

HUD AND THE ARTS IN NEW YORK STATE

**The Economic Impact of Nonprofit Cultural Organizations in
HUD-designated Renewal Communities, Empowerment Zones and
Enterprise Communities in New York State**

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INTRODUCTION

This study analyzes the economic impact of spending by cultural organizations in four HUD-designated Renewal Communities, Empowerment Zones and Enterprise Communities (RC/EZ/EC) in New York State. These communities were chosen because they have a significant number of nonprofit cultural organizations, more than other HUD communities in the state. These four communities are the:

- Buffalo - Lackawanna Urban Renewal Community
- New York Urban Round I Empowerment Zone
- Rochester Urban Renewal Community
- Syracuse Urban Round III Empowerment Zone

HUD-designated communities across New York State are by definition in areas of high economic distress--plagued by population out-migration and stagnating or declining economic bases. Yet the four HUD-designated communities examined in this study are also home to vibrant nonprofit cultural organizations. These organizations are often some of the area's most important institutions, located at the heart of what were once lively downtown districts. In other cases, they are more recent additions to the local areas.

Whatever their origins, they employ local residents, support local suppliers and draw people to them and to neighboring businesses. In all these ways, they contribute significantly to their local areas' economic health and community life, as summarized below.

Economic Impact of Nonprofit Cultural Organizations on Surrounding Areas, 2009

<u>Community</u>	<u>Spending</u>	<u>Impact</u>	<u>Jobs Generated (FTE)</u>
Buffalo (Erie County)	\$29.7	\$70.7	678
New York City (NYC)	\$44.8	\$97.7	764
Rochester (Monroe County)	\$32.5	\$71.9	694
Syracuse (Onondaga County)	\$23.6	\$53.9	501

As was found and illustrated in the Alliance for the Arts' 2006 report, *The Arts as an Industry*, the nonprofit arts industry is labor-intensive. The majority of the employees are area residents and many of the vendors and workers who supply goods and services to these institutions are located in surrounding areas as well. The components of the economy most affected by the spending patterns of these cultural organizations are real estate, retail trade, business and professional services, finance and insurance, and health and hospitals.

Despite the economic and social difficulties inherent in the HUD-designated communities themselves and the challenges to the general economy of the past few years, many of these cultural institutions have thrived over the period from FY2005-FY2009. This fact encourages further research. Some of the most fruitful avenues for investigation are:

- When multiple years of Cultural Data Project (CDP) data are available it will be possible to conduct a detailed trend analysis which could point to area-wide trends for a region's cultural organizations as a whole as well as differences among the organizations studied based on such factors as size or discipline. Such case studies could yield insights for other organizations, or suggest strategies for HUD to pursue.
- An investigation into the audiences of these organizations – including where they come from, how much money they spend in the community, and the economic impact of visitors from outside these communities who come primarily or secondarily to visit these arts groups.
- Setting the economic activity of nonprofit cultural organizations in the context of the larger economy of each HUD-designated area would be useful in understanding the overall importance of the culture industry to these areas.

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Cathy Lanier, Lead Consultant
Tom Spitznas
Elaine Silver

SCOPE AND METHODOLOGY

Developing the Sample

In each location, a list of nonprofit organizations was developed using a two-step process:

- A list of nonprofit cultural organizations in the general area was compiled using records from the New York Cultural Data Project (CDP), a database of detailed information about cultural organizations nationwide currently being developed by the Pew Charitable Trusts, which operates the CDP on behalf of the governing group¹ and applicants to the New York State Council on the Arts (NYSCA).
- Each organization on this list was then identified by county and zip code; those located in the HUD zones' zip codes were identified as being within the HUD zones by using the HUD locator tool.

It should be noted that if there were any cultural organizations in the zones that did not apply for NYSCA funding they were not included in this study.

Measuring the Economic Impact

Expenditure patterns and employment information for the cultural organizations in each of the four areas in both FY2005 and FY2009 were aggregated by geographic area and year to determine their combined spending and employment patterns. NYSCA application information was used

¹ For more information about the Cultural Data Project, go to <http://www.culturaldata.org>.

for FY2005 since the CDP only began collecting data in 2008. In the analyses for Buffalo, New York City and Syracuse, CDP data was used for FY2009. In the case of Rochester, however, there was insufficient data available from the CDP at the time of this analysis, so NYSCA data was used for FY2009 as well as FY2005.

The direct expenditures of each component were analyzed by using the RIMsII model from the U.S. Department of Commerce, calibrated at the county level in each of the four areas studied. The resulting geographic areas of economic impact for each of the zones are:

<u>HUD Zone</u>	<u>Impact Area</u>
Buffalo - Lackawanna URC	Erie County
New York Urban Round I EZ	New York City
Rochester Urban Renewal Community	Monroe County
Syracuse Urban Round III EZ	Onondaga County

The input-output method depicts the structure of sales and purchases throughout the various sectors of a given economy, tracing the ripple effect of direct expenditures from industry to industry. Each dollar of direct spending within a given geographic area generates a multiplier effect that benefits many other sectors throughout that area's economy.

The multiplier, or ripple, effect comprises two distinct components:

- The indirect effect traces the additional economic activity from direct expenditures as suppliers,

ranging from fabric wholesalers to hardware stores, make their own purchases of materials and hire labor in response to the demand created by the direct expenditures.

- The induced effect traces the spending of wage earners at the arts institutions on food, shelter, clothing and the like.

This multiplier effect continues to ripple through the economy of each of the geographic areas studied in diminishing rounds of spending until all the dollars have leaked out of the area.

Study Scope

Snapshots of FY2009 and FY2005

This study takes advantage of new, detailed information offered by the CDP. Although there is much commonality in the categories of expenditure information between the CDP and the NYSCA data, there are key differences as well. Most importantly, the CDP includes all spending, whether for capital projects or operations, while NYSCA reports on only operating expenditures. This difference in data sets makes a useful comparison between the 2005 and 2009 direct and indirect expenditures impossible, except in the case of Rochester and the surrounding Monroe County, where NYSCA data was used for both years. .

Institutional Spending but not Visitor Spending

Often the arts – especially larger institutions with local, national or international reputations -- make an additional contribution to the economy by virtue of bringing visitors into the local area. These visitors come to enjoy the cultural offerings and spend money not only on their show

ticket or museum admission, but also on restaurants, hotels, transportation and retail goods. Over the last few decades, cultural tourism has blossomed among domestic and international travelers alike.

Recent studies by the Alliance for the Arts, however, have found that New York State cultural organizations that are not in major tourist centers largely draw their audiences from their surrounding impact area, not from outside the region. The existence of these institutions and the audiences they draw may well affect the allocation of investment within an area (i.e. the restaurant that opens across the street from the theater) but does not bring a significant amount of new money into the area which would generate additional economic impact. Therefore, the decision was made to limit the scope of this economic impact study to institutional expenditures and their multiplier effect on the region. However, by bringing attention to the richness of cultural activity in these HUD-designated communities, cultural tourism will, we trust, be developed and expanded in these zones and their surrounding counties.

The Economic Impact of Nonprofit Cultural Organizations in the Buffalo - Lackawanna Urban Renewal Community on Erie County

The following fourteen nonprofit cultural organizations in the Buffalo - Lackawanna Urban Renewal Community are included in this study:

- Alleyway Theatre Inc.
- Big Orbit Gallery
- Buffalo Fine Arts Academy (Albright-Knox Art Gallery)
- Buffalo Philharmonic Orchestra
- Burchfield Penney Art Center
- El Museo Francisco Oller Y Diego Rivera

- Hallwalls, Inc.
- Irish Classical Theatre Company
- Just Buffalo Literary Center
- Shakespeare in Delaware Park
- Theatre of Youth Company, Inc.
- Theodore Roosevelt Inaugural Site Foundation
- Ujima Company, Inc.
- White Pine Press

	<u>OUTPUT</u>	<u>EARNINGS</u>	<u>JOBS (FTE)</u>
Direct Spending	\$29.7	\$ 14.8	355
Indirect Impact	\$41.0	\$ 11.2	323
Total Impact	\$70.7	\$ 26.0	678

The organizations include such major Buffalo cultural institutions with annual budgets of over \$1,000,000 as the Buffalo Philharmonic Orchestra, the Buffalo Fine Arts Academy (Albright-Knox Gallery), the Burchfield Penney Art Center--which opened a major new facility in 2008, and the Theodore Roosevelt Inaugural Site Foundation. The other institutions in this study are a variety of 10 smaller institutions whose median annual budget is about \$500,000. In the aggregate, the fourteen Buffalo HUD zone organizations studied spent \$29.7M in FY 2009 according to the Cultural Data Project records.

Fully half of these expenditures went to salaries and fringe benefits, with an additional 3 percent going to non-salaried artists' and performers' fees and commissions. Other categories of expenditure accounted for much lower percentages of total budgets, with rent and utilities comprising 6 percent and advertising making up 3.5 percent of total expenditures.

The total impact of these direct expenditures in 2009 was \$70.7M, of which \$26.0M was in earnings for residents in about 678 full-time equivalent jobs.

In FY2005, these organizations spent \$21.2M, according to NYSCA application information, on operating expenditures only. The total impact of these direct expenditures was \$50.4M, of which \$19.4M was in earnings to residents.

The Economic Impact of Nonprofit Cultural Organizations in the New York Urban Round I Empowerment Zone on New York City

Twenty-two nonprofit cultural organizations in the New York Urban Round I Empowerment Zone are included in this study. Nineteen of these are in northern Manhattan and three are in the southern Bronx. They are:

- American Performing Arts Collaborative, Inc.
- Amigos del Museo del Barrio DBA El Museo del Barrio
- Apollo Theater Foundation, Inc.
- Art for Change
- Arts Horizons, Inc.
- Frank Silvera Writers' Workshop Foundation
- Harlem Arts Alliance
- Harlem Textile Works
- I Giullari di Piazza, Inc.
- Jazzmobile, Inc.
- Los Pleneros de la 21
- Maysles Institute
- Multicultural Music Group
- Museum of the City of New York
- Musica de Camara
- New York Classical Theatre
- Opus 118 Harlem School of Music
- Pregones Theater
- The Ghetto Film School

SUMMARY ECONOMIC IMPACT ON ERIE COUNTY FY2009
(\$ millions)

- The H.A.D.L.E.Y. Players (Harlem Artists Development League Especially for You)
- The Studio Museum in Harlem
- viBe Theater Experience

These organizations spent \$44.8M in FY 2009 according to CDP records. Well over half was spent by the Apollo Theater Foundation and the Museum of the City of New York. Other organizations with budgets over \$1M include the Studio Museum in Harlem, Amigos del Museo del Barrio, Arts Horizons, Jazzmobile, Opus 118 Harlem School of Music and Pregones Theater. The median budget of the remaining 14 smaller organizations was \$127,000.

In the aggregate, 46 percent of the expenditures of these groups went to salaries and fringe benefits, with another 5 percent going to non-salaried artists and performers. Other professional fees accounted for 8 percent of expenditures while rent and utilities accounted for 6percent. No other single category comprised 5 percent or more of total expenditures.

In 2009 the full impact of spending by these cultural organizations on the economy of New York City was \$97.7M, of which \$32.0M represents earnings by residents in 764 full-time equivalent jobs.

**SUMMARY ECONOMIC IMPACT ON NEW YORK CITY
FY 2009**
(\$ million)

	<u>OUTPUT</u>	<u>EARNINGS</u>	<u>JOBS (FTE)</u>
Direct Spending	\$44.8	\$20.6	478
Indirect Impact	\$52.2	\$11.4	286
Total Impact	\$97.7	\$32.0	764

In FY2005, these organizations spent \$34.5M on operating expenditures, according to NYSCA application information. The total impact of these direct expenditures was \$75.3M, of which \$25.7M was in earnings to residents.

The Economic Impact of Nonprofit Cultural Organizations in the Rochester Urban Renewal Community on Monroe County

There are 17 nonprofit cultural organizations in the Rochester Urban Renewal Community included in this study, as listed below:

- Blackfriars of Rochester, New York, Inc.
- BOA Editions, Ltd.
- Borinquen Dance Theatre, Inc.
- Frederick Douglass Creative Arts
- Garth Fagan Dance Inc
- Geva Theatre Center, Inc.
- Little Theatre Film Society Inc.
- Mercury Opera of Rochester, Inc.
- Publick Musick
- Rochester Association of Performing Arts
- Rochester City Ballet, Inc.
- Rochester Contemporary
- Rochester Historical Society
- Rochester Philharmonic Orchestra
- Rochester Regional Community Design Center
- Strong Museum
- Young Audiences of Rochester

Their total operating expenditures, according to NYSCA application material,

were \$32.5M in FY2009. This group of organizations includes some of Rochester's largest and most important cultural institutions, as well as a variety of smaller arts groups. The Strong Museum, the Rochester Philharmonic Orchestra, the Geva Theatre Center and the Little Theatre Film Society all have expenditures of over \$1M. The Rochester City Ballet, Young Audiences of Rochester, BOA Editions, the Rochester Association of Performing Arts, the Rochester Historical Society and the Mercury Opera of Rochester have expenditures ranging from \$250,000 to \$1M.

The most important categories of aggregate expenditure for these cultural organizations are: salaries and fringe benefits 55 percent, with another 6 percent for outside artistic fees and 4 percent for outside professional fees; 6 percent for advertising and marketing; and 5 percent for space costs.

The full impact of FY 2009 spending by these cultural organizations on the economy of Monroe County was \$71.9M, of which \$25.7M represents earnings by residents in almost 700 full-time equivalent jobs.

Direct Spending	\$32.5	\$15.2	410
Indirect Spending	\$39.4	\$10.5	284
Total Impact	\$71.9	\$25.7	694

In FY 2005, these organizations spent \$30.9M on operating expenses, according to NYSCA application information. The total impact of these direct expenditures was \$68.4M, of which \$25.5M was in earnings to residents. Because we used NYSCA data for both 2009 and 2005 for groups in the Rochester Urban Renewal Community, we can make a direct comparison between expenditures and impact for these two years. FY 2005's \$68.4M impact is \$75.4M in FY 2009 dollars, using the Consumer Price Index for northeastern urban areas. Thus, in inflation-adjusted terms, the impact in FY 2009 was \$3.5M less than in FY 2005, a decline of nearly 5 percent--a strong indication of the very negative effect that the economic downturn has had on the arts organizations themselves and on surrounding Monroe County.

The Economic Impact of Nonprofit Cultural Organizations in the Syracuse Urban Round III Empowerment Zone on Onondaga County

There are 11 nonprofit cultural organizations in the Syracuse Urban Round III Empowerment Zone included in this study:

- Central New York Jazz Arts Foundation, Inc.
- Cultural Resources Council of Syracuse and Onondaga County Inc
- Everson Museum of Art
- Open Hand Theater
- Paul Robeson Performing Arts Company
- Redhouse Arts Center, Inc.
- SU Theatre Corporation
- Syracuse Opera
- Syracuse Shakespeare Festival

SUMMARY ECONOMIC IMPACT ON MONROE COUNTY FY 2009
(\$ millions)

OUTPUT EARNINGS JOBS (FTE)

- Syracuse Symphony Orchestra, Inc.
- The Arts Branch of the YMCA of Greater Syracuse

Indirect Impact	\$ 30.3	\$ 7.8	219
Total Impact	\$ 53.9	\$18.4	501

These cultural organizations spent a total of \$25.6M in FY 2009 According to the CDP. The largest organizations, with budgets over \$1M, include the Syracuse Symphony Orchestra, the Syracuse University Theatre Corporation, the Everson Museum of Art and the Syracuse Opera. Together these organizations made the great majority (88%) of total expenditures. The remaining expenditures were made by seven nonprofit groups ranging across type of organization and artistic discipline including an arts council, a jazz foundation, several small performing arts companies and the arts center at the YMCA.

The major categories of aggregate expenditure are salaries and benefits, 45 percent; another 6 percent for outside artists' fees and commissions; and advertising, 6 percent.

The full impact of the direct spending of these Syracuse organizations on the economy of Onondaga County in FY2009 was \$53.9M, of which \$18.4M represents residents' earnings in about 500 full-time equivalent jobs.

In FY 2005, these organizations spent \$16.1M, according to NYSCA application information, on operating expenditures only. The total impact of these direct expenditures was \$36.8M, of which \$13.1M was in earnings to residents.

Conclusion

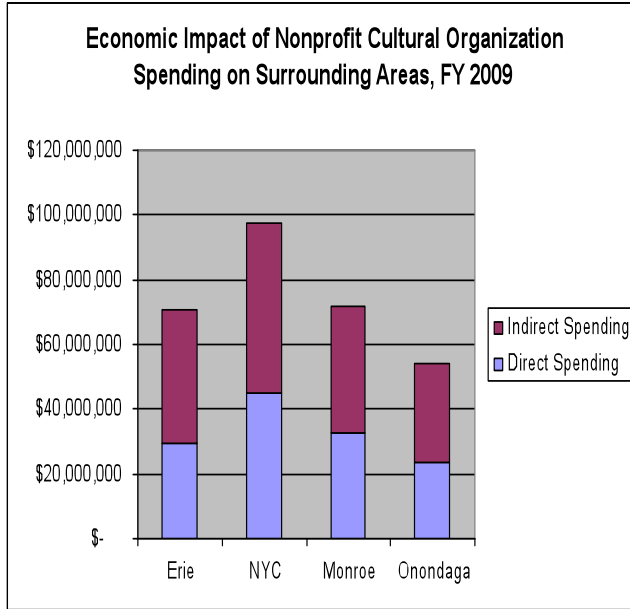
The magnitude of the economic contribution of cultural organizations on the four HUD-designated communities included in this study varies somewhat by:

- The level of direct spending by cultural organizations,
- The patterns of spending by the mixture of performing, visual and other organizations in a given community, and
- The size and structure of the economy in which the direct expenditures occur.

The table below summarizes the direct spending of nonprofit cultural organizations and the total impact that this spending has on their surrounding areas for FY 2009.

**SUMMARY ECONOMIC IMPACT ON ONONDAGA COUNTY
FY 2009**
(\$ millions)

	<u>OUTPUT</u>	<u>EARNINGS</u>	<u>JOBS (FTE)</u>
Direct Spending	\$ 23.6	\$10.5	282



In each HUD-designated community studied, nonprofit cultural organizations provide a significant economic benefit by virtue of their labor-intensive nature, with earnings comprising about one-third of the total impact, and the propensity of this sector to purchase from local suppliers. The economic contribution of these cultural organizations to their regions is a significant addition to the benefit that these organizations have on the communities' quality of life.