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The Creative Engine

This groundbreaking report by the Center details how arts & culture is fueling economic growth in New York City neighborhoods.

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This is an excerpt. Click here to read the full report (PDF).

Across the country from Philadelphia to Seattle, mayors have invested hundreds of millions of dollars in arts and culture to help grow their economies and bring that elusive sense of "soul" to their cities. But as the rest of the nation implements major cultural development strategies and business investments alike, New York has never developed a coordinated cultural development strategy. It's not that culture is any less important here; all agree that there are few economic sectors more vital to generating growth in the city.

What's different about New York is that arts and culture isn't easily confined to one downtown or midtown location; the proliferation of cultural activity throughout the five boroughs would likely doom to irrelevance any grand master plan from City Hall, the preferred approach in other cities. But government and business leaders here can learn from how the arts and culture sector has developed in neighborhoods around the city and help lay the groundwork for even more cultural-based economic development in the future.

We need to take a much closer look at this scattered and complex industry, particularly in neighborhoods where arts and culture-related growth has taken root. Since one of the city's biggest economic development priorities in recent years has been developing alternative business districts to better compete with Jersey City and other suburbs, New York must do a better job of understanding how, when, where and why cultural economic development occurs—and how its power can be harnessed in positive, balanced ways to benefit neighborhoods.

The Bloomberg administration and outside experts realize that neighborhoods across the city—-north of midtown and in the other boroughs—-have a lot of room for economic growth. This report shows that the way to expand neighborhoods outside of central Manhattan is not just through the creation of more office space, but with development from the ground up, often with arts and culture as a base.

This report further illustrates how arts and culture has been a primary component of growth that already has occurred in neighborhoods from Harlem to Jamaica and across the city over the past decade. The issues we raise are important for both arts and culture organizations, some of which are really struggling, and for the city and its neighborhoods, many of which could reap great benefits from the type of arts and culture-fueled growth that a few communities already have experienced. Nurturing the cultural sector means focusing on the thousands of smaller organizations that feed cultural economic development at the neighborhood level, as well as on major institutions like the Metropolitan Museum of Art and Lincoln Center. This cultural sector takes root fairly quickly at the neighborhood level, but has definite needs including space, organizational stability and coordinated marketing and planning.

This report focuses on cultural and economic development that happens over time, at the neighborhood level. We found that balanced cultural development occurs organically within vibrant and diverse "creative economies." In this report, we refer often to this concept of creative economies-—a phrase used as early as 1982 by Bernard Jacobs, president of the Shubert Organization of theaters and producers, to refer to what he saw as a relatively independent Broadway economy that was often unaffected by national economic trends. Keeping in mind the subsequent work of influential scholars such as Richard Florida, who helped popularize the idea, we use the phrase here to refer to creative-based economic clusters that attract dynamic and diverse pools of workers, who in turn attract an even wider spectrum of mixed industries and business.

It is critical that we understand the creative economy as an economic sector, equal to financial services, telecommunications, or manufacturing. Solely in terms of direct employment, the field is a major growth sector that warrants similar assistance and economic-development thinking like any other. With an astonishing 52 percent growth rate over the past nine years (based on a full impact employment analysis in this report), New York's cultural industry is responsible for more than 150.000 jobs. There have been a number of major impact studies. Yet the city has never conducted an overall, neighborhood-by-neighborhood assessment of cultural development that looks at the potential of arts and culture to stimulate economic growth. This report, two years in the making, attempts to do just that.

But the creative economy brings benefits that go far beyond direct employment. Among its greatest strengths is the ability to attract other businesses and jump-start neighborhood development. Arts and culture do this by giving local economies their "soul." And this is everything, given that "knowledge workers"—-an influential group that runs from playwrights and museum curators to software designers and financial analysts—-demand vibrant and dynamic settings in which they can work, live and create.

"I've been to Irvine and I have to say, there is nothing there," says Joel Kotkin, author of The New Geography and senior fellow with both the Center for an Urban Future and the Davenport Institute for Public Policy at Pepperdine University. "This is why they and Silicon Valley are having a tough time right now. They're areas I typically call Nerdistans-—they only thrive on technical know-how. New York has culture and a mix of industries that the new economy thrives on."

The new economic reality is that the most dynamic companies are increasingly making decisions to relocate based not ontax breaks and cheap labor, but on quality of life, as well as creative pools of talented and mobile workers. And those workers who truly feed the creative economy seek out areas with culture, entertainment and foot traffic at any time, day or night. The creative economy abhors empty skyscrapers, desolate pavements at sundown, and sterile office parks in the suburbs. Rather, it calls for funky residential units in close proximity to offices and artisan workspaces. "People are less attracted to the sterile and more toward what is authentic and original," notes Richard Florida in his latest book, The Rise of the Creative Class.

Outside New York, the power of the creative economy has shifted most economic development planning. Phil Psilos, director of economic and technology policy at the National Governors Association, works nationally to develop economic growth strategies for the nation's fifty state governors. "There is an understanding now," he notes, "that you must have an ability to build a cultural component into development to retain talented and mobile workers. [Culture] is the key to economic development now. Look at any trend analysis and data. Investment follows human capital…and human capital, to a surprisingly large extent, follows the arts."

If the argument for nurturing creative economies should have an audience anywhere, it should be here in New York, where brilliant writers, visual artists and stage performers have contributed as much as the giants of industry and trade to give the city its unique swagger. Given that legacy, and the enormous economic potential of the creative economy, we feel that it is critically important to tackle this issue head-on. But while everyone agrees that arts and culture is a pillar of our economy—-in fact, few other industries have stimulated as much economic improvement throughout the five boroughs—-the vast majority of us haven't the slightest clue how to define the sector. Culture is not just Broadway and Museum Mile, in other words, but thousands of commercial artists, galleries, botanic gardens and zoos citywide.

Government isn't much help in quantifying arts and culture. Although the Department of Labor tracks industries such as health care and food manufacturing, there is no similar mechanism for understanding the role played by freelance new media graphic artists, for example. Nor does the industry itself keep a tally of its own nonprofit or commercial ventures, individual artists, or the myriad subdivisions that range from performance to visual arts to media. Industries such as telecommunications, manufacturing, and biotechnology all have trade associations, representatives and analysts who can provide overall insights into their fields and lobby for their interests. But the arts as a sector is famously balkanized and categorized into many different fields.

So how can we nurture growth in a sector if we can't even describe what it is?

Efforts elsewhere provide some ideas on how we might define the creative economy. For example, England and Australia have reorganized entire economic strategies around this vital clustered sector. Closer to home, two separate studies-—one in Portland, Oregon, and one combining six states in New England-—have undertaken massive projects in the past three years to define and respond to the needs of their own unique creative economies (See "Creative Thinking").

But let's not forget: New York was once a pioneer in this field, too.

In 1983 and again in 1993, the Alliance for the Arts and the Port Authority of New York and New Jersey were the original inspiration for many such efforts with their detailed studies of arts and culture as a sector. Their research enumerated and described in detail the economic effects in terms of dollars and jobs of arts and culture in the two states, and specifically in New York City in 1993. It showed that arts and culture was a primary engine of growth even through the difficult recession of the late 1980s and early 1990s. The study's data offered only a snapshot of one segment of the creative economy; it doesn't take into account relevant sectors such as publishing, photography or architecture. The 1993 study did show remarkable growth. And as many analysts foresee continued slow or flat employment growth for financial services, they predict the creative economy will continue growing, almost across the board.

The 1993 report influenced increased arts funding at the Department of Cultural Affairs and the Alliance is currently working with department officials to build a database of cultural organizations in the city. The Bloomberg administration is making concrete steps forward, but the city has yet to articulate an overall culturally-based economic development strategy.

Everyone from World Trade Center developer Larry Silverstein to Governor George Pataki has been talking lately about the connection between arts and economic growth. But such big talk is not yet linked to an overall strategy. The time is now to replace vague rhetoric with a clear and organized plan of action. We've identified three key groups that need to come together immediately to offer a comprehensive plan for cultural and economic development: city government, funders, and development organizations.

City Hall shouldn't dictate the plan, but it can do a great deal to assist development that is already budding at the neighborhood level. And action need not entail additional funds. New York has a rich array of programs to support economic development that must be better targeted to assist cultural and neighborhood development.

It is clear that Mayor Michael Bloomberg has a deep appreciation for the arts; he has generously donated to arts and culture from his own personal funds over the past ten years. "There is no doubt," one City Hall insider says, "that this administration sees culture as a priority." Indeed, the administration charged the city's Economic Development Corporation and the Department of Cultural Affairs to work together and seriously look at economic programs to assist the arts. But this commitment to arts and culture is not complimented by coordinated city policy. Government support for discrete pieces of the creative economy resides in many different city agencies, notably the Department of Cultural Affairs, the Economic Development Corporation and the Department of City Planning, but nowhere is there an overall strategy for supporting and maximizing the effectiveness of all the separate programs and initiatives. Nor are there liaisons between government agencies charged with collaborating goals and keeping a grasp of their peers' efforts. Equally surprising is the lack of focus on the creative economy among the city's blizzard of programs available to assist businesses. The city offers a valuable array of incentives-—from small business loans, to abatements for moving expenses, to job training for entry level and tech-oriented jobs-—but has yet to directly connect such incentives to the arts.

The second group that should better coordinate its efforts is the philanthropic community. Foundations, corporations and individuals contribute approximately $700 million, including $500 million from foundation and corporate funds, in support to the arts and culture each year. This is well over triple the city's annual expense budget for the entire Department of Cultural Affairs. But while these efforts provide critical assistance to many, they are rarely coordinated with government or other intermediaries, and almost never focus on local assistance at the neighborhood level. Moreover, few gift-givers think about cultural development from an economic perspective. With a few notable exceptions—-such as the Robert Sterling Clark Foundation, JP Morgan Chase, Deutsche Bank and Independence Community Foundation-—these entities tend to classify culture and community development as separate in their grant portfolios.

The third, and in some ways, most ripe group of key players is the vast array of economic and community development organizations scattered throughout the city. Of the more than 150 such organizations in New York, we've identified six that have devised innovative and exciting models for incorporating cultural assets into growth strategies (see "Connecting the Dots"). But of this vast network of chambers of commerce, business improvement districts and development corporations, many have yet to embrace the arts and culture as a tool for economic development. "We all know this is important," explains Brad Lander, executive director of the Fifth Avenue Committee in Brooklyn. "But for many community development corporations, there's no obvious sense of how to do it. It's as though arts and community development folks speak different language[s]."

Embracing the idea of the creative economy as our anchor, this report focuses on cultural development as it plays out at the neighborhood level. The good news is that we found many, many examples of such development throughout the five boroughs.

We identified seven New York City neighborhoods that are ripe with strong cultural development. Some locales are not surprising, such as Fort Greene, Long Island City, Lower Manhattan and Harlem. Other communities, such as Staten Island, Jamaica and the South Bronx, are far less obvious. And while everyone is aware of headline-grabbing initiatives-—the recent temporary move of the Museum of Modern Art to Queens for example-—we found that the majority of activity has been happening in small, powerful ways: with significantly less attention from the media. It is this phenomenon that has positioned many neighborhoods to be major areas of growth in a new, more decentralized New York economy.

Such efforts are outlined in our neighborhood profiles in this publication. These include sections on The Alliance for Downtown New York, which has worked hard to foster nascent cultural communities in Lower Manhattan; the Greater Jamaica Development Corporation, whose 35-year track record has proved astonishingly successful at fostering ties between major cultural organizations and the local business sector; Long Island City, where a growing cultural community has been increasingly working with merchants to build a true mixed-use business district; Fort Greene is home to an array of cultural activity and the BAM LDC which is implementing the city's most ambitious plan for a cultural district; Staten Island, an example of civic activism and preservation efforts, coupled with artists' entrepreneurial efforts; Harlem, where the vast array of possibilities for collaboration exist among cultural and business networks; and the South Bronx, where The Point CDC is nurturing local commercial arts ventures and helping to put the neighborhood on the map as a cultural destination.

We argue that these efforts, both large and small, clearly prove the potential for culture-related economic development in neighborhoods throughout New York. The problem is that most of these standout efforts, strategies and programs are working in utter isolation from one another.

As the city and local players move toward more advanced cultural development, it is important to keep in mind the obstacles of this complicated and complex area.
One major issue is the sheer size of the creative economy: New York is home to some 2,095 arts organizations, 150,000 artists and over 2,000 commercial arts businesses and professionals-—most of whom are working toward divergent and unrelated ends.

But the single biggest issue in development efforts is space. The problem of gentrification and displacement was a major area of concern in five of the seven neighborhoods we assessed, and issues surrounding displacement have threatened to impede the progress of cultural development. There are ways to achieve balanced growth without community tensions and without losing the rich cultural fabrics that made the neighborhoods special to begin with. The first step is to face the issue of displacement head-on and to come up with collective solutions to the problem as it plays out in New York City (see "Elephant in the Room").

Space is also one of the biggest issues with cultural groups and artists themselves. Simply put, artists cannot work without affordable studios, residential spaces and offices. There is no issue more central to their ongoing growth. In our survey, we highlight eight innovative programs looking to address this critical need (see "No Place Like Home").

We describe local examples of neighborhood development in the heart of this report in order to highlight one central argument: the five boroughs of New York City have a huge, untapped potential for arts and culture-based economic development. Mayor Bloomberg has promised to focus on economic growth and rebuilding in New York City. Well, now is the time to move beyond isolated examples and toward a coherent, collective plan for action—-a plan that leverages a combined effort inclusive of government and philanthropic players, businesses, community and cultural leaders and artists themselves. New York is considered the arts capital of the world. If we can fuse our unique creative vibrancy with smart, balanced growth, we just may be able to keep it that way.

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