

OLYMPIA ARTS CULTURES AND HERITAGE PROFILE

ECONOMIC IMPACT ASSESSMENT

MARCH 2018

INTRODUCTION AND SUMMARY

INTRODUCTION

The City of Olympia has a vibrant arts community that serves as a rich resource for its citizens and a strong pillar of the local economy. The City looks to expand its current arts, cultural and historic assets and capture new opportunities for the future. The City has commissioned the development of an Expanded Arts Cultures Heritage (ArCH) Profile to guide these efforts. The purposes of the program are to review current plans and policies; review relevant and promising practices elsewhere; identify short-term and long-term options; and identify resource requirements and economic returns for those options.

The economic impact of an Expanded Profile is addressed in three elements:

- The role of arts culture and heritage in the local economy. This role can be summarized in a measure called the Creative Vitality Index.
- The impact of arts culture and heritage on a local economy, including appropriate economic measures and relevant parameters.
- The return on investment in plans and actions, with an assessment of the level of investment required and the nature of the economic returns.

This report documents the results of the economic impact assessment. It is organized in four sections.

Introduction and Summary

Creative Vitality Index

Economic Impact

Return on Investment

The key findings and conclusions of these sections are summarized below.

SUMMARY

Creative Vitality Index

The Creative Vitality Index (CVI) is an accepted measure of the contribution of creative activities, including the arts, to local economies. The index reflects a weighting of two components: indicators of community participation in the arts (60%) and arts-related employment (40%). The CVI is calculated relative to a baseline for the country. With a value of 1.41 in 2016, the creative economy is very strong in Olympia.

The CVI for Thurston County can be compared to the CVI of Clark, King, Spokane and Whatcom Counties in Washington, Marion County in Oregon (which includes the capital city Salem), Ada County Idaho (which includes the capital city Boise), the State of Washington, and the United States as a whole. The individual components of the CVI can be compared on a per capita basis.

- On a per capita basis, Thurston's employment in creative occupations falls short of the level in every jurisdiction other than Clark County, Spokane County, and Marion County.
- On a per capita basis, Thurston's cultural nonprofit revenues fall short of the level in every jurisdiction other than Clark County and Marion County.
- On a per capita basis, Thurston's performing arts participation falls short of the level in every jurisdiction other than Clark County and Marion County.
- On a per capita basis, Thurston's bookstore and electronic media sales exceed those of Clark County, Whatcom County, Marion County, and the USA.
- On a per capita basis, Thurston's musical instrument sales are higher than those in other areas shown except King County and Clark County.
- On a per capita basis, Thurston's art gallery sales fall short of the level in every jurisdiction other than Clark County, Spokane County, and Marion County.

This comparison is only a partial picture of Olympia's stature in the arts. While it suggests that Olympia and Thurston County's position overall is strong as indicated by a CVI greater than that of the State and country as a whole, it still falls short of the performance of larger counties such as King, Spokane, and Ada. It also falls slightly below Whatcom County which has a smaller population.

Economic Impact

An economic impact assessment considers the economic contribution of selected arts sectors. It measures the new economic activity that results from the cultural facilities and programs. This impact is the sum of patron spending before, during and after events, as well as the expenses incurred by the organizations in presenting an exhibition or program. A distinction can be drawn between aggregate impacts and “new money impacts”. Aggregate impacts are the total spending by attending patrons and presenting organizations. A portion of the aggregate impact is related to money coming into the local economy from external sources, either spending by non-resident patrons or funds derived by arts and cultural organizations from sources outside the region.

Artsfund periodically produces an economic impact study of arts, cultural and scientific organizations for King County and the Central Puget Sound area. The most recent study was prepared in 2014. This comprehensive assessment provides several results relevant to Olympia.

- New money impacts are dependent on attracting patrons from outside the local area.
- The activities that attract the most non-local patrons are those that are distinctive and not available elsewhere in the region.
- Activities that attract overnight visitors support higher levels of spending and greater economic impact.
- Combinations of arts and culture activities can extend the visitor experience and support longer visitor stays and more spending.
- Indirect and induced impacts (the multiplier effect) supplement the direct impacts and contribute to the total impact.
- Support of arts activities by local residents contributes to improved quality of life and likely make the area more attractive to new business investment and start-up or relocating companies.

Return on Investment

Development of an expanded ArCH profile will require a range of strategies and actions. These strategies and actions will vary in the level of investment required and the nature and extent of economic return. Investment includes both onetime expenditures for capital projects and working capital, and recurring expenditures for staffing and purchased services. The appropriate measure of economic return is new money generated. The new money is related to local spending by non-resident patrons or funds derived by arts organizations from outside the area.

The overall ArCH Profile has identified ten recommendations to enhance the local ArCH scene.

1. Realign City organizational structure.
2. Integrate ArCH as part of City identity.
3. Build capacity and expand partnerships.
4. Strengthen ArCH relationships.
5. Pursue Creative District Designation through ArtsWA.
6. Identify space needs and establish plan.
7. Develop resource and partnership plan.
8. Preserve sense of who we are through historic resources.
9. Increase awareness of historical and cultural assets.
10. Develop metrics to measure performance.

The investment required and the economic benefits for each are considered in conceptual terms because the recommendations themselves are strategic in nature and their outcomes have not been analyzed in detail. The investment associated with each is considered in terms of the relative magnitude (with respect to each other). At the low investment end, the coordination activities may require few new resources, rather a redeployment of existing staffing, or modest increases over time. At a moderate level, new staffing and purchased services may be required to fund planning and promotional efforts.

Most of the economic benefits are related to increasing the number and spending of non-resident patrons. This can be achieved in several ways:

- New programs and facilities can enhance unique and distinctive visitor opportunities in Olympia.
- Expansion of existing programs can expand visitor potential by supplementing existing activities and extending the visitor experience.
- Physical improvements can improve the quality of the visitor experience.
- Marketing can increase awareness of local opportunities to non-residents.
- An expanded ArCH scene will attract outside funding to arts organizations.

In addition, some of the recommendations create value by increased utilization of resources.

In every case, any enhancements of the local arts scene will make the community more attractive to private investment by businesses and residents.

CREATIVE VITALITY INDEX

The Creative Vitality Index (CVI) is an accepted measure of the contribution of creative activities, including the arts, to local economies. The CVI was created in 2002 by the Western States Arts Federation (WESTAF), in cooperation with the Washington State Arts Commission, and the Seattle Office of Arts & Culture. The CVI is designed to serve as a

tool to inform public policy decision making and to support the work of advocates for the development of the creative economy.

As explained in The Creative Vitality Report by the Washington State Arts Commission,

“The Index can be used for the following purposes:

- To consistently define the parameters of a localities’ creative economy;
- To explain the components and dynamics of the creative economy;
- As a source of information for arts advocacy messaging;
- To call attention to significant changes in the creative economy ecosystem;
- To underscore the economic relationships between the for-profit sector and the nonprofit sector;
- To benchmark the status of a local creative economy to diagnose weaknesses in that economy.”

Using proprietary software Creative Vitality Suite, the Thurston Economic Development Council has produced a report for the Olympia area (zip codes 98501 and 98502). The index reflects a weighting of two components: indicators of community participation in the arts (60%) and arts-related employment in more than 30 professional categories (40%). The CVI has varied as follows over the past five years:

2013	1.33
2014	1.32
2015	1.36
2016	1.41

The CVI is calculated relative to a baseline for the country as a whole. With a value well above 1.0, the creative economy is very strong in Olympia.

The CVI for a city such as Olympia is likely to be considerably higher than the value for its host county because much of the cultural activity is concentrated in the city. Using the Creative Vitality Suite, The Thurston Economic Development Council prepared a Regional Comparison Report that considered Thurston as well as King, Spokane and Whatcom Counties in Washington, Marion County in Oregon (which includes the capital city Salem), Ada County in Idaho (which includes the capital city Boise), the State of Washington, and the United States. Use of individual cities is complicated by the need to specify cities as combinations of zip codes. However, the county level comparison does provide some

important conclusions. Table 1 on the following page presents the results of that comparison.

The first line of the table expresses the CVI relative to Thurston County, rather than the United States as a whole. As shown, Thurston's CVI exceeds that of any of the other regions except for King County, Ada County, and Whatcom County. The individual components of the CVI are compared on a per capita basis at the bottom of the table.

- On a per capita basis, Thurston's employment in creative occupations falls short of the level in every jurisdiction other than Clark County, Spokane County, and Marion County.
- On a per capita basis, Thurston's cultural nonprofit revenues fall short of the level in every jurisdiction other than Clark County and Marion County.
- On a per capita basis, Thurston's performing arts participation falls short of the level in every jurisdiction other than Clark County and Marion County.
- On a per capita basis, Thurston's bookstore and electronic media sales exceed those of Clark County, Whatcom County, Marion County, and the USA.
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This comparison is only a partial picture of Olympia's stature in creative vitality. While it suggests that Olympia and Thurston County's position overall is strong as indicated by a CVI greater than that of the State and country, it still falls short of the performance of larger counties such as King, Spokane, and Ada. It also falls slightly below Whatcom County which has a smaller population.

Table 1. Creative Vitality Index Regional Comparison

	Thurston County	Clark County	King County	Spokane County	Whatcom County	Marion County	Ada County	WA State	USA
2016 CVI Value (relative to Olympia)	1.00	0.69	2.33	0.99	1.04	0.63	1.22	0.75	0.71
Creative Occupations	4,102	5,808	64,279	7,216	3,462	3,721	8,652	125,662	5,335,387
Cultural Nonprofit Revenues	\$14,098,543	14,543,007	597,145,641	27,855,677	13,064,755	8,194,236	26,255,371	843,143,585	37,267,033,028
Performing Arts Participation	\$8,101,962	4,595,214	368,798,726	16,446,083	6,480,186	3,628,200	24,407,896	474,516,566	24,887,173,325
Bookstore and Electronic Media Store Sales	\$21,472,340	23,604,013	329,349,348	40,525,677	15,650,531	21,277,555	45,053,973	586,914,174	23,835,084,616
Music Instrument Sales	\$4,271,947	9,015,816	37,472,339	7,608,828	2,602,801	3,488,744	5,382,852	100,872,059	3,764,533,697
Art Gallery Sales	\$24,422,829	39,893,775	548,604,274	31,901,212	27,088,509	22,668,809	46,059,753	957,476,413	56,546,225,616
Population	275,225	467,024	2,149,997	499,072	216,786	336,319	444,041	7,288,007	323,127,513
Past Performance (relative to Thurston County)									
2016 CVI Value	1.00	0.69	2.33	0.99	1.04	0.63	1.22	0.75	0.71
2015 CVI Value	1.00	0.69	2.33	0.99	1.08	0.63	1.28	0.77	0.74
2014 CVI Value	1.00	0.61	2.33	0.99	1.03	0.65	1.39	0.75	0.76
2013 CVI Value	1.00	0.58	2.33	0.99	1.00	0.66	1.43	0.75	0.75
Per Capita Comparison									
Creative Occupations	0.015	0.012	0.030	0.014	0.016	0.011	0.019	0.017	0.017
Cultural Nonprofit Revenues	51.226	31.140	277.743	55.815	60.266	24.364	59.128	115.689	115.332
Performing Arts Participation	29.438	9.839	171.535	32.953	29.892	10.788	54.968	65.109	77.020
Bookstore and Electronic Media Store Sales	78.017	50.541	153.186	81.202	72.193	63.266	101.464	80.532	73.764
Music Instrument Sales	15.522	19.305	17.429	15.246	12.006	10.373	12.122	13.841	11.650
Art Gallery Sales	88.738	85.421	255.165	63.921	124.955	67.403	103.729	131.377	174.997
Population	275,225	467,024	2,149,997	499,072	216,786	336,319	444,041	7,288,007	323,127,513

ECONOMIC IMPACT

The Cultural Vitality Index is related to, but different than an economic impact assessment of arts, culture and heritage. An economic impact assessment considers the economic contribution of selected arts sectors. It measures the new economic activity that results from the cultural facilities and programs. This impact is the sum of patron spending before, during and after events, as well as the expenses incurred by the organizations in presenting an exhibition or program. A distinction can be drawn between aggregate impacts and “new money impacts”. Aggregate impacts are the total spending by attending patrons and presenting organizations. A portion of the aggregate impact is related to money coming into the local economy from external sources, either spending by non-resident patrons or funds derived by arts and cultural organizations from sources outside the region. The impact of these external funds is referred to as “new money” impacts. Unlike the discretionary spending of a local resident, if these organizations were not present, the new money spending would not be available to the local economy.

Economic impacts can also be distinguished as direct or total, with total impacts including indirect and induced impacts. Direct impacts are related to organization and patron spending. Indirect impacts are related to purchases for goods and services associated with the primary activity, and induced impacts are related to expenditures by the households of primary employees. Together, indirect and induced impacts represent the “multiplier effect” as new money circulates through the economy.

It should be emphasized that new money impacts aren’t the only benefit of arts activities. Many contribute to improved quality of life which is enjoyed by local residents, and likely make the area more attractive to new business investment and start-up of relocating companies. According to a report by the National Governor’s Association, *Arts and the Economy, Using Arts and Culture to Stimulate State Economic Development*,

“The arts are an important complement to community development. They provide an enhanced quality of life, enrich local amenities, and play an important role in attracting young professionals to an area. Richard Florida, a leading expert on economic competitiveness, innovation, and demographic trends, is credited with coining the term ‘Creative Class,’ which describes young and talented individuals who are mobile and more likely to locate where there is a vibrant and creative environment. Attracting and retaining talented young people and companies is becoming increasingly important to states. The arts and culture within an area play an important role in attracting these professionals.”

The Hands On Children’s Museum is an example of a local institution that has a significant economic impact to the community and provides metrics to demonstrate that impact. According to the Museum’s 2016 annual report, the museum served 303,000 visitors. Many of them were from outside Thurston County. The Tourism Impact (spending by non-Thurston residents) was estimated at \$8 million including \$360,000 in hotel stays by

overnight visitors. Total annual revenues exceeded \$3 million, a portion of which would be considered new money.

Artsfund periodically produces an economic impact study of arts, cultural and scientific organizations for King County and the Central Puget Sound area. The most recent study was prepared in 2014. While this area has a broader and established cultural scene and a larger population and patron base, some of the results of this study suggest the nature of the economic impact of arts in Olympia.

Table 2 summarizes the overall impact of arts, cultural, and scientific activities in the Central Puget Sound Region. As shown the aggregate impact on business sales was \$2.4 billion. Note that new money impacts represent approximately one-quarter of aggregate impacts for sales, jobs, and labor income. This reflects the fact that much of the activity is related to local resident spending and is not considered new money. Note also that direct jobs for aggregate impacts are approximately 53% of total jobs. The effective jobs multiplier is 1.88.

**Table 2. Economic Impact of Arts Cultural and Scientific Organizations
Central Puget Sound 2014**

	Aggregate Impact	New Money Impact	New Money as %
Sales Impacts (\$ millions)	\$2,375.3	\$647.5	27.3%
Total Jobs	35,376	8,182	23.1%
Labor Income (\$ millions)	996.3	257.0	25.8%
Patron Spending (\$ millions)	694.0	312.1	45.0%
Direct Jobs	18,778		
Taxes (\$ millions)	104.7		

Source: Artsfund, Economic Impact Study of Arts Cultural, and Scientific Organizations in the Central Puget Sound Region 2014.

As suggested above, the new money impact is closely related to the geographic origin of patrons. Table 3 summarizes attendance data and patron origin data by type of arts activity. As shown, total attendance for the groups surveyed was 13 million in 2014. The category with the highest total attendance was science (including the Pacific Science Center and Museum of Flight), followed by visual arts, and theater. Science also attracted the highest share of its attendance from outside the local area. Other activities reported 75% to 90% of its patronage as being local.

Table 3. Arts Cultural and Scientific Organizations Attendance and Patron Origin Central Puget Sound 2014

	Total Attendance	% of Total	% Local	% Other WA State	% Outside WA State	Total
Arts Services Organizations	751,516	5.6%	93.2%	4.0%	2.8%	100.0%
Dance*	269,138	2.0%	91.0%	7.4%	1.6%	100.0%
Heritage	756,369	5.6%	86.4%	0.061	0.075	100.0%
Music*	966,854	7.2%	91.0%	7.4%	1.6%	100.0%
Science	4,428,671	33.0%	66.9%	10.3%	22.8%	100.0%
Theater	1,458,042	10.9%	92.7%	5.2%	2.1%	100.0%
Visual	2,679,665	20.0%	76.6%	5.1%	18.3%	100.0%
Interdisciplinary/Festival	2,100,781	15.7%	77.1%	8.5%	14.4%	100.0%
Total	13,411,036	100.0%	77.5%	7.6%	14.9%	100.0%
* Patron origin data combined for music and dance.						

Source: Artsfund, Economic Impact Study of Arts Cultural, and Scientific Organizations in the Central Puget Sound Region 2014.

Spending by patrons also varied by patron origin and arts activity as shown in Table 4. Local patrons spent the least at \$45.80 per person per event, followed by patrons from elsewhere in Washington at \$87.05 per person per event, and patrons from outside the state at \$147.60 per person per event.

Table 4. Arts Cultural and Scientific Organizations Patron Spending Patterns by Geographic Origin Central Puget Sound 2014

	Central Puget Sound	Other WA State	Outside WA State
Tickets/Admissions	\$24.05	\$25.95	\$21.87
Souvenirs	1.74	3.44	6.14
Parking	2.35	3.27	1.80
Bus/Ferry/Light Rail	0.79	1.94	2.13
Auto Travel	2.13	7.04	8.47
Food Before or After Event	9.43	14.93	14.17
Food at Event	2.40	3.35	2.06
Entertainment	0.80	5.87	3.16
Lodging	0.89	18.28	38.00
Air Travel	0.38	-	46.73
Child Care	0.29	0.18	0.60
Other	0.55	2.80	2.47
Total	\$45.80	\$87.05	\$147.60

Source: Artsfund, Economic Impact Study of Arts Cultural, and Scientific Organizations in the Central Puget Sound Region 2014.

The total economic impact in Central Puget Sound is greater than the potential impact in Olympia, but several of the results are relevant to Olympia.

- New money impacts are dependent on attracting patrons from outside the local area.
- The activities that attract the most non-local patrons are those that are distinctive and not available elsewhere in the region. For example, the Hands On Children's Museum is rated as one of the best in the west and is the most visited children's museum in the State.
- Activities that attract overnight visitors support higher levels of spending and greater economic impact.
- Combinations of arts and culture activities can extend the visitor experience and support longer visitor stays and more spending.
- Economic impact includes spending and employment by the arts organizations themselves as well as patron spending.
- Indirect and induced impacts supplement the direct impacts and contribute to the total impact.
- Support of arts, culture and heritage activities by local residents contributes to improved quality of life and likely make the area more attractive to new business investment and start-up or relocating companies.

RETURN ON INVESTMENT

Development of an expanded ArCH profile will require a range of strategies and actions. These strategies and actions will vary in the level of investment required and the nature and extent of economic return. Investment includes both onetime expenditures for capital projects and working capital, and recurring expenditures for staffing and purchased services. As described in the previous section, the appropriate measure of economic return is new money generated. The new money is related to local spending by non-resident patrons or funds derived by arts organizations from outside the area.

Table 5 on the following page summarizes the basic relationships of investment and return for ten recommendations identified in the ArCH Profile. The elements in the table are expressed in conceptual terms because the actions themselves are strategic in nature and their outcomes have not been analyzed in detail. The investment columns in the table include an overall estimate of the relative magnitude for each recommendation (with respect to each other). The nature of the investment is identified as additional City staff or time, and additional purchased services. The recommendations with an investment identified as low would require only limited staff time. The recommendations identified as moderate would require relatively more staff time and additional purchased services.

The economic benefits for the recommendations are identified in several categories. Most of the economic benefits are related to increasing the number and spending of non-resident patrons. This can be achieved in several ways.

- New programs and facilities can enhance unique and distinctive visitor opportunities in Olympia.
- Expansion of existing programs can expand visitor potential by supplementing existing activities and extending the visitor experience.
- Physical improvements can improve the quality of the visitor experience.
- Marketing can increase awareness of local opportunities to non-residents.
- An expanded ArCH scene will attract outside funding to arts organizations.

In addition, some of the recommendations create value by increased utilization of resources.

In every case, any enhancements of the ArCH scene will make the community more attractive to private investment by businesses and residents.

Table 5. Elements of Return on Investment

ArCH Profile Recommendations	Investment			Economic Benefits						
	Magnitude	Additional Staff or Time	Additional Purchased Services	Expand visitor potential by combining activities and extending visitor experience.	Expanded visitor potential by expanding amount and quality of arts offerings.	Expand visitor potential by creating distinctive experiences unique to Olympia.	Expand visitor potential by increasing awareness of opportunities.	Increased utilization of existing resources.	Expand access to outside funding of arts organizations.	Increases attractiveness of Olympia for private investment.
1. Realign city organizational structure.	Low	✓					✓	✓	✓	✓
2. Integrate ArCH as part of City identity.	Low	✓		✓		✓	✓			✓
3. Build capacity and expand partnerships.	Moderate	✓		✓	✓	✓				✓
4. Strengthen ArCH relationships.	Low	✓		✓		✓	✓			✓
5. Pursue Creative District Designation through ArtsWA.	Low	✓		✓	✓	✓	✓		✓	✓
6. Identify space needs and establish plan.	Moderate	✓	✓	✓	✓			✓		✓
7. Develop resource and partnership plan.	Moderate	✓	✓	✓		✓				✓
8. Preserve sense of who we are through historic resources.	Moderate	✓	✓	✓	✓	✓	✓			✓
9. Increase awareness of historical and cultural assets.	Moderate	✓	✓	✓	✓	✓				✓
10. Develop metrics to measure performance.	Low	✓						✓		✓