

Appendix B

Economic impact of arts in the 14th and U Streets Arts Overlay Zone

Studies demonstrating the positive relationship between arts and jobs, tax revenues and other retail activity are legion. The American Association for the Arts website alone lists some 500 such studies.²² While the Committee's review did not uncover studies specific to 14th and U Streets, or specific to the District of Columbia, the overwhelming volume of evidence contained in economic studies demonstrates that arts activities, in addition to the direct jobs and revenues they create, have a significant effect in growing retail revenues, jobs, and tax revenues.

Patrons of the arts eat at restaurants, stay in hotels, and shop for other retail merchandise. Jobs created in these service and retail sectors in turn support additional indirect economic activity. Cumulatively, the economic impact of all this indirect activity is quite large. In 2007, one study of the economic impact of the arts in the greater Washington DC area found that, in addition to direct spending by nonprofit arts and culture organizations of \$1.21 billion, audiences spent an additional \$935.24 million in event-related spending. Together, this activity supported 45,175 full time equivalent jobs, generated \$1011.96 million in household income to local residents, and resulted in \$163.78 million in state and local government revenues. Stated more simply, for every dollar in direct and event-related spending, another dollar was generated in tax revenues and local household income.²³ Significantly, this study actually understated the economic effects, as it excluded for-profit arts activities and spending by individual artists.

Other studies reviewed have found similar effects. A brief sampling:

- Philadelphia (2008): Each dollar invested in arts by local government returns \$5.00 in local tax revenue, while each dollar invested by state government returns \$2.50 in state tax revenue²⁴
- Baltimore (2007): Nonprofit arts groups spend \$154 million, while generating a total economic impact of \$270 million, including \$23 million in state and local government revenue.²⁵

²² Americans for the Arts, The National Arts Policy Database
<http://www.americansforthearts.org/NAPD/modules/resourceManager/publicsearch.aspx>

²³ Arts and Prosperity III, The Economic Impact of Nonprofit Arts and Culture Organizations in Greater Washington, Americans for the Arts (2007) <http://www.cultural-alliance.org/economicprosperityIII.html>

²⁴ Arts, Culture and Economic Prosperity in Greater Philadelphia, the Greater Philadelphia Cultural Alliance (2008). <http://www.philaculture.org/research/reports/2008-portfolio> This study also found direct and indirect economic benefits to the region similar to those from the Washington study cited above.

²⁵ The Economic Impact of Nonprofit Arts Organizations in Maryland, Maryland State Arts Council (2007) <http://www.msac.org/news.cfm?id=240&sec=news>

- Maryland (2007): Every \$1 spent in the nonprofit arts sector generated more than \$2 in expenditures on goods and services.²⁶

In the Committee’s public meetings, the view from 14th and U Street retailers, restaurateurs, and arts entrepreneurs strongly supports the view from the economic literature that the arts economy is positively related to the retail and restaurant economy. In fact, some retailers saw a direct relationship between the presence of art galleries and their retail sales of complementary merchandise, with significant overlap in customer base. Other retailers, whose merchandise was less correlated with arts, nevertheless cited the importance of an arts presence as presenting a positive image of the area, and therefore drawing in customers. Retailers also reported increased sales before or after performance activities at area theaters. For restaurateurs, the relationship with arts activities was even more direct and obvious. All retailers and restaurateurs appearing before the Committee supported a strong arts presence in the 14th and U Streets area as benefiting their own businesses.

The Committee found few quantitative studies measuring the impact of an arts presence on development. However, numerous reports exist detailing the role that arts institutions play in rejuvenating blighted areas, raising property values, making urban areas safer and more desirable. For example, the Reinvestment Fund conducted a study of the Philadelphia housing market between 2001 and 2003 to determine if the city’s “block groups” improved due to the presence of the cultural assets. That study found a strong association between the presence of cultural assets and accelerated development.²⁷

Local developers related views that are consistent with the economic literature. In meetings with the Committee, local developers saw a benefit to undertaking a project in areas with strong cultural assets. In their view, the presence of arts activities contributes to the positive image of an area. This could translate into making it easier to attract tenants or buyers and/or in better prices. [*Developers’ views on the use of zoning to attract arts uses, or other techniques to attract arts uses, are discussed in elsewhere in this report.*]

Finding: Arts activities are an important ingredient in driving economic prosperity for 14th and U Streets for retailers and restaurateurs and, although the link is weaker, in

²⁶ Id.

²⁷ Natural Cultural Districts (2007) Mark J Stern and Susan C Seifert, The Reinvestment Fund (TRF) and the Social Impact of the Arts Project (SIAP) at the University of Pennsylvania, with support from the Rockefeller Foundation. “Using a six-category scale, TRF estimated that 13 percent of block groups improved by more than two categories—for example, from being a *reclamation* block group in 2001 to a *transitional* block group in 2003. This improvement was not distributed evenly; many local housing markets remained flat over the two years. What explained which block groups improved and which did not? The level of cultural assets in a block group correlated very strongly with block group improvement. More than half of the block groups with the highest concentration of cultural assets—our “natural” cultural districts—improved by at least two market categories while less than two percent of the other block groups showed comparable improvement.” <http://www.trfund.com/resource/creativity.html>

supporting further development. A mix of arts, retail, and restaurant uses increases revenue for all businesses, provides jobs, adds to local tax revenues, and contributes to further development, thereby creating a commercial corridor that is economically healthy.