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Impact of the Arts on New York City's Economy

Center deputy director Robin Keegan addressed the City Council on how arts and cultural development affect the city economy.

by Robin Keegan

Good morning. My name is Robin Keegan. I am the Deputy Director of the Center for an Urban Future, a non-profit policy organization focusing on economic and workforce development policy both citywide and at the neighborhood level.

I would first like to thank the Council for holding this hearing on this very important topic. New York's cultural industry is responsible for more than 150,000 jobs and while industries like the financial industry remains flat, economists predict growth for the cultural industry. And arts and culture is one of the most important catalysts of economic growth in neighborhoods outside of Manhattan. But there is still not a clear understanding of the arts as an economic sector and what this sector means for the economy. This is a difficult question. And it is one that cities across the country are struggling to answer.

At the Center, we work hard to crystallize issues and make them more accessible to a broad audience. The Center has assessed many economic sectors in New York, from biotech and aviation, each is complex, but the cultural sector almost defies definition. The mix of individual artists, commercial enterprises, nonprofit arts entities and the overlap of arts professionals within other sectors make a definition of the sector difficult to achieve. The effects of this sector are everywhere in New York. At the same time, they're hard to measure and quantify—-particularly at the neighborhood level.

Traditional economic data does not exist on the arts. To gain a better understanding for our recent report on arts and culture, we did not attempt to define the sector in our first of what will be two cultural sector studies. What we did do is produce the city's first neighborhood-by-neighborhood survey of the role arts and culture plays in economic development at the local level. We spent two years assessing the economic impact of the arts in seven neighborhoods. We dug deep in Harlem, Fort Greene, the South Bronx, Jamaica, Long Island City, St. George and Lower Manhattan to understand how arts and culture affects economic growth and neighborhood improvement. And we began asking the hard questions of whether and how arts

development leads to displacement and rising real estate costs at the neighborhood level.

We conducted well over 150 interviews in each neighborhood interviewing cultural leaders, individual artists, local real estate developers and economic development officials.
In November of 2002, we released our findings in The Creative Engine (a copy of the report is provided with your testimony). We found that the connection between arts and economic development is real at the neighborhood level. In fact, outside of Manhattan arts is the single greatest generator of jobs. In Long Island City major real estate developers are using arts and artists to lure retail and create a more vibrant 24/7 business district; in Staten Island local merchants have invited artists to beautify their retail establishments and provide entertainment; and few in Harlem discuss economic growth without mentioning the vibrant cultural scene of large and small scale institutions and attractions. Culture at the neighborhood level both attracts other amenities and businesses and is part of a creative mix that is necessary to economic viability in New York today.

But economic development that is assisted by cultural growth is not the whole story. We found some very serious issues that must be addressed. One is the issue of displacement, which is not directly caused by cultural growth but can be an outcome of overall neighborhood improvements and changes. The other is the fragility of cultural organizations themselves. The arts themselves are not the largest job generator; they are a catalyst to economic growth. In fact, as we know all too well, and have been reminded of very recently, arts groups often barely break even. Even major institutions like the Brooklyn Academy of Music are having tremendous difficulty.

We did find two potentially effective solutions to address issues of economic viability and stability. One is local economic and community development intermediaries. In our survey of over 150 of these intermediaries we found a few stand out examples of arts and business intermediaries to develop strategies to increase the overall potential of the arts sector. The Long Island City Business Development Corporation and the BAM Local Development Corporation are actively engaged in working with arts groups, businesses, and artists in their communities to do just this. But these are not typical examples. Most economic development intermediaries in our survey could not articulate a clear vision of how the arts fit into economic development except for their tourism draw.

Another key issue is how to create and preserve affordable cultural space. We found that space was often the number one concern for arts groups. And space is critical to the survival and growth of arts groups and artists. There are many good examples to build upon across the city's neighborhoods. We identified six standout programs such as the Alliance of Resident Theatres/New York, the BAM Local Development Corporation and the New 42nd Street, as well as the work of the Nonprofit Finance Fund that are tackling this issue head on, all of which are described in the report.

This work led to several recommendations for how government, business, philanthropic and cultural leaders can better support the arts sector. I would like to list a few of those here as good ideas for the Council to consider in the near term.

- First, there is a real need to regard the arts as an economic sector. This requires accurate definition of the creative sector. The city's Department of Cultural Affairs has begun this work with a major cultural database. We're encouraged by this effort and recommend that eventually a full cultural sector study be conducted that includes the number of jobs it generates, their geographic location, how the creative sector supports other sectors, and most importantly, how best to support the sector.
- Create a coordinated plan for integrating the creative sector into city agencies. Chicago's Department of Cultural Affairs has recently begun doing this. Chicago's DCA and the Department of City Planning meet regularly to address planning and development in the city with a focus on the cultural needs.
- Promote the ownership and creation of space for the arts. The city should capitalize on the models for providing affordable space that exist such as A.R.T./New York and the New 42nd Street. The city should also consider existing programs that provide incentives to developers and utilize these mechanisms to create space for the arts sector. This

has been done in the past successfully in the New 42nd street model.

- Bridge the gap between cultural and economic development intermediaries. City council members could encourage economic development intermediaries in the neighborhoods to incorporate the arts sector in neighborhood-based development projects.

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