



CENTER FOR URBAN POLICY
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Economic Contributions of the Kokomo Art Plaza and Sculpture Garden

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Introduction

The Kokomo Art Plaza and Sculpture Garden will include planned facilities for galleries, classrooms, meeting rooms, administrative offices, and green space with outdoor sculptures and gardens. The Art Plaza building will be designed to facilitate interactions among and between public, private, and nonprofit arts and culture organizations. The Sculpture Garden will include multiple gathering places with concrete benches and tables, including areas for noon-time chess matches, and open spaces for public performances of small ensembles and individual performers. The meeting areas will be located among large areas of green space, including large outdoor sculptures in stone, metal, and wood, as well as flower beds, trees, and shrubs. Sculpture Garden walkways will have tinted cement, and feature sculptural designs created by local artist and art students. Entrance ways to the Sculpture Garden will be marked by signage consistent with those recently approved for the historical downtown area. The Art Plaza building will have the same red brick facing as city hall.

The Art Plaza building's interior studio art spaces will feature concrete floors and open duct work creating a loft-like environment. This minimalist approach will also be incorporated in meeting rooms, office spaces, and galleries. The overall design will suggest a lively, professional art-centered environment. One important feature of the overall design will be the interaction of exterior and interior spaces using large windows to reveal the work going on in the classrooms, as well as some exterior patios for painting and other artistic activity such as ceramics, including a raku pit. These spaces are intended to symbolically and literally ensure the ongoing interaction of student artists with the Kokomo community, thus linking the development to the continually reenergized downtown.

The project, depending on its final location in downtown Kokomo, may involve the renovation of three historic buildings and contribute to the reuse of a brownfield site. Among the potential benefits of the project are the one-time economic benefits associated with project development as well as the ongoing economic contributions of operations. The Art Plaza and Sculpture Garden should also influence the behavior of tourists and visitors to Howard County by inducing them to stay longer and spend more in downtown Kokomo and Howard County. Improvements to the facility and the green space may also contribute to increased property values in the surrounding area. In addition to these quantitative contributions, many studies suggest that arts and culture have the ability to transform communities and make them more likely to retain many of the region's younger and better educated households and make the region more attractive to both businesses and households considering relocation. Finally, while the focus of the analysis is the contribution of the Art Plaza and Sculpture Garden to the community, the facility will benefit from and support a wide range of investments that have been made or are planned in downtown Kokomo. The Center for Urban Policy and the Environment's (Center) analysis of the potential economic benefits of the Art Plaza and Sculpture Garden was funded by the Kokomo Urban Enterprise Association and Indiana University Kokomo.

Study Methodology

The economic benefits associated with project development and ongoing operations were estimated through the use of input/output modeling. Input/output modeling is typically used to determine the indirect and induced (more commonly known as spin-off) benefits attributable to the initial or direct expenditures related to construction and operations. For example, the wages paid to construction workers represents a portion of the initial or direct economic contribution of school operations. Indirect and induced impacts are generated as those workers spend their wages to purchase groceries, attend movies, and make improvements to their homes. Their spending then generates additional economic activity at the



stores and firms with which they do business, which results in additional jobs and wages, and even more economic activity as the employees of these stores and firms spend their wages. The Center uses the IMPLAN input/output model to estimate these additional benefits. IMPLAN is one of the two most commonly used input/output models for estimating economic impact.

The estimates on increased spending attributable to visitors as well as the potential impact on property values are based on the results of a literature review of previous studies of the impacts of arts and culture related amenities in other communities. These estimates are presented in a low to high range determined by the findings of the literature review. The human capital analysis for Howard County is based on adapting Michael Porter's industry clusters analysis (the basis for selecting life sciences as well as Indiana's other clusters) to Richard Florida's creative class notion by analyzing human capital in the same way Porter clustered industries. The human capital analysis uses ESRI marketing data to identify the clusters of human capital, and the cultural and social amenities that appeal to this human capital, that Howard County is competitively advantaged in attracting.

Overview of Findings

The Center's analysis found that the Kokomo Art Plaza and Sculpture Garden can have immediate and long-term impacts for downtown Kokomo and the local economy. The primary immediate economic benefits are the jobs, wages, and new economic activity generated by the renovation and landscaping of the facilities. The long-term economic contributions of the Art Plaza and Sculpture Garden for downtown Kokomo and the region are related to the ability of the Art Plaza and Sculpture Garden to work in synergy with other downtown amenities to create a downtown as a regional center of employment, arts, culture, entertainment, and public services. In simple terms, the synergy among downtown facilities should induce those who already visit downtown Kokomo to stay longer and spend more money there while also attracting new visitors from within the region and beyond Howard and Tipton counties. Furthermore, the Art Plaza and Sculpture Garden, along with other investments in downtown Kokomo, should provide the impetus for additional investments that will create a larger critical mass of economic, cultural, and recreational amenities. These amenities should result in increased property values and improve the perception of the quality of life in the region, and contribute to the ability of economic development officials to sustain and expand existing employers while attracting new companies and potentially new residents to the region.

While the short-term stimulus that spending for construction and operations adds to the economy is important, the long-term benefits are perhaps best understood as investments made to fundamentally increase the economic competitiveness of the community (residents, existing businesses, and the ability to attract new businesses and residents). These long-term contributions are a result of the ability of the Art Plaza and Sculpture Garden to change behavior and perception, and can begin to be understood by looking at investments in arts and green space in other regions (especially in the Midwest) and adapting the findings of those studies to estimate the likely long-term contribution in Kokomo.

Based on input/output modeling the short-term impact of the rehabilitation of the Art Plaza and the Sculpture Garden is expected to add \$3.6 million and 36 jobs to the local economy in direct investment. Additionally, the annual maintenance of the facility can be expected to add nearly \$300,000 and 4 jobs to the economy

The Art Plaza and Sculpture Garden should also influence the behavior of tourists and visitors to Howard County by inducing them to stay longer and spend more. Based on previous studies of the economic contributions of arts, trails, and open/public space, it is estimated that the Art Plaza and Sculpture Garden



are most likely to induce an additional \$16 to \$17 million of visitor spending. Additionally, based on other studies, the Art Plaza and Sculpture Garden might induce local visitors to downtown Kokomo to spend between \$1.4 and \$4 million downtown that would have otherwise been spent elsewhere in the region. This spending is also likely to be reflected in increased property values in the blocks immediately surrounding the project of between \$400,000 and \$1.9 million.

In addition to these quantitative contributions, many studies suggest that arts and culture have the ability to transform communities and make them more likely to retain many of the region's younger and better educated households and make the region more attractive to both businesses and households considering relocation. The Art Plaza and Sculpture Garden will also provide immediate benefits to downtown, including the elimination of blight through the reuse of abandoned buildings. The Art Plaza and Sculpture Garden is part of a critical mass of downtown investments that have already exhibited the potential for increased demand for downtown dining. The area can eventually develop into a vibrant festival market place or culture and entertainment district as each new investment contributes to a growing number of downtown visitors and potential residents, who demand a wide range of restaurant, recreational, and entertainment amenities.

While the focus of the analysis is the contribution of the Art Plaza and Sculpture Garden to the community, the facility will benefit and support a wide range of investments that have been made or are planned in downtown Kokomo. For example, in the past 12 months accessibility to downtown has been improved by eliminating 11 traffic signals, converting one-way streets to two-way, and making parking more convenient by removing hundreds of downtown parking meters. New decorative planters and signage also have made downtown more attractive. Significant investments have been made in public facilities. Public sector building improvements include the renovation of the downtown library, the development of a new transit building, upgrading the downtown fire station façade, and the development of the outdoor amphitheatre in Foster Park. The resurgence of downtown Kokomo is reflected in the opening of a wide range of new restaurants and businesses including Da Roux House, Baja Burritos, the Vault Coffee and Connections, the Pointy Pencil, Angie Meyers Design Studio, and Timeless Pieces and Treasures.

The following sections of the report provide a more detailed summary of the analysis. The descriptions include:

- The immediate contributions associated with project development, construction, and maintenance;
- The contributions of increased visitor spending;
- The potential impact on property value;
- An analysis of the relationship between human capital and arts and culture; and
- A literature based review of the potential benefits and liabilities of the project.

Immediate Contributions

Project development and construction contributions

The total investment in the Art Plaza and Sculpture Garden is expected to be \$2.6 million. The vast majority of the project cost is expected to be the rehabilitation and renovation of the facility (\$1.9 million).

Input/output analysis suggests that the direct spending of the \$2.6 million investment in the project is expected to leverage nearly \$1 million of additional economic activity in Howard and Tipton counties. This indirect or spin-off economic activity is generated by the spending of the businesses contracted to

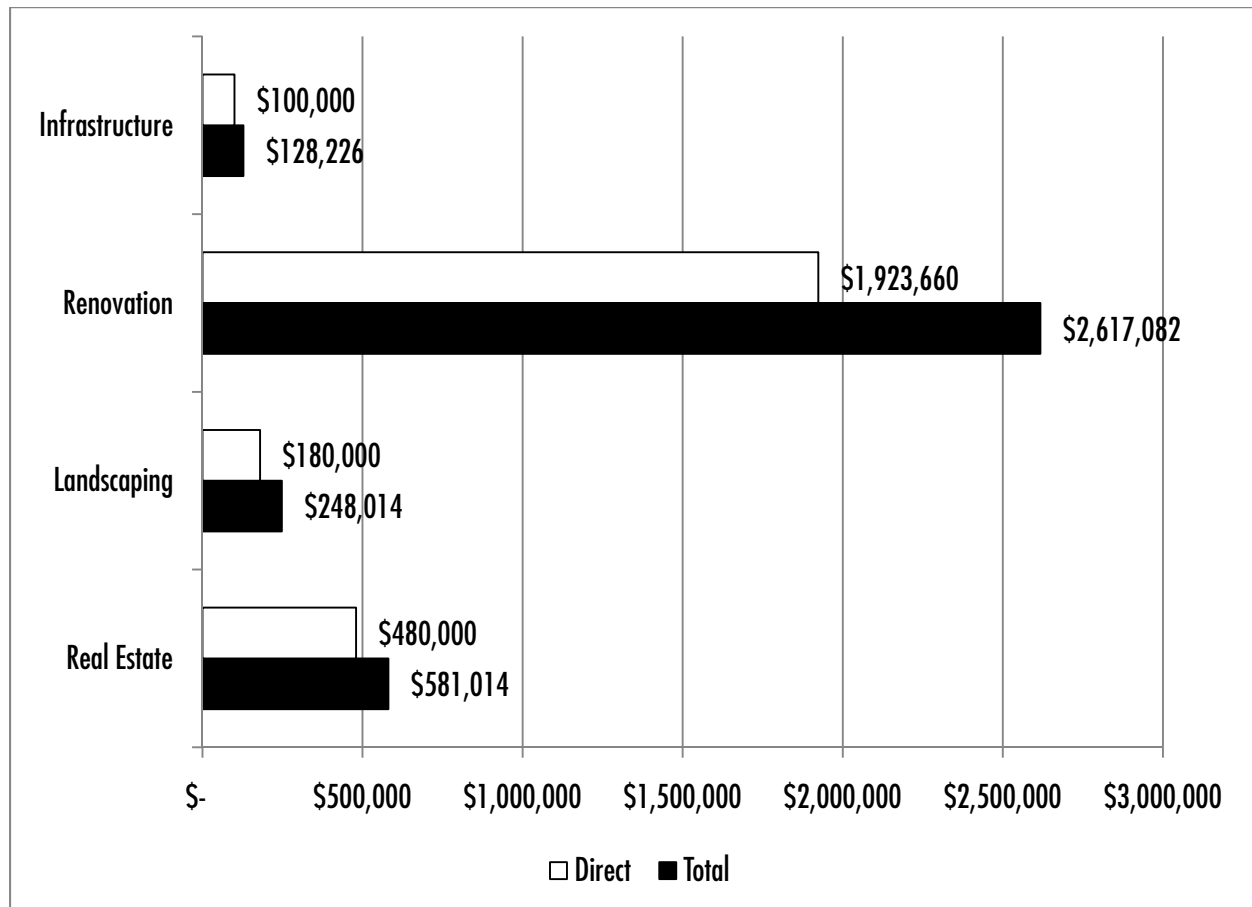


provide construction-related services and the spending of the construction-related employees whose income is directly attributable to the construction/renovation of the Art Plaza and Sculpture Garden. The total economic contribution, a sum of the direct spending and estimated indirect economic activity, attributable to the \$2.6 million project investment is:

- Nearly \$3.6 million in economic impact,
- \$873,000 in employee compensation, and
- 36 new jobs (full-time equivalents).

Figure 1 presents the total and direct economic contributions of the four types of investment in the project. While building renovation represents the largest investment and economic contribution, landscaping activities generate the greatest amount of indirect and induced impacts (also known as spin-off effects), producing \$1.00 of indirect activity for every \$2.64 of direct investment.

Figure 1: Total and direct economic contributions of project development and construction

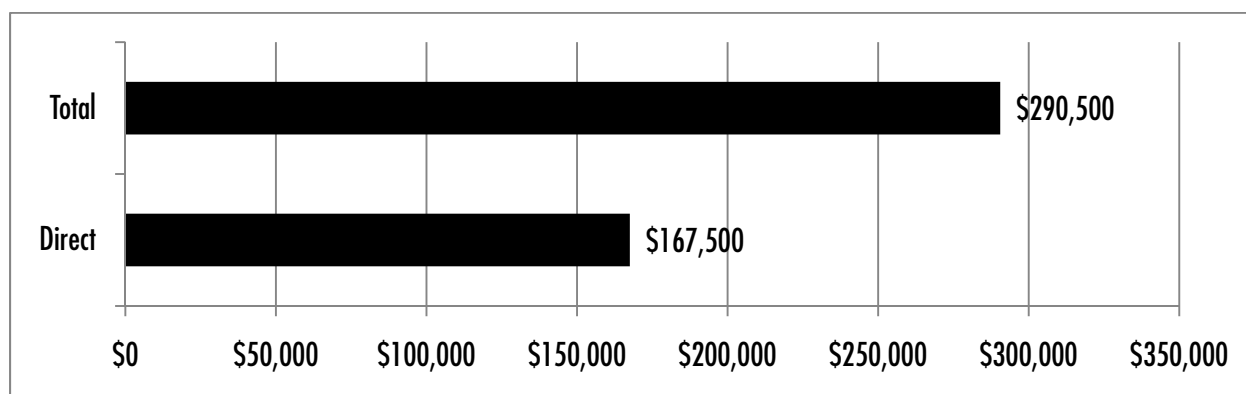




Economic contributions of maintenance

According to the Building Owners and Management Association,¹ janitorial expenses can be expected to cost about \$1.00 per square foot per year; janitorial supplies cost approximately \$0.15 per square foot; HVAC, elevator, and general maintenance adds \$0.80 per square foot; and utilities are expected to cost \$1.40 per square foot. The total cost per square foot for maintenance would be estimated at \$3.35 per square foot. Based on appraisals performed by Dennison and Company, the current square footage of the buildings to be remodeled is approximately 50,000 square feet. As a result the estimated minimum annual maintenance costs are \$167,500. Using an input /output model to estimate the indirect and induced economic impacts suggests that an additional \$123,000 of economic activity will occur as the direct spending on maintenance of the Art Plaza works its way through the local economy.

Figure 2: Economic contributions of maintenance operations



Economic contributions of visitors

The Art Plaza and Sculpture Garden offer two opportunities to increase visitor contributions to the Kokomo/Howard County area: attract new visitors to and induce those who already visit or live here to spend more. This approach is based on estimates of visitors and spending performed by D.K. Shifflet for Howard County and the state of Indiana, and compares the current level of visitors and spending with the potential number of visitors and spending if visitors to Howard County were to visit and spend in a manner similar to the typical Indiana visitor.

Increased spending by residents

A review of the net economic benefits of open-space and rail-trails suggests that visitor spending ranged from \$16.00 per visit to a low of \$2.89 a visitor. While many of the studies focus on trails rather than passive open space, and consider visitors and residents, the primary motivation behind the spending is that these facilities attract more people, induce them to linger longer, and, as a result, spend more money. Through interviews, some key informants suggest that there are approximately 500,000 annual day visits by residents of Howard County to key downtown Kokomo facilities such as the courthouse, city hall, the library, and the YMCA. If these resident visitors spend in a manner similar to those in the literature review, we suggest that the appropriate range of potential spending in downtown Kokomo (by local residents) rather than elsewhere in the region is likely in the range of \$1.4 million to \$4 million per year.

¹ BOMA members own or manage more than 9 billion square feet of downtown and suburban commercial properties and facilities in North America and abroad. Subscribers include building owners, managers, developers, asset managers, corporate facility managers, leasing professionals and federal, state, and local government officials. As part of their services BOMA provides estimates of the costs associated with managing property. Retrieved May 5, 2010, from <http://www.boma.org/Pages/default.aspx>

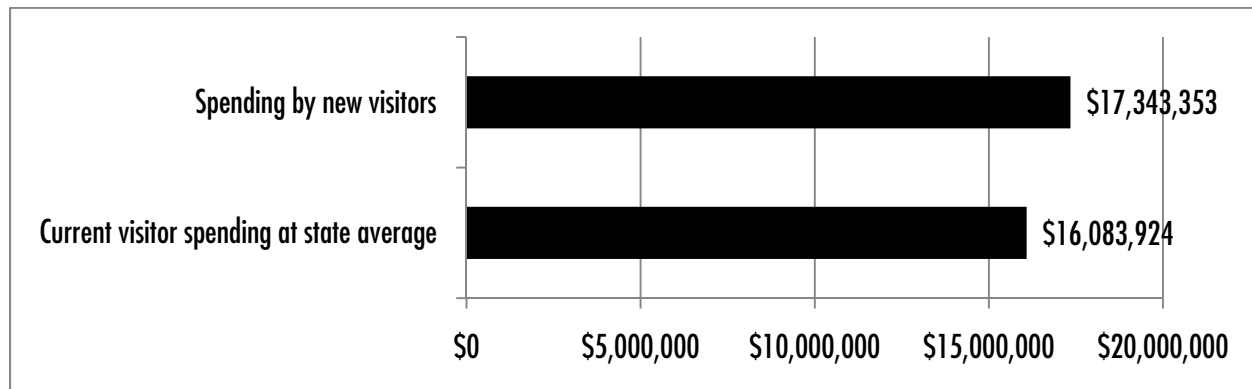


Attract new visitors and visitor spending

Global Insight in partnership with D.K. Shifflet and Associates prepared, in 2006, economic impact of travel and tourism reports for the state of Indiana and Howard County. Analysis of the two reports reveals that in 2006, visitors to Howard County spent \$142.06 per visit day; this is \$22.89 less than the statewide visitor spending of \$164.95. Additional analysis of the reports suggest there were 702,530 visitor days (the focus is on number of days rather than visitors, for example one visitor spending 3 days in Kokomo equals 3 visitor days) spent in Howard County, there were 62.8 million visit days in Indiana. While there is no perfect method to determine the number of potential visitors to Kokomo and Howard County, using Howard County's share of Indiana's population to estimate a share of potential visitors we estimate that there could be approximately 824,600 visit days in Howard County, which suggests that Howard County is under-visited by travelers and tourists by approximately 122,000 visit days per year.

The literature suggests that cultural and open space amenities can positively increase the number of visitors and their spending. If visitors to Howard County spent at the state average, Howard County would realize an additional \$16 million in visitor spending. Similarly, if the number of visitors to Howard County increased to the state's per capita number, while spending at the 2006 Howard County visitor level, over \$17 million of additional visitor spending would occur. While the per capita approach to normalize visitors is not an ideal analytical tool that fact that both approaches are result in similar estimated levels of increased spending suggest a range of \$16 to \$17 million is reasonable. Again, this is not to suggest that the Art Plaza and Sculpture Garden would induce these increases but does clearly suggest that adding amenities to the area has potential to increase both the number of visitors and their spending. (Figure 3)

Figure 3: Potential increases in spending by visitors



Impact on property value

Previous studies of urban trails in Indianapolis and trails and open space in other regions indicate that all of these amenities have had a positive impact on the value of existing property. These estimated economic impacts range from a 2.4 percent increase in value to an 11.4 percent increase. Applying these potential increases to taxable property in the eight blocks surrounding the project area (boundaries are Main Street, Mulberry Street, Apperson Way, and Superior Street), we could expect to see taxable property values grow by between \$400,000 to nearly \$2 million dollars.

Human capital and qualitative impacts

In addition to the quantifiable benefits, investing in the Art Plaza and Sculpture Garden is likely to contribute to making downtown Kokomo, Howard County, and the surrounding area more attractive to the creative, innovative, and productive human capital that is thought to be the driving force behind economic competitiveness. While many of the benefits and risks of investing in an arts and culture



revitalization strategy are qualitative in nature, a comparative evaluation of the composition of human capital in Howard County provides a baseline from which to consider the pros and cons of an arts and culture investment strategy.

The human capital analysis uses ESRI marketing data to identify the clusters of human capital, and the cultural and social amenities that appeal to this human capital, that Howard County is competitively advantaged in attracting. It also suggests the recreational and cultural amenities that might be effective in making Howard County more attractive to this human capital.

ESRI is a nationally recognized geographic information system company that since 1969 has managed and analyzed geographic information that has been used to help find new markets for fast growing companies, support optimal land-use planning, and other GIS-related services. The Community Tapestry data used in this analysis are typically used by companies, agencies, and organizations to identify promising markets and more precisely target their best customers. This is made possible through what ESRI calls segmentation or the grouping of people based on similar tastes, lifestyles, and behaviors (60 total attributes are used). ESRI creates 65 market segments based on their expert use of Census data and a wide variety of public and private data sources that are more current. These 65 segments are then aggregated into 12 life mode groups, which for the purposes of this analysis will be known as human capital clusters. Additional descriptions of ESRI and their products can be found at <http://www.esri.com>.

Using clustering methodology and substituting the ESRI Community Tapestry life mode groups for the industry data typically used in cluster analysis, we first identify the dominant human capital clusters in Howard County. Next, for additional perspective, we compare the relative share of each human capital cluster in Howard County with the proportional shares for all of Indiana. Finally, for context we compare Howard County with counties that are similar demographically—Grant, Kosciusko, and Wayne counties. Most importantly, when used in conjunction with ESRI’s marketing data regarding likes and dislikes of each cluster, the location quotient analysis can provide local policy makers with a new perspective with which to consider the value of investing in the Art Plaza and Sculpture Garden as well as other amenity-driven investment strategies designed to make the quality of life in Howard County more attractive to specific household types.

Human capital clusters in Howard County

In general, the human capital analysis suggests that Howard County enjoys a competitive advantage within Indiana for desirable household clusters including, Solo Acts and Upscale Avenue households, whose location decisions are likely to be affected positively by investments in arts and culture. This suggests an attraction and retention strategy of continued investment in and marketing of existing arts and cultural amenities preferred by these household types similar to the manner in which continued investment in the life sciences industry is viewed as a means both to attract new life sciences industries and to retain and grow the existing industries in that cluster. There are also two highly desirable household clusters (High Society and Metropolis, both have high levels of education and income and tend to be very civically engaged) that Howard County under attracts that might be influenced by improved marketing of existing arts and cultural facilities, as well as the development of new amenities.

Figure 4 displays the share of total households in Howard County for 10 of the 12 human capital clusters defined by ESRI. The other two clusters, Scholars and Patriots and Family Portraits represent less than one-tenth of a percent of total households in Howard County. The four largest clusters, each with nearly 15 percent or more of the total number of households are:

Traditional Living (28.5 percent): This cluster might be described as middle America, hardworking and settled people who work to earn a modest living while residing in single family homes in established neighborhoods. People in this cluster tend to belong to veterans’ clubs and fraternal



organizations, take care of their own homes and gardens, and rely on newspapers and television for their information. This cluster is the second largest cluster statewide, comprising 16 percent of all Indiana households.

Upscale Avenues (20.4 percent): The key word for this cluster is prosperous, as many in this group are well educated with above average earnings. Nationally the median income for the group is \$66,700 and their net worth exceeds \$175,000. They invest in their homes, and activities include sports such as golf and biking. They enjoy domestic vacations and save and invest a portion of their earnings. Statewide 14.3 of households are identified as Upscale Avenues.

Senior Styles (14.7 percent): These households are older and either retired or looking forward to retirement. Some households look forward to staying in their own homes, others look forward to relocating to warmer climates. Many of their decisions depend upon the amount of retirement savings they enjoy. Senior Styles households are very active politically and golf is their sport of choice. Statewide, 10.3 percent of all households are Senior Styles.

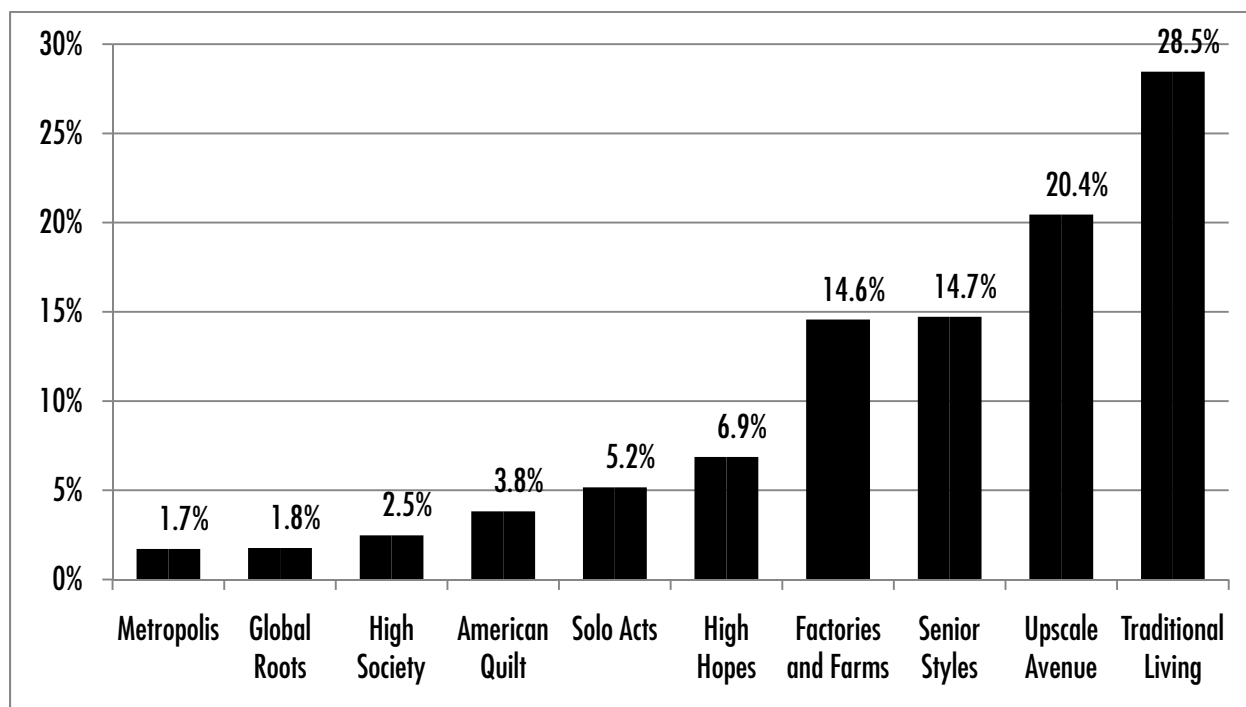
Prosperous Empty Nesters are one of the younger Senior Styles segments, consisting primarily of married couples with no children, many of whom are still working in professional and management positions. They tend to live in established neighborhoods. In addition to golf they enjoy power boating, horse racing, and attending collegiate sports events.

The majority of Senior Style households in Howard County are *Rustbelt Retirees* and this category tends to stay in the county in which they worked and raised a family. Many retire in the same home in which they raised their children.

Factories and Farms (14.6 percent): Households in this cluster embrace small towns, villages, and farms. Most householders are married and own their home, many households include children. Factories and Farms incomes are slightly lower than the median and employment tends to be related to manufacturing and agriculture. Interests include fishing and hunting, pets, gardening, and home improvements. Many belong to local social and civic clubs. This is the largest cluster in Indiana comprising 22.4 percent of all households in the state.



Figure 4: Households in Howard County (percent of total households in county)

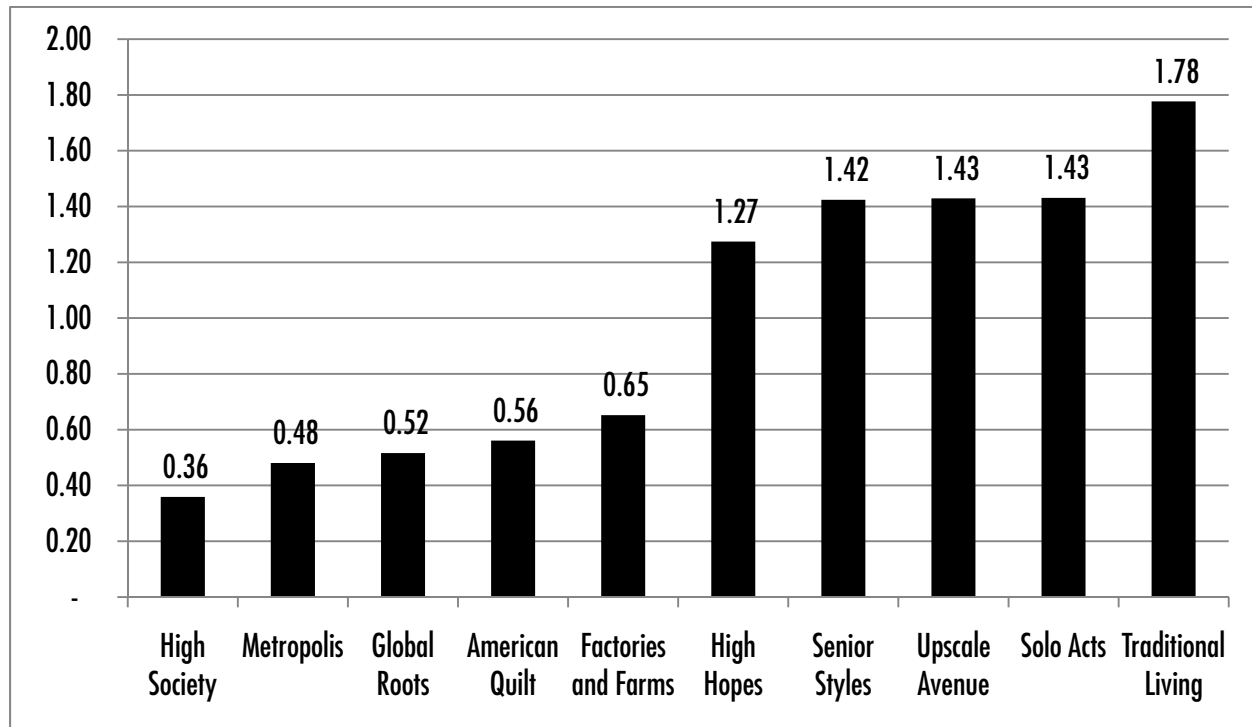


Location Quotient Analysis: Determining Competitive Advantage

In this portion of the analysis, location quotient (Howard County share of households divided by total Indiana share of households) is used to determine the over-or under- representation of each cluster in Howard County relative to the share within the 92 counties in the state. A location quotient greater than one indicates an over-representation of that cluster's households (as well as an implied competitive advantage in attracting that household type) and a location quotient less than one indicate that the households in these clusters are under-represented in Howard County. Comparing Howard County to the entire state is important in that many of those who move to Howard County and the state's other metropolitan areas are likely to migrate from Indiana's small towns and rural areas. Figure 5 displays the 10 clusters sorted from the lowest location quotient to the highest.



Figure 5: Location quotients in Howard County



The use of location quotients to compare human capital clusters in Howard County to human capital clusters in Indiana provides additional perspective and insight into the region's propensity to attract specific clusters. For example, not only are Traditional Living, Upscale Avenues, and Senior Styles three of the largest clusters in Howard County (see Figure 4), but each of these three clusters have location quotients of nearly 1.4 or higher. This means that Howard County attracts more households in these clusters than the typical Indiana county and the state as a whole, and suggests that Howard County (and perhaps other urban counties in Indiana) have certain amenities or opportunities that individuals in these types of households find attractive.

The Traditional Living cluster represents Howard County's largest and most competitively advantaged household type. It also is one of the largest and most competitively advantaged clusters throughout the state. For example, the location quotient in the Indianapolis MSA relative to the nation's 100 largest MSAs is 1.5, and there are over 30,000 more Traditional Living households in the Indianapolis MSA than would be expected if the Indianapolis location quotient was 1. One of the major elements of the Traditional Living lifestyle is that they tend to live close to where they were raised, and as a result there may be little that can be done to affect their movement.

While Howard County enjoys a competitive advantage within Indiana for Upscale Avenue households, the state does not appear to fare as well nationally. The Indianapolis MSA attracts 10,400 less Upscale Avenue households than might be expected. This means that Howard County is an over performer in an underperforming environment and suggests the need for continued efforts to attract and retain this household type. This is especially true because Upscale Avenue households are a very desirable cluster with high levels of income and education. Key interests include many arts and culture activities and the development of the Art Plaza and Sculpture Garden and similar amenities are likely effective attraction and retention strategies for Upscale Avenue households.



The Senior Style location quotient in the Indianapolis MSA relative to the 100 largest MSAs in the nation is less than 1 (0.64) and the region has nearly 25,000 less Senior Style households than it would if its location quotient was 1. With a location quotient of 1.42 within Indiana, Howard County does enjoy a competitive advantage for Senior Styles. While many will eventually relocate to warmer climates, Rustbelt Retirees, the most dominant sub-category in Howard County, typically choose to remain in the community and stay in the same home in which they raised their family. While investment in arts and culture is likely to provide Senior Style households with leisure activities, it does not appear likely that such investment will directly affect their location decisions.

More interesting is the fact that Howard County attracts more Solo Act and High Hopes households than the typical Indiana county, once again suggesting that Howard County has a set of cultural and economic assets that makes it more attractive to households in the Solo Acts and High Hopes clusters. Of the 10 clusters, Solo Acts households are perhaps the most directly related to Richard Florida's creative class. Solo Acts households are, as the name implies, single, and they prefer city life. They tend to be well-educated, working professionals who, if they do not have a college degree, are attending college as they work. Most enjoy dining out, attending plays, and visiting museums. The Solo Acts cluster includes five lifestyle segments and many of their interests overlap or are likely complemented by investments in arts and culture. Many of the households take adult education classes. Additionally, they tend to belong to exercise clubs (yoga is a preferred form of exercise and they enjoy playing tennis, volleyball, baseball, and golf) and tend to be civically involved, particularly in environmental issues. It seems likely that additional investments in arts and cultural amenities may help Howard County further capitalize on its advantage in attracting Solo Acts within Indiana. Indiana gets much less than its fair share of Solo Acts relative to the nation. When compared to the 100 largest MSAs, the Indianapolis MSA's Solo Act location quotient is 0.83 which means that the Indianapolis MSA attracts approximately 10,000 less Solo Act households than if it had an average level of these households.

With a location quotient of 2.0, the High Hopes cluster is the second most competitively advantaged cluster in the Indianapolis MSA. There are over 27,500 more High Hopes households in the Indianapolis MSA than there would be if the region's location quotient was one. And while High Hopes households only comprise 6.9 percent of all Howard County households, Howard County is competitively advantaged within the state in attracting and retaining this demographic, who tend to enjoy dining out and going to movies and the theater. These households also hold football and auto racing in high regard, and perhaps Howard County's proximity to Indianapolis contributes to its advantage in this cluster.

Of the household clusters underrepresented in Howard County, High Society and Metropolis are the two most likely to be attracted to arts and culture investments, particularly in authentically urban downtowns. Both these household types have higher than average incomes and educational attainment levels, and are attracted to arts and cultural related facilities, as well as dining out, visiting health clubs (particularly for yoga), and a variety of other recreational activities.

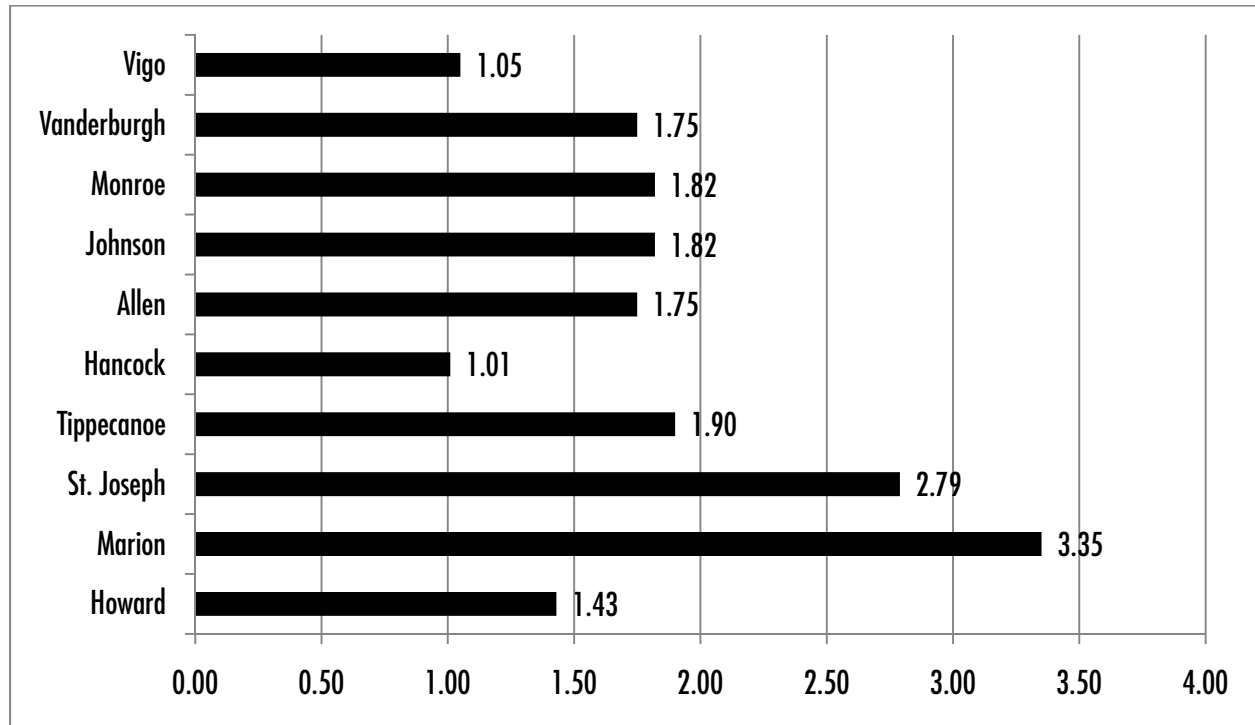
Comparing Howard County to Grant, Kosciusko, and Wayne Counties

While comparing Howard County to the state provides an excellent overview of its competitive advantages and weakness within Indiana, a comparison with similar counties in population (number of people) and economies (manufacturing centers) will provide additional perspective. Among the comparison counties, only Howard County has a competitive advantage in attracting Solo Act households. In fact, as seen in Figure 6, only nine other counties in the state have a location quotient over 1. Previous



analysis² shows that Indiana (and the entire Midwest) is disadvantaged in attracting and retaining this important demographic. Within Indiana, Howard County attracts more than its fair share, and should continue to build upon this local competitive advantage.

Figure 6: Indiana counties with Solo Acts location advantages

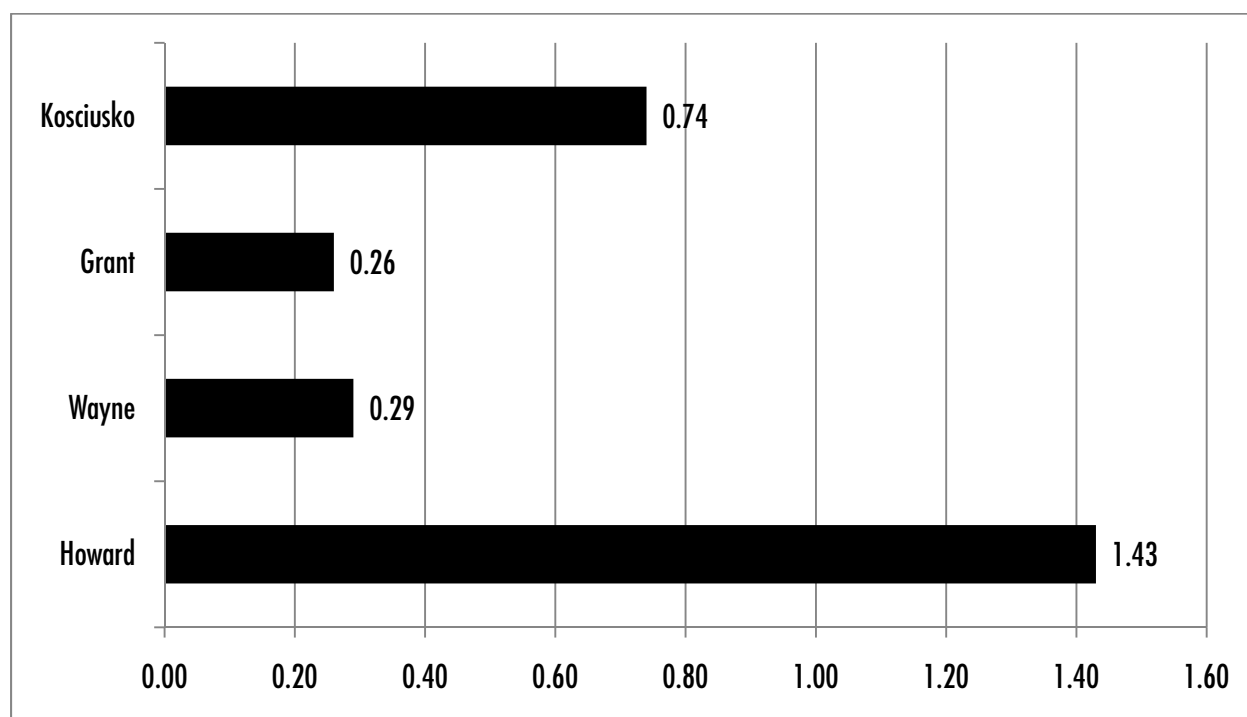


² Economic Development Evolution The missing link between Porter and Florida: Human Capital Clusters.
<http://www.policyinstitute.iu.edu/urban/publicationDetail.aspx?publicationID=508>



As seen in Figure 7, Howard County is also the only one of the comparative counties that is competitively advantaged (within Indiana) for Upscale Avenue households. This competitive advantage relative to the comparison counties for this highly desirable household type suggests both a pre-existing audience for arts and culture and the value of building upon that local competitive advantage to attract even more Upscale Avenue households.

Figure 7: Comparing Upscale Avenue households in four counties



Qualitative Overview of the Contributions and Liabilities of Arts and Culture to Local Economies and Downtown Development

While many attribute the growing popularity of an arts and culture strategy to Richard Florida's creative class theory, in truth, the use of arts and culture to attract residents, visitors, and businesses, as well as to enhance the image of cities, has a much longer history. The City Beautiful Movement of the 1890s included both open space plazas and the development of museums, theaters, and other public spaces. In the Midwest, Daniel Burnham's work in Chicago included Grant Park as well as a wide assortment of museums. More recently, the city of Indianapolis has relied on arts, culture, and sports as an important component of its widely acclaimed effort to revitalize its downtown and change its national and perhaps global image. In fact while many focus on the Colts, Pacers, and Final Fours, the Indianapolis Symphony, the Indianapolis Repertory Theater, the Eiteljorg and Indiana State museums, as well as a wide range of plazas and public spaces are critical components in the redevelopment of the downtown.



In addition to these local examples, there is a wide selection of literature supporting investment in arts and culture as part of a downtown redevelopment strategy.³ Most importantly, the case studies suggest that an arts and culture investment strategy can be effective in small and midsize cities as well as in large cities such as Chicago and Indianapolis. In 2004, J. Villani in *Cities and the Arts: A Handbook for Urban Renewal* cites La Conner, WA; Moab, UT; Telluride, CO; and Beaufort, SC; as examples of smaller cities that have successfully used arts and culture to stimulate the development of the downtown and local economy. In fact, Villani suggests that smaller towns enjoy certain advantages including perceptions of safety, greater affordability, and a sense of community ownership that contribute to increased support.

Among the benefits that Villani and others attribute to an arts and culture investment strategy are improved image and marketing, increased tourism and visitors, a symbol of economic stability, decreased blight and preservation of historic buildings, and increased attractiveness to educated workers who have a wide variety of residential options. Image is also an important element in strategies to attract and retain educated workers who are more likely to prefer living in areas with a rich cultural and artistic community (Clark, 2000).

In a 2003 study of the marketing strategies of local chambers of commerce Strom found that 70 percent of the chambers highlighted their city's arts and cultural amenities. The primary motivations for marketing arts and culture are to provide consumers with an image of vibrancy and stability and, more importantly, to attract tourists and visitors and increase the city's chances for being considered by businesses and people who are considering relocating. The Travel Industry Association of America found that 65 percent of those interviewed have traveled to visit an arts and cultural facility, and that arts and culture visitors spend approximately 36 percent more than the typical visitor.

In addition to attracting visitors and tourists, it is suggested that arts and culture contribute to an image of economic stability that is important to businesses considering relocation. The image of economic stability is attributable to two factors. The first contribution to the perception of economic stability is that civic leaders have the resources and long-term vision to invest in arts and culture. The second contribution to economic stability is that investing in arts and culture typically results in decreased blight by reutilizing abandoned buildings and sometimes results in the preservation of historic buildings, in either case it makes for a more attractive and vibrant downtown, which provides an image of an economically successful and stable region.

Implied within much of the research that supports an arts and culture investment strategy is the notion that the Art Plaza and Sculpture Garden is part of an interconnected festival marketplace downtown and regional development strategy. For example, the development of an arts and culture facility attracts additional visitors that create demand for new restaurants and/or expanded hours at existing restaurants. As more people visit downtown restaurants, there will likely be increased demand for retail goods and an increase in the number of restaurants and stores might induce a business to move its office workers into downtown which creates more demand for restaurants and retail and also provides more visitors to the arts and cultural facilities. As more visitors arrive, perhaps demand for hotels increases to the point that additional hotel rooms are required and there is an expansion of existing facilities and the addition of new buildings, then to support the hotels there is investment in public and or private convention facilities. This then leads to the development of additional arts and culture amenities and the cycle continues. In effect, if momentum can be sustained, what starts as an investment in an arts and culture amenity becomes a downtown and regional revitalization strategy much like investment in renovating the IRT and investing in Claypool Court were two of the first investment in downtown Indianapolis' revitalization effort.

³ Virtually all of the literature is qualitative in nature, most likely because investment in arts and culture is typically only part of the downtown redevelopment strategy, which typically includes investments in infrastructure, retail, office, hotels, convention centers, and other amenities.



The discussion of the festival marketplace strategy leads directly to a discussion of the risks and liabilities of an arts and culture investment strategy. The single most important risk is lack of commitment on the part of the public and nonprofit sectors. In general, the success of any individual investment is dependent upon its interaction with existing facilities and additional supporting investments in facilities, infrastructure, marketing, and maintenance. An individual project's success depends upon a viable long-term vision and a commitment of dollars and support. Furthermore, the monetary commitment may result in the public and nonprofit sectors having fewer resources available for other services (or the perception that scarce resources are being diverted), which can lead to a discussion of priorities, especially where arts and culture rank relative to more basic services. Long-term commitment also implies a plan to invest in future maintenance and improvements, which is often ignored.

One criticism of an arts and culture development strategy is that arts and culture can be viewed as an investment for the elite and that care must be taken to assure that the arts and culture strategy is inclusive of the entire community. Some critics suggest that the most effective projects start the inclusive approach during the project planning stage. Finally, many of the arts and culture facilities are likely to be designated as tax-exempt buildings, thus taking potentially valuable downtown property off the tax roll.

Summary

The Kokomo Art Plaza and Sculpture Garden will provide the city and region with a range of construction- and operations-related economic benefits. These benefits include approximately \$3.6 million of economic impact attributable to construction, \$290,000 of annual economic impact due to maintenance of the facility, approximately \$17 million of new spending by visitors and tourists, and between \$1.4 and \$4 million of new spending in downtown Kokomo by local residents, who otherwise would spend the money elsewhere in the community.

In addition to the quantifiable benefits associated with spending, the Art Plaza and Sculpture Garden has the potential to affect perceptions of the quality of life in Kokomo and thus impact the behavior of current residents and perhaps that of businesses and households considering relocation. While existing data suggest that Kokomo enjoys a competitive advantage within Indiana for a range of young and well-educated households, additional investments in arts and culture promise to support and perhaps enhance that advantage and lead to the attraction and retention of the types of human capital association with economic progress. Many analysts support the notion that arts and culture can stabilize and even grow the local economy by creating a more positive image of the community. This image affects local behavior by generating increased community pride and loyalty leading to higher retention rates for households and businesses. The improved image also aids the business recruitment efforts of local economic developers and may make the region more attractive to households whose education provides them a wide range of residential location options. The Art Plaza and Sculpture Garden will also provide immediate benefits to downtown including the elimination of blight through the reuse of abandoned buildings. Finally, the Art Plaza and Sculpture Garden is part of a critical mass of downtown investment that has already exhibited the potential for increased demand for downtown dining, and can eventually develop into a festival market place or culture and entertainment district that, as each new investment contributes to a growing population of downtown visitors and potential residents who demand a wide range of restaurant and entertainment amenities. The strategy is not without risk and is likely to meet some community resistance. One of the most common shortcomings of downtown revitalization efforts is the lack of commitment of the public and nonprofit sectors. It is essential that ongoing and capital maintenance costs are included in project planning. It is also critical that civic leaders remain committed to a big picture plan that will support investment in the infrastructure and complementary projects required to maximize the economic and cultural potential of the project. Finally, it is important that civic leaders build community consensus



around the effort particularly striving to ensure that arts and culture are perceived as a valuable community resource for everyone.



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