me in language but not in action.**

- Leader of a culture-driven enterprise that's raised millions in grants and loans

For those who believe in the power of arts & culture to catalyze deep community impact, who recognize the value of community informed and arts & culture-led processes, and who are committed to aligning for shared goals, values and principles, there are broad opportunities to model new paths forward. Investment can come from a wide variety of investors or groups of investors, including but not limited to:

- **Individual Investors** - Community investors (i.e., non-accredited or retail investors) or accredited investors
- **Institutional Investors & Investment Intermediaries** - Governments, Banks, Community Development Finance Institutions, Foundations, Family Offices, Funds, and more
- **Investment Cohorts** - Groups of investors working together as peers and co-investors because they share the same goals, values, desired outcomes, and more
- **Local Ecosystems** - Local, place-based ecosystems that involve diverse stakeholders across government, business, investment, and community landscapes to think across disciplines for comprehensive investment

Regardless of the investor type or investor relationship, actions can be taken immediately, including but limited to:

- **Ongoing "Readiness" Steps** - Traditionally, before investment, much is often discussed about an enterprise's need to prepare for investment - building the right team or having financial reports and projections, for example. In the same way, investors and ecosystems have the opportunity to be best prepared to make values-aligned investments into arts & culture-driven strategies through practices like assessing their readiness, building relationships, and more.
- **Ongoing Values-Aligned Investments** - Because arts & culture-driven strategies across the country need values-aligned capital now, there is an opportunity to identify and make investments immediately, whether into a pre-existing fund or direct investment into an enterprise. Further, beyond one-time investment, there is also a significant opportunity to cultivate a comprehensive, ongoing investment approach in arts & culture.

While this work will inevitably look different from place to place and investor to investor, there are some common considerations that each might consider as a starting point, as outlined in the pages that follow.

## **TAKING ACTION: ONGOING INVESTMENT READINESS STEPS FOR INVESTORS AND ECOSYSTEMS**

No two individual and institutional investors are the same, with the potential to be varied and diverse in their location, backgrounds, motivations, expertise, investment thesis, asset size, impact priorities, return priorities, risk tolerance, capacity for engagement, and more. Some investors are deeply rooted in the impact investing sector but have never invested in arts & culture-driven solutions. Some have deep experience in the arts & culture sector but have not considered what it means to fund or invest in arts & culture beyond philanthropic capital.

In the same manner, no two U.S. geographic ecosystems are the same, with the potential to be varied and diverse in their population size, demographic makeup, political

leadership, legal landscape, policies, investment landscape, and commitment to key issues such as racial and gender equity or climate resiliency, community needs, and more. Some local ecosystems have a long-held commitment to arts & culture. In contrast, others have not yet valued arts & culture as a strategic approach to cultivating thriving residents, neighborhoods, and local economies.

Due to this, everyone's journey of readiness for making values-aligned investments will look different, though there are some common ways to start. See tables 3A and 3B for sample steps investors and ecosystems might take for readiness.

**SAMPLE INVESTOR READINESS STEPS FOR VALUES-ALIGNED INVESTMENT** Table 3A

<p><b>ASK QUESTIONS ABOUT YOUR READINESS FOR ALIGNED INVESTMENT</b></p>	<p><b>IDENTIFY AN ARTS &amp; CULTURE-DRIVEN INVESTMENT OPPORTUNITY AND INVEST</b></p>	<p><b>BUILD KNOWLEDGE OF PLACE &amp; COMMUNITIES</b></p>
<p>Ask questions about whether you're willing and ready to center communities and arts and culture driven strategies, think differently about investment (ex: risk, scale, returns, time horizons), and invest differently.</p>	<p>Start by identifying an investment opportunity and making an investment that is responsive to the enterprise's needs as it relates to investment type and terms. Consider eliminating traditional barriers like credit checks or personal guarantees.</p>	<p>Understand the place in which you're seeking to invest, including the key historical and current challenges that local communities have been and continue to face and navigate, and the current investment landscape.</p>
<p><b>BUILD RELATIONSHIPS WITH LOCAL ENTREPRENEURS &amp; ENTERPRISES</b></p>	<p><b>LEARN ABOUT INVESTMENT MODELS &amp; STRATEGIES</b></p>	<p><b>COORDINATE BUSINESS, FINANCIAL, AND LEGAL RESOURCES</b></p>
<p>Patronize local arts and culture-driven work, participate in community offerings, share spaces, build relationships with local arts and culture-driven entrepreneurs and enterprises.</p>	<p>Learn about arts and culture-driven strategies that enterprises have identified as a priority or as valuable to their work such as mutual aid infrastructure, solidarity economies, and just transitions.</p>	<p>Engage business, financial, and legal resources to research the legal landscape at local/state/federal levels, innovative investment models or troubleshoot any perceived challenges to spare the enterprise from having to manage and pay for this work themselves.</p>

**SAMPLE ECOSYSTEM READINESS STEPS FOR VALUES-ALIGNED INVESTMENT** Table 3B

<p><b>DEFINE A GEOGRAPHY</b></p>	<p><b>IDENTIFY CATALYTIC CAPITAL &amp; A FACILITATING INTERMEDIARY</b></p>	<p><b>ENLIST COMMITTED STAKEHOLDERS</b></p>
<p>Work with aligned local stakeholders in a geography, potentially defined by, for example, a neighborhood, census tract, opportunity zone, city, county, or region.</p>	<p>Identify catalytic philanthropic capital to assess the local ecosystems needs and opportunities, and an aligned intermediary positioned to facilitate and advance this work.</p>	<p>Build trust-based relationships with committed and accountable local stakeholders such as local community leaders, arts and culture-driven entrepreneurs and enterprises, investors, government representatives, service providers, etc.</p>
<p><b>ASSESS KEY CHALLENGES &amp; THE LOCAL LANDSCAPE &amp; JURISDICTION</b></p>	<p><b>MAP INVESTABLE ARTS &amp; CULTURE-DRIVEN OPPORTUNITIES</b></p>	
<p>Consider the cultural, economic, policy, legal, and investment landscape and whether there are key advantages or impediments to advancing a comprehensive approach to investing in arts and culture-driven solutions. Such assessment includes a review of helpful or harmful laws at the local/municipal, state, and federal levels (i.e., Blue Sky laws, local ordinances, and arts and culture enabling tax codes).</p>	<p>Map arts and culture-driven solutions across the specified geography and identify a way to know when those opportunities need capital to create a deal flow pipeline. Consider not making forgone conclusions that limit pipeline scope to a specific artistic discipline or economic development approach.</p>	

*\*The content above was informed by stakeholder interviews and a public questionnaire with 55+ art & culture practitioners. This list is intended to be illustrative and not comprehensive. Further, these steps are not sequential or linear, and can be completed simultaneously and repeatedly.*

**TAKING ACTION: PRACTICING ONGOING, VALUES-ALIGNED INVESTMENT**

As each investor and ecosystem determine the right investment approach, perhaps most important to note is that to think comprehensively about investing in arts & culture-driven solutions, a full spectrum of capital can and should be considered to serve a diverse array of targeted impact outcomes, investment/policy/business contexts, teams, and more. For example, enterprises might need catalytic philanthropic capital to prototype a bold idea or a 0% interest loan for working capital to purchase new equipment. Perhaps they're interested in a revenue-based finance investment to preserve majority ownership of their family enterprise or an equity investment that helps a solution scale to a new city. Not all enterprises will be willing or able to take on private equity investment. In contrast, others will be ready and interested in utilizing this type of investment to grow their work and impact.

In assessing arts & culture enterprises' opportunities and requested terms, investors can align to make investments across the spectrum of capital to achieve the impact they seek to support. Table 3C provides a simple overview of this spectrum and what it means for either one investor or a cohort of investors to invest multiple types of capital for a "blended capital" approach.

“You know how real estate developers are savvy about creating capital stacks beneficial to their projects? The same approach on a smaller scale would be beneficial to artists. It can't just be one vehicle. It might be a combination of grants, debt, equity, and business advisory.”

- Arts & Culture Investor

**SPECTRUM OF CAPITAL FOR ARTS & CULTURE INVESTMENTS** Table 3C

Traditional arts & culture funding	Catalytic arts & culture investment	Arts & culture impact/mission-aligned investments		
PHILANTHROPIC CAPITAL	CATALYTIC PHILANTHROPIC CAPITAL	DEBT INVESTMENT	REVENUE-BASED FINANCE	EQUITY INVESTMENT
Grants from government or philanthropic organizations to support operational overhead, core strategies, or programs.	Philanthropic investment without the expectation of financial return, but with the intention or expectation of boldly advancing individual solutions, new concepts, or transforming arts and culture investment at large.	A debt investment could be a loan offered at zero or low percent interest and flexible timelines as lines of credit, cash flow, or working capital to buy new equipment, hire talent, acquire real estate, and more.	A revenue-based investment allows investment without taking an ownership stake. Still, it does have upside potential through an agreed-upon percentage of metrics such as gross revenue, net revenue, EBITDA, or net income.	An equity investment provides investors shares of ownership in an enterprise seeking to increase the number or types of partners or take on larger capital amounts to grow, significantly scale, or replicate their solutions.

**Blended Capital Approach:** A blended capital approach sees investors or groups of investors investing multiple types of capital to fit the specific opportunity and need of the arts and culture-driven solution

\*This table was informed by industry spectrums such as the Bridges Spectrum of Capital and simplified for this resource

## LEARNING FROM PIONEERS AND THROUGH PRACTICE

Across the U.S., pioneers are practicing investment strategies across the capital spectrum that vary widely, indeed, with the possibility of creating innovative approaches at various points of the investment process and with different elements of the investment, including but not limited to:

- Investment Thesis
- Investment Criteria
- Investment Values
- Investment Vehicles
- Capital Sources
- Impact Covenants
- Impact Measurement
- Contract Methodologies

It's important to note that while progressive investment approaches may come across as innovative within the context of modern economic systems, they are not necessarily "new" but might have origins in - for example - how Indigenous Americans have stewarded land for generations<sup>[41]</sup> or how African Americans have been pioneering co-op models since the days of slavery.<sup>[42]</sup>

Table 3D illuminates a sample of pioneering impact and arts & culture investment initiatives that have created diverse solutions across the capital spectrum with various design innovations.

### SAMPLE PIONEERING IMPACT AND ARTS & CULTURE INVESTMENT INITIATIVES ACROSS THE SPECTRUM Table 3D

<p><b>YBCA GUARANTEED BASIC INCOME</b></p>	<p>Yerba Buena Center for the Arts (YBCA) received \$3.46M from #StartSmall, Square and Twitter CEO Jack Dorsey's philanthropic initiative, to expand upon San Francisco's guaranteed income pilot and provide artists with further financial support, with a focus on Black, Indigenous, Latinx, Asian and Pacific Islander, Disabled, immigrant and LGBTQ++ artists who have been among some of the hardest hit communities from the pandemic. &gt; <a href="#">Learn more</a></p>
<p><b>COMMON FUTURE CHARACTER-BASED LENDING (CBL) FUND</b></p>	<p>Common Future raised \$800,000 from national philanthropic organizations and donors to launch a Character-Based Lending (CBL) Fund designed by and for underserved BIPOC businesses and communities. The fund is supported by Community Credit Lab, which facilitates the underwriting, and three community organizations - ConnectUp!, MORTAR, and Native Women Lead - that identify loan recipients from their trusted relationships and networks. &gt; <a href="#">Learn more</a></p>
<p><b>THE NYC INCLUSIVE CREATIVE ECONOMY FUND</b></p>	<p>In a strategic partnership, LISC NYC and Upstart Co-Lab raised \$6.2M from accredited individuals, family offices, and donor-advised funds, among other impact investors, as "the first targeted impact investment opportunity to benefit artists and other creatives in New York City." The Fund provides loans to nonprofit and mission-driven organizations that own, lease and manage affordable space so businesses and organizations in the creative economy can take root and grow. &gt; <a href="#">Learn more</a></p>
<p><b>FOUNDERS FIRST CAPITAL</b></p>	<p>Founders First Capital has raised ~ \$150M from philanthropic organizations to provide revenue-based financing and advisory services that serve Asian, BIPOC, Hispanic, LGBTQ+, veteran, and women-owned businesses that generate \$500,000 to \$10M in annual revenue. They empower underrepresented founders outside major capital markets to become leading premium wage job creators within their communities. &gt; <a href="#">Learn more</a></p>
<p><b>BOSTON IMPACT INITIATIVE FUND</b></p>	<p>Boston Impact Initiative Fund is a 501(c)(3) charitable loan fund that raised \$7 million through community notes from non-accredited investors, high net worth individuals, family offices, foundations, and faith-based institutions. The fund provides strategic grantmaking, below-market debt, and patient equity to nonprofits and businesses in the Boston area that contribute to a more just, sustainable, and inclusive economy. &gt; <a href="#">Learn more</a></p>
<p><b>AMBITIOUS INTEGRATED CAPITAL FUND</b></p>	<p>AmbitioUS - an initiative of the Center for Cultural Innovation (CCI) - is a national pooled fund of various private foundations that supports the development of and provides blended capital to alternative economic projects and paradigms that work for and are rooted by culturally connected communities across the U.S. &gt; <a href="#">Learn more</a></p>

*\*The content above was informed by desktop research, stakeholder interviews, a public questionnaire, and advisor input. It is intended to be illustrative and not comprehensive.*



## A CLOSER LOOK: HOW INVESTORS MIGHT APPROACH VALUES-ALIGNED INVESTMENTS

While investors can learn from pioneering leaders and models, the greatest learnings may come from action and practice. Table 3E outlines ways in which various investor types might begin to think about making values-aligned arts & culture investments.

### SAMPLE INVESTMENT OPPORTUNITIES FOR DIFFERENT INVESTOR TYPES Table 3E

	<i>Community Investors</i>	<i>Accredited Investors</i>	<i>Foundations or Family Offices</i>	<i>Community Development Finance Institutions</i>
<b><i>Cultural or Administrative Action</i></b>				
Engage in a mutual mentorship relationship with local arts & culture-driven enterprises	✓	✓	✓	✓
Align your board of directors, staff, and investment thesis to include arts and culture-driven impacts			✓	✓
Assess due diligence practices to ensure they're accounting for historical injustices and aren't placing unnecessary burden on arts and culture enterprises		✓	✓	✓
Ensure existing grant and loan programs are accessible and communicated to the local arts and culture community			✓	✓
Serve as an intermediary and facilitator for an ecosystem investment process like the 'Community Futures' suggestion below			✓	✓
<b><i>Catalytic Philanthropic Investment</i></b>				
Make a catalytic grant/donation via a Donor-Advised Fund (DAF) to local arts & culture driven enterprises	✓	✓	✓	✓
Provide a catalytic grant/donation to de-risk additional investment into an individual entrepreneur or enterprise	✓	✓	✓	✓
Provide catalytic capital to intermediaries building local ecosystem infrastructure for arts & culture-driven investment	✓	✓	✓	✓
Provide catalytic capital to grow the national field for impact/mission-aligned investment in arts & culture-driven solutions	✓	✓	✓	✓
<b><i>Impact/Mission-Aligned Investment</i></b>				
Make a debt or equity investment via a crowdfunding platform	✓	✓	✓	✓
Purchase an available community note in an arts & culture-driven fund	✓	✓	✓	✓
Provide a 0%-low interest loan directly to an enterprise	✓	✓	✓	✓
Make a direct equity investment into an enterprise		✓	✓	✓
Invest in a Community Development Finance Institution (CDFI) or other financial intermediary that provides traditional loans or revenue-based financing options to arts & culture enterprises	✓	✓	✓	
Make a program-related investment (PRI) in the form of a recoverable grant or 0%-low interest loan with terms that a local arts & culture-driven enterprise needs			✓	
Invest into an arts and culture-specific fund or a local fund that might invest in arts and culture-driven solutions as they fit other investment criteria		✓	✓	
Make a mission-related investment (MRI) directly into an arts and culture-driven enterprise, potentially as a co-investment in a capital stack			✓	
Create a dedicated working capital loan for arts and culture-driven enterprises			✓	✓
Serve as an administering entity or General Partner (GP) for a local, arts & culture-driven investment fund that is developed out of a community-informed process			✓	✓

\*The content above was informed by desktop research, stakeholder interviews, a public questionnaire, and advisor input. It is intended to be illustrative and not comprehensive.

**A CLOSER LOOK: HOW LOCAL ECOSYSTEMS MIGHT APPROACH VALUES-ALIGNED INVESTMENTS**

While individual and institutional investors can act and learn independently, there is additionally the opportunity for them to act in values-aligned partnership and collaboration with communities, arts & culture-driven practitioners, artists, investors, and other leaders across local ecosystems. Table 3F outlines how a local ecosystem might approach a comprehensive investment in arts & culture.

**SAMPLE APPROACHES FOR LOCAL ECOSYSTEMS TO MAKE ARTS & CULTURE INVESTMENTS**

Table 3F

	<i>Community Futures Assembly</i>	<i>Community Futures Invest + Learn Pilot</i>	<i>Community Futures Arts/Culture-Led Local Fund</i>
<b>Description</b>	The Community Futures Assembly could be a public event that invites the local community within a defined geographic area (i.e., neighborhood, city, region) to collectively and collaboratively imagine the positive change or impact they want to see in their community and place.	The Community Futures Invest + Learn Pilot could be a multi-year program that brings together arts/ culture-driven entrepreneurs and enterprises and local investors committed to co-investing their time, talent, energy, and capital toward fulfilling the community-informed ‘Community Futures’ report outcomes.	Based on learnings and outcomes from the assembly, Invest+Learn Pilot, and any investments made, local stakeholders may decide to have a local fund with the thesis of investing in place-based, arts and culture-driven enterprises creating positive impact that would best serve the community.
<b>Primary Goal</b>	To engage the local community and hear their highest priority challenges, wants, and needs.	To build relationships and trust between investors and arts/culture-driven entrepreneurs/enterprises.  To bridge gaps between understanding in lived experience, language, risk, return expectations, and investment terms.  To “derisk” the investment for investees and investors.  To make and practice investments together.	To align with an existing community-based fund or develop a new local fund that is highly aligned with the local context, the community wants and needs, and arts & culture-driven enterprises’ requested terms. A local entity could host the fund.
<b>Funded by</b>	Philanthropic dollars (ex: catalytic grant from a foundation to fund local infrastructure)	Philanthropic dollars or investor participation fees	Philanthropic dollars to fund research and development of the fund. Capitalization of the fund determined by local stakeholders.
<b>Facilitated by</b>	A local, community-based Intermediary	A local, community-based Intermediary	A local, community-based Intermediary
<b>Participants</b>	Participants could include community members, artists, arts/ culture-driven entrepreneurs and enterprises, and funders/investors	Primary participants would include artists, arts/culture-driven entrepreneurs & enterprises, and funders/investors	The fund R&D could be community-informed and led by investees in partnership with investors as a co-learning experience
<b>Target Output</b>	A “Community Futures” Report	A commitment to investment by arts and culture enterprises (in the form of work) and investors (in the form of capital) to work together in service of the Community Futures report	A fund developed, and capital deployed to local arts and culture-driven impact strategies

\*The content above was informed by desktop research, stakeholder interviews, a public questionnaire, and advisor input. It is intended to be illustrative and not comprehensive.

## A CLOSER LOOK: CONSIDERATIONS FOR A LOCAL FUND APPROACH

If a local group of aligned stakeholders decide that a fund for arts & culture would best serve local communities, arts & culture-driven practitioners, and desired impact outcomes, then that fund could take countless forms and should be informed by those stakeholders. Table 3G outlines some

ways in which stakeholders might consider partnering on a pre-existing fund or creating a new fund. These examples are intended not to serve as a specific fund recommendation but rather as ideas to start a conversation.

### SAMPLE CONSIDERATIONS FOR ALIGNING AN EXISTING OR CREATING A NEW FUND Table 3G

FUND SUPPORT SERVICES (OFFERED PRE AND POST-FUNDING)	
Investor Readiness	Investment readiness services for investors to ensure they're committed to investing and acting in alignment with fund principles and values. This could include education on local community challenges, implicit bias, trauma-informed practices, etc
Co-Mentorship	Mentorship in partnership between investors and enterprises in which it's understood that each brings unique, but mutual value to the relationship
Technical Assistance & Capacity Building	Ongoing arts and culture-specific technical assistance and capacity building for entrepreneurs and enterprises
FUND FOCUS	
Geographic Focus	Metropolitan Statistical Area (MSA) defined
Sector Focus	Arts and culture sector
Pipeline Focus	Early-stage, non-profit or for-profit enterprises with \$100,000 to \$2M in annual revenue that are explicitly working to catalyze impact at the neighborhood or city level through arts and culture-driven strategies. Examples might include community or creative spaces and venues (bookstores, galleries, co-working spaces, music venues), creative agencies, and food operations
Pipeline Target	Prioritize focus on enterprises led or owned by women, Black, Indigenous, People of Color, and LGBTQ+ leaders
FUND SUPPORT SERVICES (OFFERED PRE AND POST-FUNDING)	
Investment Structure	A blended capital structure offering recoverable grants, below-market debt, revenue-based finance, or equity investments
Target Size	\$2M-\$20M
Target Term	10 years from final close or an evergreen fund
Governance	Ownership and governance can be disaggregated. A fund might consider non-voting equity positions with governance led by community members and arts and culture practitioners
Reporting	Consider a low-barrier and minimally time-intensive impact assessment
FUND CAPITALIZATION	
Capital Sources	Community Investors, Accredited Investors, Foundations, Family Offices, Community Finance Institutions
Funding Vehicle	One approach is to create a pooled, blended capital fund. This fund could be financed with, for example, an Impact Note in the \$50 to \$1M investment range with up to 6% return.

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# PART 4

**The Case of Two Cities:  
Modeling A Cultural,  
Economic, Business, Policy  
and Legal Landscape Scan  
of Dallas & Philadelphia**



I'M A HUGE BELIEVER IN ECOSYSTEMS. AS ARTISTS, SOME OF US OPERATE ON THE PERIPHERY WITH THE IDEA THAT INNOVATION COMES FROM THE PERIPHERY AND NOT NECESSARILY FROM A LARGE, ESTABLISHED FOUNDATION, MUSEUM, OR GOVERNMENT. I FEEL THAT GOVERNMENT AND INSTITUTIONS SHOULD BE DOING MORE TO GET ARTS, AND EXPRESSION, AND CREATIVITY TO NON-PARTICIPANTS. IT'S THE WHOLE IDEA OF ARTS EQUITY. WE CAN'T JUST FUND THE OPERA. WE CAN'T JUST FUND THE SYMPHONY.

- DALLAS-BASED ARTIST



TO NOT HAVE A STRONG ARTS & CULTURE BUDGET AT A TIME WHERE A REAL INVESTMENT IN ARTS & CULTURE - WHICH IS HAPPENING IN A LOT OF OTHER CITIES - COULD REALLY LIFT [PHILADELPHIA], IS VERY DISAPPOINTING.

- PHILADELPHIA-BASED INVESTOR



A LOT OF MAJOR ARTS INSTITUTIONS [THAT COULD SUPPORT PHILADELPHIA COMMUNITIES] ARE REALLY LARGE, SO THEY DON'T HAVE A GRASSROOTS MINDSET. EVEN IF THEY WANTED TO HAVE BLACK AND BROWN ARTISTS, OR OTHER MARGINALIZED COMMUNITIES LIKE LGBTQ FOLKS, THEY'RE JUST NOT BUILT FOR IT. THEY DON'T HAVE THE ECOSYSTEMS, THE CULTURE, THE FRAMEWORK, OR THE PROCESSES. THERE'S A DISCONNECT.

- PHILADELPHIA-BASED ARTS & CULTURE PRACTITIONER



To successfully transform arts & culture investment in cities, towns, and regions across the U.S., it will likely take a strategic and comprehensive ecosystem approach. To support such an approach, knowledge of a place as reflected in the local cultural, economic, business, policy, and legal landscape is critical. Investors may uncover opportunities and barriers to investment by doing proactive research on arts & culture ecosystems, as modeled below with Dallas and Philadelphia. This model was informed by desktop research and interviews with local cohorts of artists, culture workers, and arts & culture-driven enterprises living or working in these two cities.

## A CULTURAL & ECONOMIC GLANCE AT DALLAS AND PHILADELPHIA

Dallas and Philadelphia are cities with world-class art museums and performing arts centers that focus on arts & culture tourism. And that market themselves as having robust cultural resources. The Dallas cohort lives and/or works in a city that boasts the largest contiguous urban arts district<sup>[43]</sup> in the U.S. at 118 acres, a blockbuster international art event called the Dallas Art Fair, and arguably one of the highest concentrations of publicly accessible private art collections outside of the East and West Coasts. Dallas is also known for commerce and business. When looked at regionally, the Dallas Fort-Worth metroplex is one of the country's top five regions for corporate headquarters and revenue.<sup>[44]</sup> It is ranked amongst the top ten highest-grossing metro areas in the U.S. by gross metropolitan product (GMP).<sup>[45]</sup>

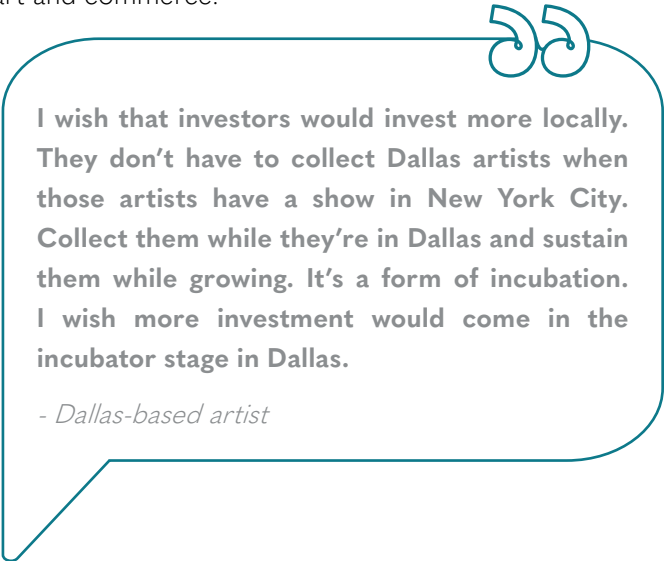
The Philadelphia cohort lives and/or works in a city that has one of the highest concentrations of top-rated graduate art schools in the U.S. (five, including Moore College of Art and Design<sup>[46]</sup>, which is the first and only historically visual arts college for women in the U.S.), the nation's largest public art program called Mural Arts Philadelphia<sup>[47]</sup>, the oldest "percent for art" program supporting public art for 60 plus years<sup>[48]</sup>, and appears on nearly every "best cities for art" list, including measures of arts vibrancy.<sup>[49]</sup> Regarding commerce and business, Philadelphia is ranked among the top 30 cities in the world for startup ecosystems.<sup>[50]</sup> The Greater Philadelphia region, which includes Camden, NJ, and Wilmington, DE, is also ranked amongst the top ten highest-grossing metro areas in the U.S. by GMP.<sup>[51]</sup>

## ACKNOWLEDGING A CITY COMMITMENT TO ARTS & CULTURE

Commitment to arts & culture at the municipal level is evidenced by cultural plans, agencies, and funds. Dallas has commissioned three cultural plans - one in 2001, 2002, and 2018 - which serve as guideposts for planning and policymaking in the arts.<sup>[52]</sup> The Office of Arts & culture, a division of the City Manager's Office division, is responsible for implementing cultural plans and policies. The Mayor of Dallas designated April as Dallas Arts Month five years ago, and the event now hosts hundreds of arts & culture programs over thirty days each April.<sup>[53]</sup> Dallas also has three state-designated cultural districts, representing a municipal effort to coordinate arts funding.<sup>[54]</sup>

In Philadelphia, the Office of Arts, Culture and Creative Economy (OACCE), now a program of the Managing Director's Office after budget cuts, is responsible for promoting arts, culture, and creative industries. The City Council commissioned and published the findings of an arts & culture task force in 2021.<sup>[55]</sup> The Greater Philadelphia Cultural Alliance<sup>[56]</sup> is a membership and service organization that provides strategic support to artists, culture workers, and creatives through research, advocacy, and other services. Philadelphia also has a separate non-profit arts fund financed through the City of Philadelphia, known as the Philadelphia Cultural Fund.<sup>[57]</sup>

Both cities support business and commerce through various programs and initiatives to support the local economy.<sup>[58]</sup> Both cities recognize the importance of the creative economy, although Philadelphia is more explicit in acknowledging the link between art, culture, and commerce.<sup>[59]</sup> In Dallas, organizations like Business Council for the Arts, Southern Methodist University Data Arts, and SMU Ignite Arts Dallas have led the discussion on the explicit connection between art and commerce.<sup>[60]</sup>



**I wish that investors would invest more locally. They don't have to collect Dallas artists when those artists have a show in New York City. Collect them while they're in Dallas and sustain them while growing. It's a form of incubation. I wish more investment would come in the incubator stage in Dallas.**

*- Dallas-based artist*

## **ACKNOWLEDGING COMMUNITY INJUSTICES & BARRIERS**

Like any city or place, historical context, acknowledgment of lived experiences, and commitment to ongoing reconciliation and repair directly impact arts & culture. An exhaustive history of either Dallas or Philadelphia is beyond the scope of this paper. Still, recent pushback from artists in both cities illustrates systemic issues regarding equity, wealth creation, sustainability, and social justice. For example, four BIPOC Dallas theatre companies created a coalition to address the disparity in city and philanthropic funding in 2020.<sup>[61]</sup> Despite having a Cultural Plan (mentioned above), Dallas arts advocates recently raised serious questions regarding equity as part of community feedback for a newly commissioned Dallas Racial Equity Plan.<sup>[62]</sup> To these advocates, increasing racial equity in Dallas means increasing funding for the arts in Dallas - beyond the current level and focus of arts funding.

In Philadelphia, arts advocates have organized to challenge budget cuts that severely impacted both the OACCE and the Philadelphia Cultural Fund in 2020, 2021, and 2022.<sup>[63]</sup> Members of the cultural community provided clear feedback about the need for more resources and support from the City in the 2021 report. In 2022, arts advocates raised questions of equity by scrutinizing the selection process for a new city-commissioned Harriet Tubman sculpture.<sup>[64]</sup>

This handful of examples cannot fully illustrate issues of equity in the arts. Still, these issues are representative of the environment in which enterprises, artists, and culture workers in Dallas and Philadelphia must live, work, and create. Overlay these issues with arts funding through public finance and challenges with sustainable arts funding through philanthropy, and the desire to cultivate more direct investment in arts through private capital becomes clear. To reiterate, both Dallas and Philadelphia top the list for business and commerce on many economic measures. This begs the question: why isn't there more private investment in arts & culture-driven enterprises in Dallas and Philadelphia?

## **COHORT LESSONS: MEETING ARTS & CULTURE-DRIVEN PRACTITIONERS AND UNCOVERING OPPORTUNITIES FOR INVESTMENT**

While Dallas and Philadelphia arts & culture-driven practitioners experience varying geographic contexts, their stories and comments echo each other in ways that prompt deep reflection on the importance of place and also underscore the pervasiveness in difficulty with accessing capital. To provide insight into practitioners' experiences

while retaining their anonymity, this section explores the collective story of two cohort members - one from Dallas and one from Philadelphia - and provides context for how they might be positioned for connecting with values-aligned capital.

To begin, both Dallas and Philadelphia cohort members started enterprises that support artists and creatives by filling a resource gap in the arts community, including physical space to support or exhibit artistic work. These businesses support sustainable artistic practices in their communities by equipping artists and providing platforms. Both entrepreneurs have either previous experience or a keen interest in entrepreneurship and social enterprise, meaning both see their work and contribution to arts & culture through a business/commerce lens. As such, both had access to legal counsel who provided technical assistance in establishing their entities - for-profit entity and hybrid for-profit/non-profit entity, respectively. Both expressed a keen awareness of the importance of intellectual property to their respective enterprises.

As for investment readiness, both the Dallas and Philadelphia cohort members have well-defined and proven business models, with profit generation timelines that position both enterprises for private investment. They are interested in receiving investments, yet both expressed frustrations with the investment process and a concern that more investment may equal giving up control of their enterprises or diluting the art.

While both see private investment in arts & culture as the future of investment, the Dallas member thinks the opportunities for private investment exist due to gaps created by unsustainable philanthropic practices and lack of deep engagement by larger art institutions. The Philadelphia member thinks the opportunities for private investment are related to the fact that arts & culture enterprises are proving that they are subject-matter experts in their fields and communities. Strong subject-matter expertise puts practitioners in a better position to generate a return for their enterprises, the community, and investors interested in impact-based returns. This return may be better than what investors can obtain through philanthropic-only strategies.

## A CLOSER LOOK: DALLAS & PHILADELPHIA PRACTITIONERS' POSITIONS

Below, tables 4A, 4B, and 4C illustrate the collective arts & culture-driven approach that the Dallas and Philadelphia cohort practitioners are taking to impact, how these enterprises are positioned to receive investment, and considerations for investors as they consider a values-aligned investment.

### DALLAS AND PHILADELPHIA COHORT MEMBERS' ARTS & CULTURE-DRIVEN ENTERPRISE APPROACHES Table 4A

<i>Enterprise Approaches:</i>	<i>Challenges Addressed:</i>	<i>Solutions Offered:</i>
Small arts and culture-driven business	Lack of resource access	Creating Inclusive, Safe, & Inspiring Spaces
A creative backbone	Inequitable Representation	Lifting Voices & Bridging Cultural Divides
	Racial Wealth Gap	Supporting Financial Self-Determination
		Improving Community Health and Well-being

### DALLAS AND PHILADELPHIA COHORT MEMBERS' POSITIONING FOR INVESTMENT Table 4B

<i>Positioned to receive capital from:</i>	<i>Positioned to receive types of capital:</i>	<i>Barriers to capital:</i>
Community investors	Catalytic grants	Organizational
Accredited investors	Community notes	Ecosystem
Community finance institutions	Loans	System
Family office or foundations	Revenue-based investments	
	Equity investments	

### CONSIDERATIONS FOR INVESTORS AS THEY SEEK MAKING VALUES-ALIGNED INVESTMENT Table 4C

<i>Lived experience</i>	<i>Proximity to community end-users and beneficiaries</i>	<i>Risk Perspectives</i>
One of the members had to overcome challenging personal barriers that informed their work, while the other member did not mention any personal barriers.	One of the members is providing a service or end product to local communities, while the other is supporting the provision of a service or product by artists/creatives with international reach.	One of the members discussed "risk" in terms of cash flow pressure, while the other member discussed "risk" in terms of mental, spiritual, and status-quo-busting pressure.

I always wish that investors could sometimes see the project's value at an earlier stage. We need investors to be able to step in and say, I believe in the founder's vision and the company's vision, so I'm willing to invest now. Then also get involved with advice without trying to change the business model to see that through. Because sometimes you're investing in an artist, and sometimes you're investing in a company. I believe [entity] that it's a pretty founder-led nonprofit. You're investing in me and my vision at this stage. Then I wish that the investors would invest more locally.

-- Dallas Cohort Member

I think more conversation is needed amongst investors and entrepreneurs, especially entrepreneurs of color. I think the engagement needs to happen sooner. So there's an access gap to, "Well, how do you get in the rooms to the people that you could pitch?" So then, at that point, there's so much coming down to the pitch because they haven't seen me work from afar for a couple years, and be a testament to my character and ability to create progress, and all that stuff. So it becomes this really cold meeting. And then that's when they have to rely on pattern matching. Right?

-- Philadelphia Cohort Member

\*The content above was informed by stakeholder interviews.



## CONNECTING TO VALUES-ALIGNED INVESTORS AND INVESTMENT

The Dallas and Philadelphia practitioners have differences in how they have experienced, think about, and will seek investment moving forward. While one practitioner received startup funds through public finance, philanthropy, and impact loans, the other member relied on earned income and blended capital of seed funding, debt, and a tenant-improvement allowance.

While the Dallas practitioner expressed ease in accessing and connecting with potential investors, they highlighted frustrations with going through the investment process. Indeed, prolonged communications and ever-changing demands by potential investors stalled both the initial

investment and other potential investments. While the Philadelphia practitioner was able to obtain seed funding, they expressed concerns about control issues with the traditional institutional investment route. This practitioner is considering other investment routes, including community support. The Philadelphia member highlighted a gap in access to investors in Philadelphia - even though one may get to pitch, there is a disconnect between the investor and the arts & culture entrepreneurs. The unique capital experiences and needs of these two practitioners, and all arts and culture practitioners across the U.S., will inform how investors can begin making values-aligned investment.

## INVESTOR ACTION: MOVING MINDS & MONEY

With this high-level ecosystem scan and insight into local practitioners in mind, how might an investor or investor cohort engage Dallas and Philadelphia arts & culture-driven practitioners for potential values-aligned investment? The generalized recommendations offered throughout this resource can be applied to Dallas, Philadelphia, and any other city, town, or region in the U.S. These recounted suggestions include:

1. **Take Investor & Ecosystem Readiness Steps** -- Consider taking action to further understand the contextual landscapes of Dallas and Philadelphia beyond the summary above and cultivate relationships with local communities and arts & culture-driven enterprises like the practitioners described. > See *investment readiness steps in Tables 3A and 3B*.
2. **Practice Investments** -- Practice investments by aligning with community and arts & culture-driven practitioners to understand their unique capital needs to successfully accomplish targeted impact outcomes. > See *sample investment approaches in Tables 3C and 3E*.

3. **Convene Ecosystems Stakeholders** -- Engage the unique local communities and networks of the Dallas and Philadelphia ecosystems to identify stakeholders that might be interested in going through a 'Community Futures' process that includes a community assembly, an Invest + Learn cohort, and potential fund development. > See *sample ecosystem process in Table 3F*.
4. **Consider Fund Development** -- If a Dallas or Philadelphia based cohort decides that a fund is the best approach to investment in these cities, then consider a community and arts & culture-informed investment structure and governance, informed by specific legal requirements at the municipal, state, and federal levels. Further, consider completing internal due diligence regarding legal and tax landscape to decrease transaction time and investee transaction costs of utilizing the chosen investment vehicle among the various capital sources. > See *Table 3G for sample considerations for an investment approach and the appendix for High-level Legal and Tax Considerations for Investment in Dallas & Philadelphia*.

## CONCLUSION

# What do you hope will change from investors after reading this resource?



### CHANGE IN FRAME OF REFERENCE:

**We must reframe our goals for capitalism to create thriving local communities and a thriving planet. Artists and culture workers have the opportunity to root us in a frame that's more deeply rooted humanity.**



### CHANGE IN ASSET VALUATION:

**We need a new model for thinking about and valuing artists' assets, outputs, and impact. Subsequently, valuations and investment terms need to change to consider new forms of value.**



### CHANGE IN OPENNESS TO INNOVATIVE INVESTMENT MODELS:

**The proforma is often even beyond the savviest investors' heads because our proforma was built especially for [arts & culture enterprise]... Most proformas on the open market have [traditional investment model] built in and all of the metrics aligned with [that traditional investment model].**



### CHANGE IN PACE AND TIME HORIZONS:

**The pace of art and community building is far different from capitalism. Investors must understand that trust takes time. This work takes time.**



### CHANGE IN VISIBILITY:

**My voice is rarely heard. I don't have the opportunity to speak in spaces with investors. We need more spaces for this.**



### CHANGE IN POWER IMBALANCE:

**I would like investors to acknowledge that there is power on my side of the table too. Let's share the work and share the power.**



### CHANGE IN GOVERNANCE OR CONTROL:

**Investors say they get the model, but then want a board seat... The answer is... No, you will not take a board seat. You can't buy a board seat. That's not how this works.**



### CHANGE IN PERSPECTIVE:

**Art is a powerful tool; supporting it as a valuable resource and not a charitable notion would likely allow for many things to be better for folks who have it the worst.**

# Appendix

## A CLOSING LETTER FROM THE WRITERS

The origin of this resource lies with the vision, leadership, and commitment of a group of advisors who have decades of cumulative experience pioneering progress at the intersection of art, culture, investment, enterprise, and local communities. We are deeply humbled and grateful to these individuals, for the responsibility they entrusted with us and for the opportunity to investigate and report our findings on how to begin illuminating pathways for arts & culture investment transformation.

Further, this work emerged from a deep desire to honor the arts and cultural ecosystems of Dallas, Texas and Philadelphia, Pennsylvania. By way of full disclosure, both writers lived and worked in Philadelphia, and one of the writers currently lives and works in the Dallas region. Both writers share a love of arts & culture and a drive to see more innovative, equitable, and sustainable investment in practitioners deeply rooted in these beloved cities and across the United States. These mutual interests blossomed into the research undergirding this report, notwithstanding any allegiances to eagles and cowboys. As such, this resource is informed by the entrepreneurs, enterprises, artists, and culture workers of Dallas and Philadelphia and rooted in the lived experiences and voices from these two cities.

In honoring these lived experiences, we would be remiss if we failed to acknowledge the disparate impact of COVID-19 and the personal and economic costs of local communities and arts & culture practitioners who have had to survive and thrive in a global pandemic. In addition to the pandemic, we've produced this resource during a period where so much has happened, on such a grand scale and at such a fast pace that it's hard to articulate. Indeed, everything is different, and yet so much remains the same.

As evidenced by this very resource, we started in early 2022 with the support and guidance of Ignite/Arts Dallas, mentioned and described above as an organization at the forefront of art and commerce. We continued and strengthened this report through the wisdom and insight of cohort members like Ariell Johnson of Philadelphia's Amalgam Comics, the first black woman-owned comics shop. As of the publication of this report, Ignite/Arts Dallas was sunsetted by SMU Meadows leadership and Amalgam has announced its closure. It is frustratingly and heartbreakingly common to bear witness to such immense losses, which we know are deeply impacting the arts and cultural communities in Dallas, Philadelphia, and beyond.

We hope this resource will equip individual and institutional investors to make immediate investments in arts & culture enterprises similar to our Dallas and Philadelphia cohort members. We have provided extensive insights from arts & culture-driven practitioners and investors, readiness suggestions, sample investment actions, a sample local engagement process, local fund considerations, and more. The only impediment is the willingness of investors to urgently commit, act, and invest.

With appreciation,

Megan McFadden and Sammterria Goodson

## HIGH-LEVEL LEGAL AND TAX CONSIDERATIONS FOR ARTS & CULTURE INVESTMENT IN DALLAS & PHILADELPHIA

Investors have the opportunity to proactively research and troubleshoot legal, tax, and policy issues that may help or hinder investment in arts & culture enterprises in Dallas and Philadelphia. While legal and tax professionals are often brought in at the end of the deal when the “paperwork” is needed, conducting upfront due diligence and following the stream of funding may enable investors to uncover opportunities or impediments to investment. Such due diligence is routinely conducted in other industries such as real estate, medical tech and entertainment (ex., Tax incentives as it relates to film finance) - arts & culture investment approaches should be no less rigorous.

As it relates to the legal and tax environment, there are interesting aspects of the municipal laws of Dallas and Philadelphia and the state laws of Texas and Pennsylvania. While this is not an exhaustive overview or law review-level analysis of legal structures and policy, ordinances and statutes (and the enforcement thereof) reflect the policy of a given place or jurisdiction when those policies may conflict with marketing, public relations, and tourism-related messaging of a place or jurisdiction.

On the public finance side, it’s important to note the relationship between tax revenue and arts & culture funding. In Texas, funding comes primarily through hotel occupancy tax revenue at the municipal level, making local “HOT” taxes the largest source of public finance funding for the arts in Texas.<sup>[65]</sup> These municipal taxes are administered via local ordinances.<sup>[66]</sup> The state tax code specifically references promotion of art as an allocable use of this revenue.<sup>[67]</sup> Revenue from HOT tax in Dallas funds the Office of Arts & culture.<sup>[68]</sup> Counties in Texas may also support the arts through HOT revenue, but state-levied HOT revenue is directed to tourism.<sup>[69]</sup> Texas also supports arts & culture through the state General Appropriations Act, which funds the Texas Commission on the Arts.

Regarding art transactions, Texas has a Consignment Act, which offers some protection to artists in their transactions with art dealers and gallerists.<sup>[70]</sup> A high-level search of art-related legislation reveals laws regarding art therapy, the marketing and sale of art made (or marketed as made) by the indigenous community, the selection of state artists, art commissions, and public art.<sup>[71]</sup> On the business side, Texas is known for lower taxes and reduced governmental interference.<sup>[72]</sup> This translates into a relatively streamlined process for setting up businesses in Texas, with the lack of state and local income tax contributing to sustained business

population growth.

Hotel and occupancy-related taxes are levied at the state (or commonwealth), county, and municipal level in Pennsylvania.<sup>[73]</sup> A portion of the Commonwealth HOT tax comes from an accommodation tax collected from booking agents; this revenue supports a Tourism Promotion Fund. The other portion of the Commonwealth HOT tax goes to the general appropriations fund, some of which makes its way to the Pennsylvania Council on the Arts.<sup>[74]</sup> None of the tax codes in Pennsylvania specifically reference the promotion of art as an allocable use of HOT taxes.<sup>[75]</sup> This may be why the Pennsylvania General Assembly is currently considering a bill known as the Tourism, Museum and Arts Funding Act, the aim of which is to divert a percentage of state hotel occupancy tax revenue directly to tourism marketing and grants to museums and the arts.<sup>[76]</sup>

Revenues from HOT taxes in Philadelphia are actually paid to the Commonwealth, a portion of which is paid back to the city.<sup>[77]</sup> In addition, Philadelphia levies its own hotel room rental tax , which directs revenue to tourism.<sup>[78]</sup> The most recent budget for arts funding in Philadelphia includes allocations for the arts museum, mural arts program, and through the cultural fund and OACCE.<sup>[79]</sup> Pennsylvania also supports arts through an annual general appropriation by the General Assembly, mentioned above, which funds the Pennsylvania Council on the Arts.<sup>[80]</sup>

Regarding art transactions, Pennsylvania also has an Artworks Consignment Act, which provides similar protection to artists as the Texas act.<sup>[81]</sup> A high-level search for art-related legislation reveals laws regarding grants of real estate tax to nonprofit art corporations, artist moral rights against the destruction of artwork, approval procedure for donated works of art, art commissions, and public art.<sup>[82]</sup> On the business side, Philadelphia is known for its lower cost of living and higher quality of life in comparison to other East Coast cities like Boston, New York, and Washington, D.C. Pennsylvania goes to great lengths to demystify the business set-up process, with Philadelphia offering city-specific resources to registrants.<sup>[83]</sup> However, not only does Philadelphia tax business income and receipts, but the city also taxes wages, earnings, and net profits. It is noteworthy that these local income-like taxes fund Philadelphia’s General Fund, from which arts funding is allocated.<sup>[84]</sup>

At balance, neither Texas nor Pennsylvania ranks high on measures of state arts legislative appropriations compared to

other states in the U.S. despite all of the tourism marketing and boasting (or recognition) about the economic impact of the arts by both states.<sup>[85]</sup> Public finance and legislative support of an industry at the state level may illuminate investment opportunities. Our hope is that arts & culture is viewed through this lens like other industries.

Again, an in-depth analysis of art-related municipal ordinances is outside the scope of this report; however it's worthwhile to note that Philadelphia has almost twice as many references to arts & culture in its municipal code than Dallas.<sup>[86]</sup> This may signal the degree to which arts & culture is woven into the fabric of a municipality. Both cities have a "percent for art" programs, although Philadelphia has a significant head start in administering its program.<sup>[87]</sup> A more meaningful perspective on local ordinances may focus on enforcement. For example, Dallas has been characterized as unsupportive of arts & culture organizations based on the enforcement of its local codes and ordinances that allowed the fire marshal to shut down a number of venues.<sup>[88]</sup> Philadelphia's fire marshal also enforces the local code and ordinances, although the shutting down of arts venues appears to be isolated.<sup>[89]</sup> By way of another example, Dallas recently updated its ordinances governing mobile food vendors, creating a pathway for more vendors to offer cultural experiences through food.<sup>[90]</sup> Meanwhile, from 2010 to 2019, the Philadelphia Food Trust hosted multiple night markets to "celebrate the joy of food" throughout the year -

such events made possible by supportive ordinances like the "commercial activities on streets" ordinance and coordination between city departments.<sup>[91]</sup> A neighborhood CDC recently revived this concept in partnership with the neighborhood's State Representative.<sup>[92]</sup> Local ordinances can either support or hinder opportunities for industry growth. We hope that investors devote time and resources to understanding local governance of arts & culture.

Both Texas and Pennsylvania have "Blue Sky" laws regulating securities. A comprehensive review of the differences between the states is beyond the scope of this report. Still, investors should devote resources to understanding how state securities laws impact chosen investment strategies. At the federal level, investors must have a keen awareness of the exemptions and requirements of the Securities and Exchange Act, including provisions related to the issuance of securities by nonprofits.

Lastly, a handful of legislation regarding arts, culture, and commerce has been introduced into and referred to U.S. House of Representative Committees, signaling potential opportunities for follow on investment from the private sector.

NAME OF LEGISLATION	NUMBER, STATUS	NOTES
<b>Creative Economy Revitalization Act</b>	<i>S 2858/HR 5019, Referred to House Committee on Education and Labor</i>	<i>Mandates the Department of Labor to provide grants to nonprofits and government agencies for public art</i>
<b>CREATE Act</b>	<i>S 3521/HR 6381, Read twice and referred to the Committee on Small Business and Entrepreneurship.</i>	<i>Provides funding to support the creative economy and art entrepreneurs</i>
<b>PLACE Act</b>	<i>S 3560/HR 6569</i>	<i>Promote local art and the creative economy</i>
<b>Advancing Equity Through the Arts and Humanities Act of 2022</b>	<i>H.R. 7627, Referred to House Committee on Education and Labor</i>	<i>Creation of a grant program to advance the arts</i>
<b>Saving Transit Art Resources Act or the STAR Act</b>	<i>H.R. 2380, Referred to the Subcommittee on Highways and Transit.</i>	<i>Increasing funding for arts in public transit programs</i>

\*Passage of this type of legislation will infuse focus, energy and resources into arts & culture.

## TERMS

**Accredited Investor** means an individual or a business entity that is allowed to trade securities that may not be registered with financial authorities. They are entitled to this privileged access by satisfying at least one requirement regarding their income, net worth, asset size, governance status, or professional experience. From Investopedia.

**Art** means “the quality, production, expression, or realm, according to aesthetic principles, of what is beautiful, appealing, or of more than ordinary significance.” This includes “the class of objects subject to aesthetic criteria; works of art collectively, as paintings, sculptures, or drawings”, as well as architecture, dance, literary arts, design, illustration, and photography. The term “art” as used in this project, also includes forms of digital, performance, and ephemeral art forms. Lastly, we consider both fine art and commercial art (licensed or commissioned artwork) as part of this definition of art. Modified from [www.dictionary.com](http://www.dictionary.com).

**Artist** means that class of creatives producing or making art or pursuing an artistic practice professionally. This project is focused on artists for whom artmaking is a primary or professional focus. This definition of artist does not include hobbyists, crafters, or other makers who do not offer their creations to the marketplace or for purchase.

**Arts/Culture-Driven Entrepreneur or Enterprise** means a for-profit or non-profit business, company, entity, project, or undertaking for whom art production or culture cultivation is a primary focus. Such organizations often have arts/culture-focused mission statements, arts/culture-related performance metrics. They exist to support art making, artists, culture, and culture workers or to utilize art and culture to achieve impact-related goals in areas such as climate action, social justice, education, and more.

**Blended Capital** is a strategy that traditionally combines capital with different levels of risk in order to catalyze risk-adjusted, market-rate-seeking financing into impact investments. The providers of the risk-tolerant, “catalytic” capital in blended finance structures aim to increase their social and/or environmental impact by accessing larger, more diverse pools of capital. For this resource, we reference blended capital in the sense of combining multiple types of values-aligned capital, potentially from different sources, to meet the unique and changing needs of arts & culture practitioners. Modified from GIIN’s Blended Finance working group.

**BIPOC** means Black, Indigenous (and) People of Color. The use of this term enables a shift away from dehumanizing language such as “minority” or “marginalized,” which often carry a suggestion or inference of inferiority.

**Catalytic Philanthropic Investment** means investment capital that is patient, risk-tolerant, concessionary, and flexible. It is an essential tool to support impact-driven enterprises and organizations that lack access to capital on suitable terms through the conventional marketplace. The aim of catalytic capital is to unlock impact and additional investment that would not otherwise be possible. Modified from the MacArthur Foundation’s Catalytic Capital Consortium project.

**Community Development Financial Institutions (CDFIs)** are private-sector financial intermediaries with community development as their primary mission. CDFIs measure success by focusing on the “double bottom line” economic gains and their contributions to the local community. CDFIs supply the tools enabling economically disadvantaged individuals to become self-sufficient stakeholders in their future. These tools include providing financial services, loans, and investments; offering training and technical assistance services; and promoting development efforts that enable individuals and communities to effectively use credit and capital. Adapted from [cdfi.org](http://cdfi.org).

**Community Investors**, for the purpose of this project, are those who invest in a geographic area that aligns with a community the investor wants to support. Most often, these communities do not have traditional access to capital and seek non-traditional investors. Community investors often put social or environmental impact before financial return.

**Creative** relates to or involves the imagination or original ideas, especially in the production of an artistic work. When referring to an individual as a “creative” it means a person who is creative, typically in a professional context.

**Culture** means the customs, traditions, social practices, social institutions, and other manifestations of human intellectual achievement of a particular nation, people, or other social groups, which includes the characteristic features of everyday existence shared by people in place or time. For this project, culture includes expressive forms of production such as 1) the visual, literary, and performing arts, 2) technology and needs-based forms of production developed to make clothing, food, drink, and shelter, and 3) material forms of production such as architecture, physical works of art, and objects. We are also interested in the immaterial forms of cultural production such as social and community organization, heritage/history preservation, and place-related social practices. In contrast, we are not interested in hierarchical distinctions such as “high versus low” culture or “mass versus subculture” culture. Instead, we seek to work from an expansive definition of culture that focuses on the intersection of art (as defined above) and humanity. Adapted from Merriam-Webster, [www.dictionary.com](http://www.dictionary.com), and Wikipedia.

**Culture Worker** means a worker, working in a cultural occupation or cultural industry whether salaried or contractor or freelancer. Examples might include chefs, brewmasters, sound engineers, curators, community connectors, and facilitators. Culture workers typically do not self-identify as “artists” but will self-identify as “creatives,” “creators,” “cultural producers,” or “community builders.” Adapted from “Artists and Other Cultural Workers - A Statistical Portrait,” National Endowment of the Arts, 2019.

**Debt** means money owed by one party to another party. Debt may be in the form of loans secured by assets pledged as collateral or unsecured loans. Debt may come in the form of personal loans, commercial/business loans, lines of credit, or cash flow loans. For this project, we are interested in debt financing or investments where money is borrowed and paid back, with or without interest, over time. Investors sometimes refer to debt-based investments as “fixed-income” products, which include bonds, bills, and notes. Adapted from InvesHighestedia.com.

**Entertainment**, when contrasted with “art,” means that class of creatives producing, making or creating primarily in the radio/podcast, television, theater, music, and film industries, whether streaming, live or broadcast. This project seeks to isolate creatives producing work in visual, literary, and performing arts that are often left out of the investment conversation. For example, there are well-established mechanisms for film, music, television/streaming, and Broadway investments. Notwithstanding barriers to entry for these investment mechanisms, our project seeks to uncover pathways for investment in visual and performing arts & culture for-profit organizations. We acknowledge that industries such as content creation and video-game creation overlap “art” and “entertainment” as defined above.

**Equity** means the value of shares or interest in a business, company, entity, project, or undertaking, where the number of shares or interest represents percentage ownership. Another way to think about equity is the amount of money a party would get if a company is sold and all liabilities are paid off. For this project, we are interested in equity financing or investments where equity or ownership is offered in exchange for money or capital. Adapted from InvesHighestedia.com.

**Family Office** means private wealth management advisory firms that serve ultra-high-net-worth individuals. They are different from traditional wealth management shops in that they offer a total outsourced solution to managing the financial and investment side of an affluent individual or family. From Investopia.com.

**Foundation** means a nonprofit corporation or a charitable trust that makes grants to organizations, institutions, or individuals for

charitable purposes such as science, education, culture, and religion. Foundations may use their endowments or grant funds for various types of investments, including low-interest loans, according to applicable IRS regulations. Adapted from Candid.

**Investor** means any party who gives money with an expectation of a positive return in the future, whether financial, impact or both. Investors traditionally seek to minimize the risks associated with their investments while increasing the returns of their investments.

**Impact/Mission-Aligned Investment** - Impact Investment means “investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.” Mission-aligned investments are the alignment of an investor’s assets with a specific mission. Adapted from “Impact Investing” from Global Impact Investing Network.

**Place-Based Investments** are impact/mission-aligned investments in a defined geographic area intended to empower and strengthen the local community.

**Private Capital** comes from a private investor such as a company, foundation or individual, rather than from an institution such as a bank or governmental entity.

**Public Capital/Finance**, for the purposes of this paper, refers to government funds available for investment. For example, funds used for loans to creative enterprises by the Small Business Administration.

**Retail investor**, also known as an individual investor, is a non-professional investor who buys and sells securities or funds that contain a basket of securities such as mutual funds and exchange traded funds (ETFs). Retail investors execute their trades through traditional or online brokerage firms or other types of investment accounts. From Investopedia.com.

**Non-accredited investor** means any investor who does not meet the income or net worth requirements set out by the Securities and Exchange Commission (SEC). The concept of a non-accredited investor comes from the various SEC acts and regulations that refer to accredited investors. When people speak of retail investors, they often mean non-accredited investors. From Investopedia.com.

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