

## The Impacts of Arts Events Venues on Smaller Downtowns

By N. David Milder

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The arts as an engine for downtown and Main Street revitalization have earned much traction in smaller communities across the nation. Expectations of very significant positive economic impacts are often sparking this interest. Unfortunately, most arts impact studies use input-output models that are structurally incapable of meeting the information needs of downtown leaders and stakeholders. Moreover, these studies often overlook other important causal factors. A close look at 23 smaller communities shows that the expenditures of arts organizations and their audiences may not be as impactful as arts project advocates often suggest. However, many causal routes through which many strong positive impacts might emerge are analytically usually overlooked.

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# the impacts of arts events

## VENUES ON SMALLER DOWNTOWNS

By N. David Milder

### INTRODUCTION

This article aims to help increase the understanding among downtown leaders and stakeholders (hereafter referred to as downtowners) and their EDOs in communities with populations under 25,000 about the potential impacts that arts events venues can have on their districts. Another objective is to identify the types of research techniques and data that should be used in assessing those impacts. These venues include performing arts centers (PACs), theaters, concert halls, museums, etc. They are, almost always, managed by a non-profit organization and their funding depends on admission revenues, public and private sector grants, and private donations. Such operations usually have relatively significant capital investments, operating budgets and staffs – and frequent financial deficits<sup>1</sup>. They differ significantly from the art galleries, crafts shops, and workshops of individual artists and crafts people that often gain traction in smaller downtown arts districts that are typically smaller in size and for-profit operations.

### DOWNTOWN ARTS IMPACT STUDIES ALSO SHOULD BE STRUCTURED TO MEET THE NEEDS OF DOWNTOWN LEADERS AND STAKEHOLDERS

If downtown arts venues cannot have positive benefits for their districts, then they might as well be located elsewhere in their counties or regions. Accordingly, the concerns of downtowners should

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Based on 20+ downtown assignments in which possible arts projects and programs were important elements, my strong impression is that downtowners everywhere are primarily interested in how an existing or potential arts venture might affect:

- **DOWNTOWN BUSINESSES.** What would their audiences spend in their districts and how would that affect downtown businesses? Would it attract strong new businesses or strengthen existing merchants?
- **DOWNTOWN PROPERTIES.** Very importantly, how would a new downtown arts venue affect the rents, occupancy rates, appraised values, and real estate taxes of nearby downtown properties? Would it spark nearby building improvements and new construction?
- **HOW THE DOWNTOWN WORKS.** Would a new arts venue raise the level of pedestrian traffic and increase the number of downtown out-of-town visitors and persistent local users? Or would it improve their attitudes toward and perceptions of the downtown, while also having positive effects on the downtown's appearance, walkability, traffic congestion, and parking needs?

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### THE GO-TO METHOD CANNOT PROPERLY ASSESS THEM

The arts as an engine for downtown and Main Street revitalization have earned much traction in smaller communities across the nation. Expectations of very significant positive economic impacts are often sparking this interest. Unfortunately, most arts impact studies use input-output models that are structurally incapable of meeting the information needs of downtown leaders and stakeholders. Moreover, these studies often overlook other important causal factors. A close look at 23 smaller communities shows that the expenditures of arts organizations and their audiences may not be as impactful as arts project advocates often suggest. However, many causal routes through which many strong positive impacts might emerge are analytically usually overlooked.

Downtowners' information needs are a lot finer grained than what the input-output models can produce. The models cannot say anything about how arts related expenditures influenced: business expansion, the opening of new businesses, higher rents and property values, improved property conditions, etc.

Of course, the best way to find out what your downtowners want to know about the impacts of an arts event venue is simply to ask them. In any case, those needs should heavily influence what an economic impact study of a downtown arts entity should cover. The least productive way to then provide that desired information is to bring in economic impact analysts who use input-output models.

**Limitations of Input-Output Models for Downtowners.** These models are favored by economic impact analysts. At the regional, county or multi-zip code level, these models can estimate how many arts organization and arts audience expenditure dollars will be captured by various types of business operations, the jobs they would generate, and what their ripple impacts will be. However, they have the following strong deficiencies for downtowners:

- They cannot be applied to geographies as small as the vast majority of our downtowns. They just don't work at that level.
- Downtowners' information needs are a lot finer grained than what the input-output models can produce. The models cannot say anything about how arts related expenditures influenced: business expansion, the opening of new businesses, higher rents and property values, improved property conditions, etc.

**Arts Advocacy Efforts May Have Different Information Needs.** Impact studies of downtown arts venues and organizations usually are undertaken for advocacy reasons. Understandably, they therefore target the information needs of the government officials, foundations, and large corporations that would provide needed donations and/or permissions and approvals. Input-output models are often well suited for meeting these information needs.

### IMPACTS INVOLVE SENDERS, RECEIVERS, AND RE-SENDERS: IT'S VERY IMPORTANT TO KNOW THEIR CHARACTERISTICS

Impacts involve relationships between two basic types of entities: the "sender" that causes the impact and the "receiver" that is being influenced by it. The sender has outputs which *turn into impacts when they are absorbed by a receiver*. For example, a new theater's audience generates more customers and higher revenues for nearby restaurants. The receivers can then become "re-senders," pass-

ing along part of that impact to still other receivers: e.g., the restaurants increase orders to their wholesale food suppliers. The input-output models are attractive because they recognize and quantify these types of relationships.

*Problems are generated when analysts focus too much on the impact senders and their acts of sending and fail to analyze the presence and ability of the impact receivers to catch and absorb what is being thrown to them.* The characteristics of the receivers are important determinants of any potential impact. For example, if a small downtown does not have any restaurants, then there is no entity present that can catch the new arts venue audience's dining dollars. If there are some restaurants, but they are of low quality, have a bad reputation, few seats, or are open only for breakfast and lunch, etc., then they probably will not capture many of the audience's dining dollars.

*Ignorance about potential impact receivers' characteristics is particularly dangerous when analysts are trying to identify the potential positive impacts of a new arts project or program.* Estimating what the new arts endeavor will throw off is hard enough, but an equally important question is how much of it the receivers are likely to capture.

Sometimes, what a sender is emitting is so strong that it can induce the attraction, creation or expansion of a receiver. For example, a new small-town theater is a big hit and attracts a large audience that generates enough potential diners that someone opens a new restaurant. That may sound simple but may not happen all that easily.

A typical full-service restaurant nationally will need sales of between \$150 PSF and \$250 PSF to break even<sup>2</sup>. A restaurant with 1,500 SF would need annual sales of between \$275,000 to \$375,000 to survive; one with 2,500 SF would need between \$375,000 to \$625,000.

Among a sample of 23 communities with populations below 25,000 (more about those towns below), the median amount of expenditures for meals and drinks generated by their arts events' audiences was \$994,542. The 1,500 SF eatery would need to capture between 15 percent and 25 percent of the audience expenditures for meals and drinks; the 2,500 SF restaurant between 38 percent and 63 percent.

Other consumer expenditure factors might also come into play in determining whether a new restaurant will open, e.g., the incomes, spending habits, and preferences of the local trade area's residents and non-resident members of the downtown's daytime population. Furthermore, my research suggests that in communities with populations under 3,000, it is somewhat easier for a restaurant to enter a market because it only needs a relatively small market share to survive financially<sup>3</sup>. How-

Impacts involve relationships between two basic types of entities: the "sender" that causes the impact and the "receiver" that is being influenced by it.



**Country Gate Theater, Belvidere, NJ.** A source of community pride, but with limited seating and few performances, its potential impact on the revenues of downtown businesses is very limited.

ever, the quality of the food and service at such a restaurant may not be comparatively high. Such factors further underscore the point that just knowing how much the audience will spend is a very necessary but insufficient step for determining the impacts of a potential arts events venue on the downtown in which it is located. Analyzing the impact receivers and the environment in which they are located is also essential.

Additionally, sometimes what the impact sender is emitting is too weak to have much effect on a receiver. For example, the Country Gate Playhouse Theater in Belvidere, NJ – population around 2,600 – has seating for 200 and had 15 performances scheduled for its 2017 season<sup>4</sup>. If they were completely sold out, the total audience would be 3,000 people. If every audience member spent \$10.20 in a local eatery (the average for arts audiences in 23 towns with populations under 25,000), the total potential direct impact on local restaurants would be about \$30,600<sup>5</sup>. That's not a lot and then its capture is potentially split among the local eateries – and those more distant.

Theaters and PACS in communities with populations in the 15,000 to 35,000 range that I surveyed online had seasons with 80 to 90 performances. Some theaters are only open during the summer months, while others, to the contrary, have heavily reduced schedules. Many museums in smaller towns are only open one to three days a week; others only have those sorts of schedules in the warmer months and are otherwise closed. When these arts venues are dark, they generate no customer traffic or spending for other downtown businesses.

Economic impacts seldom have one unique cause. It is essential that arts impact analyses recognize this fact so that the influence of arts venues and organizations can be placed in proper perspective.



**Bryant Park, NYC.** It is an important venue for arts events. The park has helped restore magnetism to nearby large office buildings. Together they helped attract new office buildings, hotels, and retailers.

### IMPACTS SELDOM OCCUR IN ISOLATION: THERE ARE USUALLY MULTIPLE SENDERS (CAUSES)

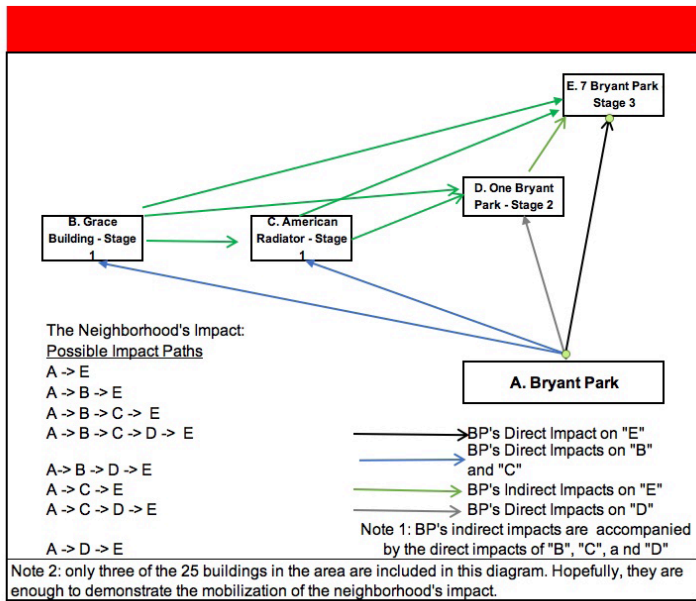
Economic impacts seldom have one unique cause. It is essential that arts impact analyses recognize this fact so that the influence of arts venues and organizations can be placed in proper perspective. Though the focus of this article is on smaller communities, the demonstration of the multi-causal nature of the possible arts impacts is most easily and powerfully presented by using two venues in Manhattan, Bryant Park and the Lincoln Center for the Performing Arts (LCPA). Though in a very large city, they provide some key lessons about how economic impacts work that are applicable to communities of all sizes.

The renovated Bryant Park in Midtown Manhattan is an important venue for many performing arts events such as outdoor movies, plays, dance, and music concerts. It has had very impressive positive impacts on its surrounding neighborhood. In no small measure, this is because it has been able to “mobilize the neighborhood,” i.e., it strengthens and mobilizes other existing nearby forces. Arts venues and organizations will have stronger impacts to the degree that they, too, mobilize the neighborhood.

As illustrated in Diagram 1, Bryant Park first had positive impacts on two existing buildings: the Grace Building and the American Radiator Building that later turned into the Bryant Park Hotel. Then these three entities all had positive impacts on the construction of One Bryant Park and years later the four entities all helped stimulate the construction of 7 Bryant Park. Notably, both the Grace and American Radiator buildings had inherent



**Diagram 1. A Heuristic Representation of Some Possible Paths Through Which Bryant Park Mobilizes the Neighborhood's Positive Impact on a New Nearby Building**



strengths and magnetism, so they could benefit significantly from the area's improved image and higher visitor traffic induced by Bryant Park's renovation.

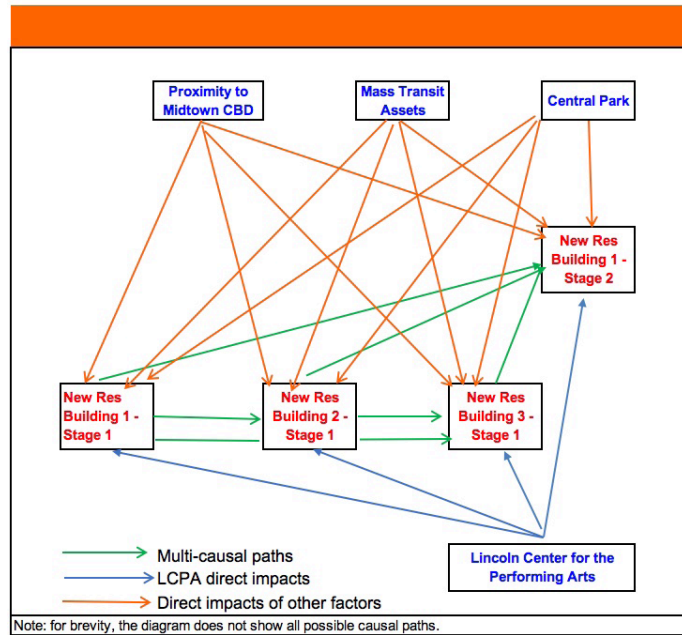
The new construction of One and 7 Bryant Park was facilitated by the renovated park and the more desirable Grace and American Radiator buildings through both direct and indirect causal paths. Due to the *quality of the office building stock*, Bryant Park's renovation was able to "mobilize the neighborhood" and *help induce new construction*. As time passes and the neighborhood further improves, Bryant Park's impacts will become increasingly indirect, while other important entities appear that are also exerting positive impacts of their own as well as passing along indirectly some of Bryant Park's influence.

This is important: if the nearby buildings had been in worse condition, the park's renovation would have had far less impact on their rents, occupancy rates, and capital value. Similarly, in smaller communities, the impacts of arts venues will be greater if there are nearby entities that are capable of digesting and benefiting from the arts venue's positive influences.

Because so many impact studies are done to advocate support for a particular arts organization or a specific arts project, their focus is all too often on the present or future benefits produced by them. However, in the real world, arts organizations and projects are likely to have favorable impacts on a downtown only if a number of other forces are involved that also have important impacts. In many instances, their impacts will be greater than those of the arts entity. This is as true for smaller towns as it is for big cities.

The impacts of the Lincoln Center for the Performing Arts (LCPA) on the Lincoln Square neighborhood are instructive – again, even for communities much smaller in size.

**Diagram 2. A Heuristic Multi-Causal Representation of the Possible Paths of LCPA's Impacts on a Nearby Residential Building**



Published impact studies have rightly claimed that Lincoln Center influenced a great influx of housing units that then attracted considerable retail development. (A causal path that arts impact studies in smaller communities should also look at.) However, the studies failed to note the nearby presence of Central Park, the Hudson River, several busy subway stations, and the Midtown Manhattan CBD. Each, individually, may have had a stronger impact on residential development than the LCPA – especially the renovated and revitalized Central Park. Combined, these four factors probably had far greater impact than the LCPA on neighborhood housing development. Here, again, arts impact studies in smaller communities should be structured so as to be able to recognize such situations. (See Diagram 2.)

However, and strategically important, the physical development of the LCPA probably *sparked the initiation* of the neighborhood's housing resurgence. Many decayed structures were demolished and replaced with buildings that attracted a lot of more affluent and well-educated people into the neighborhood. That may have been its most important role in the neighborhood's impressive resurgence. Arts venue development in smaller communities can have similar effects, if on a smaller scale.

LCPA's direct impact through its audience's spending on retail probably has been relatively modest. Residential growth and spending probably had the strongest direct impact on Lincoln Square's retail. LCPA undoubtedly also had some strong indirect impacts on retail via its direct impacts on housing. In smaller towns, too, the strongest impacts on retail may follow an indirect causal path via increasing the attractiveness of the downtown as a residential location.

Why is this important? *If you are trying to determine what the impacts of your proposed arts endeavor will be, it*

Finding comparables to use in estimating the impacts of new projects is not easy. There is often a lot of variation in the aforementioned types of information among arts organizations, even those in communities of roughly similar size. Additionally, such estimates are often the foundation for other estimates, so one substantial initial error can undermine the entire quantitative analysis.

*is important to identify the other factors, both positive and negative, that might be in play. They can make a critical difference in determining whether a potential impact is likely to happen or not, its magnitude, and if it is likely to be beneficial or harmful. Also, if you are thinking of making arts events venues the engine of your downtown revitalization, maybe you need to consider some other engines as well!*

**DETERMINING THE IMPACTS OF AN EXISTING ARTS PROJECT OR PROGRAM IS MUCH EASIER AND MORE ACCURATE THAN DETERMINING THE IMPACTS OF ONE BEING PROPOSED**

There is an important and simple explanation for this: the existing projects and programs will have a lot of essential data on admissions/ ticket sales, overall revenues and expenses, building and land costs, etc. Estimates must be made for proposed projects and programs and though they may be produced through diligent work, they still will have significant built-in potential for substantial errors. Finding comparables to use in estimating the impacts of new projects is not easy. There is often a lot of variation in the aforementioned types of information among arts organizations, even those in communities of roughly similar size. Additionally, such estimates are often the foundation for other estimates, so one substantial initial error can undermine the entire quantitative analysis.

It is best to treat such estimates for new arts endeavors as having ballpark accuracy and reliability, and stating this frequently in reports, press releases, etc. Impact analysts should exercise great prudence in stating their findings and overtly acknowledge the potential for errors. When dealing with the future, analytical modesty and caution are always in order. PR puff is an enemy.

**ACCURATE INFORMATION ABOUT DOWNTOWN ARTS AUDIENCES' EXPENDITURES IS ESSENTIAL FOR A USEFUL AND ACCURATE IMPACT ANALYSIS**

Americans for the Arts (AftA) has published an enormous amount of valuable information about arts organizations in 250 study areas around the nation<sup>6</sup>. These data are mostly related to impacts of the expenditures of these organizations and their audiences. While they may not address many of the primary information needs of downtowners, they are representative of the type of data that is most often gathered about arts venue impacts. They do

not address such issues as impacts on the perceptions of the downtown as an attractive place to live and to play or the stimulation of nearby redevelopment and increased property values, etc.

For this article, data was extracted from AftA's database for 23 study areas that are in towns with populations under 25,000. AftA groups together town, city and county study areas with populations under 50,000. However, the 25,000-population threshold more truly focuses on the smaller communities this article is primarily aimed at. Table 1 shows their organizational expenditures in their 2015 budgets as well as their audiences' expenditures. Total organization expenditures and total audience expenditures are two key data inputs in AftA's impact analyses for each of these communities. They represent the very important direct impacts.

If you go to <http://www.americansforthearts.org/by-program/reports-and-data/research-studies-publications/arts-economic-prosperity-5/use/arts-economic-prosperity-5-calculator>, you can get a ballpark estimate of the indirect impacts of the annual audience spending of a district arts event organization on jobs, household incomes, and local and state tax revenues. You can get this estimate by providing three pieces of information: town size, the arts organization's total annual expenses, and its total audience size. The analysis can be expanded to cover all the arts events organizations in your district simply by aggregating the required input data. Donors and project approvers are likely to find these indirect impacts interesting, while downtowners will likely find them to be far less salient.

**Table 1. Total Expenditures Made by Nonprofit Arts and Cultural Organizations and Their Audiences in 23 Study Regions With Populations Under 25,000 in 2015**

Expenditure Components	Average	Median	Percent Total Expenditures
A) Operating Expenditures	\$4,801,449	\$2,612,457	38%
B) Capital Expenditures	\$819,890	\$67,707	6%
C) Total Org Expenditures (A+B)	\$5,518,769	\$2,639,540	44%
D) Total Audience Expenditures	\$7,072,855	\$2,246,065	56%
TOTAL EXPENDITURES (C+D)	\$12,691,624	\$5,079,985	100%
SOURCE: Arts and Economic Prosperity 5, Americans for the Arts, 2017. <a href="http://www.americansforthearts.org/economicimpact">www.americansforthearts.org/economicimpact</a>			

**Arts Organization Spending.** Table 1 shows that total organizational expenditures in a study area average about \$5.6 million or 44 percent of the combined total, though the median is about \$2.6 million, or 52 percent of the combined total. That suggests the organizational expenditures are more important among the smaller organizations. Such expenditures are substantial and obviously an important channel through which the economic impacts of these arts organizations flow. However, an essential question is how many of those expenditures are likely to go to downtown businesses? The basic geographic unit of analysis AftA uses, counties, does not facilitate generating an answer.



**Table 2. Paramount Theater, Rutland, VT:  
2014 Annual Expenditures**

2014		Expenditure Line Items
\$s	Percent	
\$838,744	56.7%	Performance expenses
\$294,246	19.9%	Salaries, wages, taxes benefits
\$106,540	7.2%	Occupancy
\$107,832	7.3%	Depreciation, etc.
\$9,247	0.6%	Interest
\$849	0.1%	Legal
\$1,200	0.1%	Accounting
\$8,574	0.6%	Advertising & promotions
\$4,487	0.3%	Info tech
\$5,068	0.3%	Office expenses
\$16,769	1.1%	Insurance
\$2,156	0.1%	Travel
\$84,374	5.7%	All other
\$1,480,086	100.0%	TOTAL

Source: IRS Form 990 for Rutland's Paramount Center for 2014

One approach to answering this question is to assess the likelihood of the arts organizations' expenditure items having related vendors located in their downtowns that can capture them. Table 2 shows how the Paramount Theater in Rutland, VT, spent its money in 2014. Of the \$1,480,086 in expenditures, about 57 percent was for performance expenses (mostly for out-of-town talent) and 19.9 percent for salaries (most of which probably was not spent in the downtown). Of the remaining 24 percent, the associated line items potentially can be captured by downtown firms. However, the Paramount's CPA, for example, is not located in the downtown and many of its business and professional services vendors probably are not located there.

A review of the expenditures of several art museums around the nation showed a similar story regarding the likelihood of nearby firms capturing their organizational expenditures. *Unfortunately, downtowns, especially the smaller ones, are highly unlikely to capture any large proportions of their downtown arts organizations' expenditures because they have thin business mixes.* Moreover, even in large cities, many of the vendors serving arts venues are not located in their neighborhoods. For example, much of the scenery and costumes for Broadway shows in NYC are created or stored in NJ, Brooklyn, and other parts of Manhattan.

It should be relatively easy and inexpensive for an arts organization to identify its vendors who are located in its downtown and to total its payments to those vendors in a way that preserves anonymity. If they cannot do that, then a lot of other questions should immediately be asked of its managers.

**Arts Audience Spending.** The AftA data in Table 1 shows that, on average, the audience expenditures of the 23 smaller town arts organizations were larger (about \$7 million) than those of the organizations themselves (about \$5.6 million). *That is the channel through which most downtown arts event venues potentially can directly impact downtown businesses.*

The best research tool for getting information about specific audience expenditures is a survey based on a relatively large number of interviews. Having at least 600 completed interviews usually enables a sufficiently detailed analysis: e.g., most interesting crosstab tables won't have a lot of empty cells. However, such surveys are notoriously hard to do because respondents' memories of non-repetitive expenditures, such as how much they paid for dinner last night, or smaller incidental items, are likely to quickly fade. The surveys also can be expensive to conduct or have sampling issues.

The best approach is to do intercept surveys at arts events and ask about expenditures that happened within the last day. AftA has developed a good questionnaire to use that is available on its website. However, downtown organizations might want to amend it somewhat to reveal expenditures made in their districts. With a bit of good training, staff or volunteers can administer the questionnaire at local arts events.

Some of our nation's most prestigious arts organizations have had impact studies done that were based on surveys carried out neither by them nor the research firms they hired, but by still other organizations with unrelated research objectives in mind. Other arts impact analyses were based on surveys that were too small, poorly worded or amateurishly administered. Every other piece of analysis based on those poorly done audience expenditure surveys was worthless. *Getting a good survey done of your downtown arts organization's audience spending is a sine qua non step for getting a fairly accurate and useful analysis of your existing arts program or project.* Properly planned and executed, these surveys can be quite affordable.

**Here Is a Real Problem for Downtown Arts Advocates of New Projects or Programs:** There is no existing actual audience for a proposed arts endeavor, only a potential one of uncertain size, so key numbers about its operations and feasibility must be estimated in a too often unreliable fashion. However, more reliable estimates might be possible, if there are other arts events in the district or community with audiences that could be surveyed.



**The Paramount Theater, Rutland, VT.** A source of great community pride and a significant downtown asset. However, few downtown businesses are probably capturing its expenditures.

If there are no local audiences to survey, then estimates might be somewhat improved by being based on what has been found in comparable communities. The problem is that finding a truly comparable community, or a group of them, is not an easy task.

## AUDIENCE SPENDING PATTERNS IN SAMPLE OF SMALLER TOWNS WITH POPULATIONS UNDER 25,000

**Table 3. Some Characteristics of the Data on Audience Total Spending for Meals and Lodging in the 23 Towns With Populations Under 25,000**

Audience	Meals		Number of Study Areas Below Average	Lodging	
	Low	High		Low	High
Resident	\$18,448	\$11,136,271	14 of 23	\$0	\$1,052,439
Non-Resident	\$7,163	\$772,806	19 of 23	\$5,873	\$7,719,085

The 23 towns I selected from the AftA data set to look at this question all are comparable in that they have populations under 25,000. However, if you look closely at the survey-based estimates of the audience's total expenditures for meals and drinks and overnight lodgings in each study area, you find that the ranges between lows and highs are quite large. Also, looking at averages may not be the most prudent thing to do. For example, in 19 of the 23 study areas, expenditures of non-resident audience members were below the overall average for all 23; for resident spending, 14 of the 23 were below average. In a normal distribution, 11 or 12 would be below the average. The medians appear to give a better indication of where most of these study area audiences are. (See Table 3.)

**Table 4. Categorized Audience Expenditures by Attendees to Nonprofit Arts and Cultural Events in 23 City/ Town Study Regions With Populations Under 25,000 During 2015**

RESIDENTS					
Expenditure Items	Item Totals	Average	% of Total	Median	Medians as %
Refreshments/snacks	\$13,067,086	\$568,134	16.8%	\$194,488	17.4%
Meals/drinks	\$32,170,235	\$1,398,706	41.4%	\$593,054	53.2%
Gifts/ Souvenirs	\$18,710,631	\$813,506	24.1%	\$165,415	14.8%
Clothing-- accessories	\$6,214,599	\$270,200	8.0%	\$71,779	6.4%
Local Ground Transportation	\$3,864,040	\$168,002	5.0%	\$60,593	5.4%
Childcare	\$1,065,996	\$46,348	1.4%	\$12,681	1.1%
Overnight Lodging	\$2,313,017	\$100,566	3.0%	\$11,739	1.1%
Other	\$335,602	\$14,591	0.4%	\$5,222	0.5%
Resident Audience Expenditures	\$77,741,210	\$3,380,053	100.0%	\$1,114,971	100.0%
NON- RESIDENTS					
Expenditure Items	Item Totals	Average	% of Total	Median	Medians as %
Refreshments/snacks	\$9,702,462	\$421,846	11.4%	\$81,027	7.85%
Meals/drinks	\$25,716,753	\$1,118,120	30.3%	\$401,488	38.89%
Gifts Souvenirs	\$14,597,048	\$634,654	17.2%	\$146,406	14.18%
Clothing-- accessories	\$5,210,324	\$226,536	6.1%	\$17,290	1.67%
Local Ground Transportation	\$6,682,758	\$290,555	7.9%	\$121,814	11.80%
Childcare	\$660,401	\$28,713	0.8%	\$8,028	0.78%
Overnight Lodging	\$21,355,785	\$928,512	25.1%	\$253,506	24.55%
Other	\$1,008,930	\$43,867	1.2%	\$2,918	0.28%
Non-Resident Audience Expenditures	\$84,934,455	\$3,692,802	100.0%	\$1,032,477	100.00%

SOURCE: Arts and Economic Prosperity 5, Americans for the Arts, 2017.  
www.americansforthearts.org/economicImpact.

Table 4 shows the total, average and median annual expenditures for each audience spending category in these 23 towns. The table has two parts. The top part displays the results for audience members who are local residents; the bottom covers audience members who are not.

The results for the average smaller study area seem impressive: about \$3.69 million from non-residents and roughly \$3.38 million by residents. Expenditures for meals and drinks are \$1.11 million and \$1.39 million respectively. However, a more conservative approach is probably more prudent, since so many of the 23 study areas have below average audience spending and most other arts venues in similar communities are likely to be as well.

**Table 5. Average and Median Per Person Audience Spending by Resident and Non-Resident Attendees to Nonprofit Arts and Cultural Events in 23 City/ Town Study Regions With Populations Under 25,000 During 2016 .**

Expenditures for...	Means		Medians	
	Resident	Non Resident	Resident	Non Resident
Hospitality	\$12.57	\$29.57	\$10.70	\$20.03
	62.0%	68.9%	61.7%	63.5%
Refreshments/snacks	\$3.35	\$4.42	\$2.55	\$2.78
Meals/drinks	\$8.84	\$13.52	\$7.95	\$11.12
Overnight Lodging	\$0.38	\$11.63	\$0.20	\$6.13
Retail Prone	\$5.97	\$8.36	\$5.15	\$7.24
	29.5%	19.5%	29.7%	23.0%
Gifts/Souvenirs	\$4.54	\$6.69	\$4.12	\$6.07
Clothing--accessories	\$1.43	\$1.67	\$1.03	\$1.17
Other Expenditures	\$1.73	\$5.01	\$1.50	\$4.27
	8.5%	11.7%	8.6%	13.5%
Local Ground Transp	\$1.23	\$4.00	\$1.12	\$3.75
Childcare	\$0.35	\$0.49	\$0.29	\$0.32
Other	\$0.15	\$0.52	\$0.09	\$0.20
Total Expenditures	\$20.27	\$42.94	\$17.35	\$31.54

SOURCE: Computed by NDM from data published in Arts and Economic Prosperity 5, Americans for the Arts, 2017.  
www.americansforthearts.org/economicImpact

Looking instead at the estimates of total spending based on medians shows significantly lower spending levels: the average median of total spending by non-residents is around \$1.03 million and about \$1.1 million by residents. Spending for meals and drinks is respectively estimated at \$401,488 and \$593,054.

The per person spending of audience members is analytically important since it enables an assessment of the significance of the audience expenditure levels. (See Table 5.) As might be expected, the table mirrors the patterns displayed in the aggregate category totals. Estimates of the total per person expenditures are very interesting. Expenditures for non-residents based on the means are \$42.94 and \$31.54 based on the medians. For residents, the estimates are \$20.27 and \$17.35 respectively. The per person spending for meals and drinks by non-residents averaged \$13.52, with a median of \$11.12, with residents averaging \$8.84, and having a median of \$7.95. To put some perspective on that spending level:

- In 2015, the average meal in the 22 largest family restaurant chains was around \$28 per person. Red Lobster, for example, was at \$20.50, Outback at \$20.00 and Red Robin at \$12.17<sup>7</sup>.
- Bryant House, near the Playhouse in Weston, VT, in 2016 had seven entrees on its menu that ranged in price from \$15 to \$19<sup>8</sup>.



- Roots, around the corner from the Paramount Theater in downtown Rutland, VT, in 2016 had several entrees all priced between \$19 and \$23<sup>9</sup>.

This suggests that per person arts audience spending in these smaller communities is not relatively high. That means that to get any really significant level of aggregate audience expenditures, the arts venues must attract a significant number of admissions.

This is demonstrated in Table 6. For each expenditure item, it simply takes the total expenditures based on averages and total expenditures based on medians at the study area level and divides them by the daily average and the median at the per person spending level. This is done for resident and non-resident audiences combined. The resulting estimates are the number of audience spending days needed to generate the total expenditures at the study area level for each expenditure item.

**Table 6. Needed Audience Spending Days to Achieve Study Area Category Expenditure Totals in 23 Towns With Populations Under 25,000**

Expenditure Items	A) Per Person Arts Daily Exp \$s*		B) Study Area Arts Exp \$s**		C) Needed Spending Days	
	Mean	Median	Mean	Median	Mean	Median
Refreshments/snack	\$3.55	\$2.87	\$944,326	\$290,546	266,007	101,236
Meals/drinks	\$10.20	\$9.04	\$2,308,105	\$912,516	226,227	100,942
Gifts/Souvenirs	\$5.06	\$5.10	\$1,281,819	\$366,455	253,520	71,854
Clothing--accessories	\$1.55	\$1.09	\$404,464	\$122,014	261,164	111,939
Local Ground Trans	\$2.00	\$1.60	\$444,731	\$164,524	222,559	102,828
Childcare	\$0.39	\$0.33	\$71,003	\$19,522	181,856	59,158
Overnight Lodging	\$3.69	\$2.10	\$1,016,836	\$253,506	275,273	120,717
Other	\$0.28	\$0.26	\$58,107	\$21,844	204,352	84,015

Data sources: \* AftA 2015 surveys; \*\* AftA 2016 surveys. B/A=C

Planners of new arts venues in smaller communities should keep these statistics in mind when assessing their potential economic impacts, as should downtowners when advocates for new arts projects come a-calling. Higher levels of arts audience spending days are more likely to be achieved if the downtown has more than one arts event venue. An arts/entertainment niche or district would be even better.

## THE BIGGEST AUDIENCE EXPENDITURES GO TO FIRMS IN HOSPITALITY NICHES

Whether one looks at the average or median study area category totals or at the per person expenditure item estimates based either on mean or medians, the strategic implications for downtown revitalization leaders and their EDOs are clear:

- The biggest POTENTIAL impacts of art event venues are through their audiences' POTENTIAL spending in hospitality type establishments – places that provide accommodations, food and drink. For example, per person expenditure items associated with a hospitality niche – refreshments and snacks, meals and drinks and overnight lodging accounted for an estimated 61.2 percent of total resident audience's spending based on study area averages and 71.7 percent with estimates based on medians; 66.8 percent and 71.3 percent respectively of the non-resident's expenditures.

- Meals and drinks are the biggest single expense items (41.4 percent mean-based and 53.2 percent median based) for resident audience members and 30.3 percent and 38.9 percent respectively for the non-residents. So, restaurants have the most opportunity to benefit from arts audience spending. Overnight lodging is the second biggest expense item for non-residents. (These observations are from Table 4).
- Audience spending for clothing is relatively meager. Downtown leaders should not expect such spending to help sustain their existing apparel shops or to stimulate their expansion or to attract new apparel shops.
- Arts audience spending for "gifts" may be significant. Unfortunately, their impact paths are not easy to research. Such expenditures may HELP attract art galleries, crafts shops, bookstores or gift shops that offer an array of such products. However, such spending pales in comparison to that for food, drink, and lodging.

## THE BOTTOM LINES FOR DOWNTOWNERS AND THEIR EDOs

- Impact studies on downtown arts event venues also should be designed to meet the information needs of other downtown stakeholders and their EDOs.
- The input-output models favored by economic impact analysts cannot produce information relevant to downtown information needs about downtown arts venues.
- Impacts involve senders, receivers, and re-senders. It's very important to know their characteristics. The characteristics of receivers are especially important when looking at proposed projects because the receivers can have substantial influence on potential impacts.
- Impacts seldom occur in isolation: there are usually multiple senders (causes) and there are important interactions among these senders. Too many arts venue impact studies ignore this fact since they are so advocacy oriented.
- Determining the impacts of an existing arts project or program is much easier and more accurate than determining the impacts of one being proposed. The existing arts project can assemble a lot of hard data about its operations and audience that a proposed project will lack and need to rely instead on unreliable estimates.
- Potentially, these arts venues have two important economic causal channels for impacting other entities in their districts: the expenditures of the organizations that run these venues and the expenditures of the audiences that attend their events.
- Because the business mix in smaller downtowns usually is relatively thin, downtown businesses are unlikely to capture much of the arts organization's operating or capital improvement expenditures.
- The impacts of the arts events venues' audiences' expenditures on their downtowns are likely to be much more significant.

- To get a good grasp on the direct impacts of the arts organization's expenditures, simply look at its payments to vendors located in the downtown grouped by their NAICS codes.
- The best way to get reliable data about audience spending is to do a professionally designed intercept survey of arts events attendees that has a well-written questionnaire, is systematically distributed, and has many respondents. AftA's surveys are a good model to emulate.
- Per person arts audience spending in these smaller communities is not relatively high. That means that to get any really significant aggregate audience expenditures, the arts venues must attract a significant number of admissions. This is more likely to occur when more than one venue is present.
- AftA's survey data show that the biggest audience expenditures go to firms in hospitality niches – e.g., restaurants, snack bars, motels, B&Bs, etc.
- Expenditures for clothing are negligible, but those for gifts/souvenirs can be significant. That strongly suggests that the impacts of these arts events venues on the types of retail local residents are most likely to use and want – groceries, pharmacies, clothing shops, furniture stores, etc. -- will be relatively negligible. This situation can be the source of local political conflicts.
- However, these smaller town arts venues may have significant impact paths on the downtown that are outside of the realms of the expenditures of their organizations and audiences.
- For example, a cluster of such venues in an arts district may make both the downtown and its whole community much more attractive places to live, work, or visit. This greater residential magnetism will, in turn, mean more customers for retailers. Indeed, as what happened around the Lincoln Center for the Performing Arts in NYC demonstrated, it is

through this causal path that the Center (along with other causal factors) had its strongest impact on nearby retailing. Unfortunately, these causal paths, are usually not looked at in arts venue impact studies, and on the few occasions when they are, the research is usually at a rather perfunctory level. These other causal paths are regularly related to the types of impact information that downtowners would really like to have. 🌐

## ENDNOTES

- <sup>1</sup> See the series of articles "Let's Get Real About the Arts as an Important Downtown Revitalization Tool" especially Part 1 <http://www.ndavidmilder.com/2017/06/lets-get-real-about-the-arts-as-an-important-downtown-revitalization-tool-redux-part-1/>; <http://www.ndavidmilder.com/2017/07/lets-get-real-about-the-impacts-of-the-arts-on-smaller-downtowns-the-arts-as-an-important-downtown-revitalization-tool-redux-part-2/>; <http://www.ndavidmilder.com/2017/08/lets-get-real-about-the-potential-audiences-for-events-at-arts-venues-in-smaller-downtowns>
- <sup>2</sup> Baker Tilley. "Restaurant Benchmarks: Key performance indicators" <http://www.bakertilly.com/uploads/restaurant-benchmarking.pdf>
- <sup>3</sup> SEH and DANTH, Inc. "Village of Sherwood: Downtown Market Analysis & Strategy. Final Report." 2012. <http://www.ndavidmilder.com/wp-content/uploads/2012/05/Market-Strategy-FINAL.pdf>
- <sup>4</sup> Data on seating capacity and number of performances calculated from information on the theater's website <http://www.countrygateplayers.org/>
- <sup>5</sup> Data extracted from Americans for the Arts. "Arts & Economic Prosperity 5." 2017. <https://www.americansforthearts.org/by-program/reports-and-data/research-studies-publications/arts-economic-prosperity-5> This data set is analyzed in greater detail below.
- <sup>6</sup> Ibid
- <sup>7</sup> Ashley Lutz. "Here's how much it costs to eat at 22 chain restaurants". March 2015. Business Insider. <http://www.businessinsider.com/how-much-it-costs-to-eat-at-resaurants-2015-3>
- <sup>8</sup> Menu accessed on the Bryant House website <https://www.vermontcountrystore.com/file/general/restaurants-bryant-house-dinner-menu.pdf>
- <sup>9</sup> Menu accessed on the Roots website <http://rootsrutland.com/menus/dinner/>

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