

A white geometric line graphic that starts on the left edge, descends diagonally, then runs horizontally across the middle, and finally ascends diagonally towards the right edge.

THE CENTRAL IDEA

ESTIMATING ECONOMIC IMPACT

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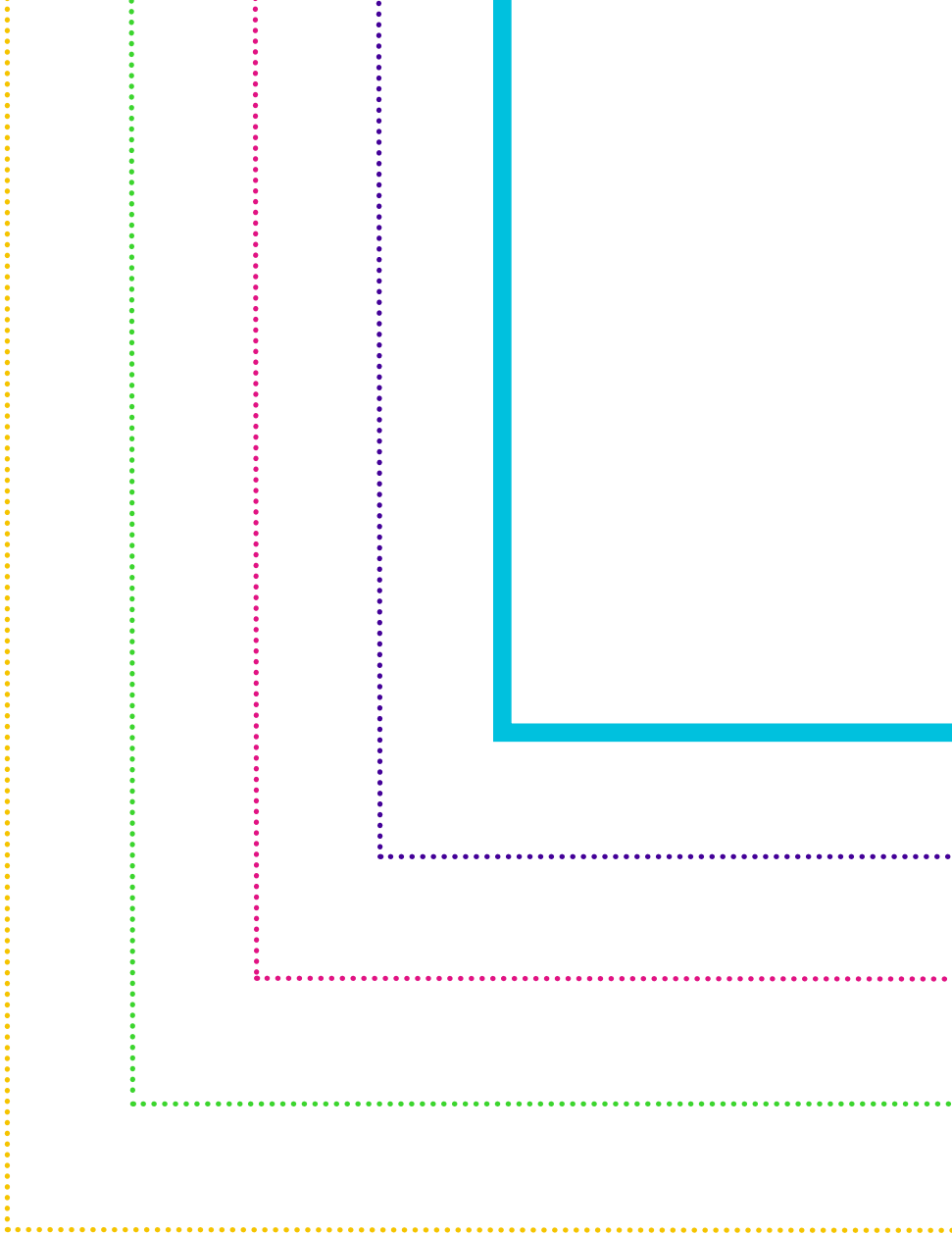
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L. WILLIAM SEIDMAN RESEARCH INSTITUTE

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First established in 1985 to serve as a center for applied business research alongside a consultancy resource for the Arizona business community, Seidman collects, analyzes and disseminates information about local economies, benchmarks industry practices, and identifies emerging business research issues that affect productivity and competitiveness.

Using tools that support sophisticated statistical modeling and planning, supplemented by an extensive understanding of the local, state and national economies, Seidman today offers a host of economic research and consulting services, including economic impact analyses, economic forecasting, general survey research, attitudinal and qualitative studies, and strategic analyses of economic development opportunities.



THE CENTRAL IDEA: INTRODUCTION



RESEARCH METHODS



ADDITIONAL ECONOMIC IMPACT OF ORGANIC GROWTH



ADDITIONAL ECONOMIC IMPACT OF THE CENTRAL IDEA



REVIEW OF SIGNATURE EVENTS



THE FINDINGS PUBLISHED IN THIS REPORT WILL FORM A CENTRAL PILLAR OF ONGOING STAKEHOLDER DISCUSSIONS WITH PRIVATE AND NONPROFIT ORGANIZATIONS AND GOVERNMENT AGENCIES INTERESTED IN THE REVITALIZATION OF CENTRAL AVENUE.



— INTRODUCTION —

Vibrant American cities traditionally have a thriving urban core. For example, Miami and Chicago have a diverse network of arts, culture, entertainment, commerce and residential options situated within a dense inner section of their respective cities. However, the development of Phoenix to date has yet to produce a fully-functioning urban core. The Central Avenue corridor is home to several arts and cultural institutions. The sports venues, bars and restaurants in the Downtown Entertainment District — one square mile between 7th Avenue and 7th Street (west-east) and Moreland Street to Hadley Street (north-south) — are growing in popularity; and ASU's establishment of a downtown Phoenix campus has also helped to increase the vibrancy of the area. Nevertheless, over the last six decades, there has been a greater focus on the development of new suburbs outside the urban core of the city. As a result, Phoenix today is fast reaching a point where the continuation of urban sprawl is no longer viable due to existing employment locations and residents' unwillingness to commute. Other Sunbelt growth markets hit this point a decade or more ago; but real estate developers in Phoenix are only just starting to appreciate the need for a different local model.

The University City Exchange (UCX) at Arizona State University (ASU), in partnership with several private and nonprofit partners and government agencies in the metro Phoenix area, is therefore currently exploring the revitalization of a 1.5 mile Central Avenue corridor called the Central Idea, stretching from the Heard Museum in the north to the Cronkite School of Journalism/Jefferson Street in the south. ASU, foundations, nonprofit organizations and the private sector plan to work in partnership with the City of Phoenix's economic development team to attract significant capital investment in parks, public architecture, housing, hotels and urban amenities as part of this Central Idea proposal. The establishment of an annual signature event, similar to Austin's SXSW, Rhode Island's WaterFire Providence, or Miami Beach's Art Basel, has also been proposed for the 1.5 mile corridor, which will be transformed into a vibrant, solar-shaded, walkable streetscape or urban core.

In summer 2016, the UCX commissioned the Seidman Research Institute to investigate and evaluate the economic impact and community implications of the Central Idea. Their request focused on a comparison of two economic estimates. These are:

- › The 1.5 mile corridor inclusive of any organic growth.

- › The 1.5 mile corridor following its transformation into a walkable shaded streetscape, connecting an expanded museum quarter with a larger downtown Phoenix college student campus, anchored by the Herberger Institute for Design & the Arts.¹

The difference between the two estimates quantifies the additional gains associated with the Central Idea. The findings, published in this report, will form a central pillar of ongoing stakeholder discussions with private and nonprofit organizations and government agencies interested in the revitalization of Central Avenue.

Drawing from expert opinion, the vision of key stakeholders located along the corridor and examples of best practice in other U.S. locations, the study's economic estimates are based on employment, residential and visitor number changes in zip codes AZ 85003 and AZ 85004.

- › Section 1 describes the methods employed by Seidman.
- › Section 2 draws from stakeholder insights and current growth patterns to estimate the *additional* gains to the local economy caused by organic growth in zip codes AZ 85003 and AZ 85004. Organic growth refers to business expansion through increased output, changes in the customer base, or new product development.
- › Section 3 presents a *conservative* estimate of the additional economic gains associated with the realization of the Central Idea.

The study concludes with a summary of insights on the value of three signature events held in other U.S. cities. Stakeholder comments of potential interest to the reader, drawn from a series of 16 in-depth interviews, are displayed throughout this report.



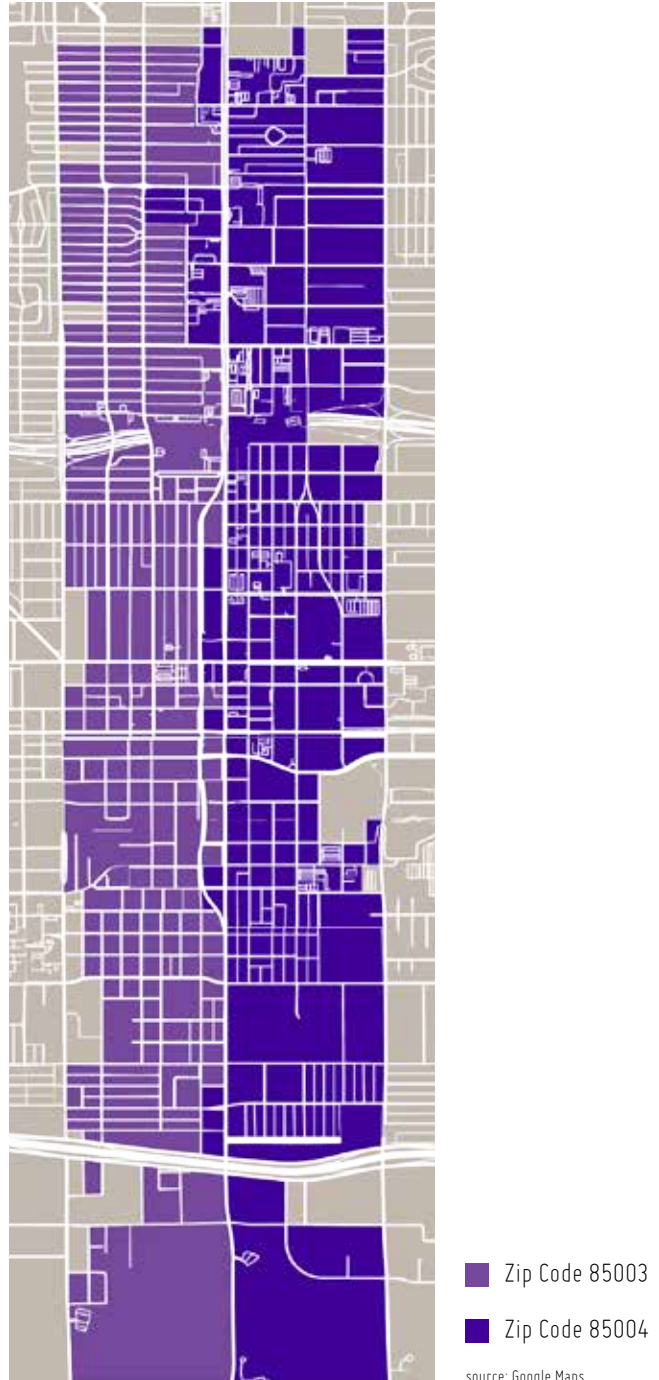
At a macro level, the Central Idea will make an important statement to the world about the value of Phoenix — that we value our culture, that it's part of our identity. It will help the city attract better talent.

¹ Seidman assumes that the initial Central Idea transformation could take approximately ten (10) years to deliver.

AT LEAST 700,000 PEOPLE IN
2016 VISITED THE KEY ARTS AND
CULTURAL INSTITUTIONS THAT
COULD POTENTIALLY BE IMPACTED
BY THE CENTRAL IDEA.

RESEARCH METHODS

Figure 1. Zip Codes AZ 85003 and AZ 85004



Economic impact analysis traces the full effect – direct, indirect and induced – of an economic activity on jobs and incomes in a local economy.

For example, an existing arts or cultural institution located on Central Avenue directly affects the local economy through its operational employment, capital expenditure investments and goods purchased from local suppliers. Indirect effects arise when local suppliers hire staff to fulfill the institution’s needs, or place upstream demands on their own suppliers. Induced effects occur when workers either directly or indirectly associated with the arts or cultural institution spend their incomes in the local economy.

The total impact of an arts or cultural institution on the local economy is therefore greater than its total *direct* spending on payroll, supplier purchases and program/service delivery costs. Additional secondary effects, referred to by economists as multiplier or ripple effects, must also be included. These rounds of expenditures are not self-perpetuating in equal measure. They become smaller as more of the income/expenditures “leak” out of the local economy.² The extent of these ripple effects depends on numerous factors. In very simple terms, what matters is the size of the direct impact, where it occurs (that is, the geographical location or sector of the economy) and the duration of the impacts.

This study uses input-output analysis to estimate the impact of the Central Idea on the local economy. Modeling results are derived from IMPLAN. This is a commercially-licensed model commonly used throughout the United States, and is generally accepted for measuring economic impact.

The Central Idea is primarily focused on the revitalization of a 1.5 mile corridor along Central Avenue, stretching from the Heard Museum in the north to the Cronkite School of Journalism/Jefferson Street in the south, along the border between zip codes AZ 85003 and AZ 85004. The two zip codes stretch from Thomas in the north to the Salt River in the south, between 7th Avenue and 7th Street, and are both shaded in purple in Figure 1. The lighter purple shading is AZ 85003; the darker shading AZ 85004.

The Maricopa Association of Governments (MAG) estimated that 53,945 people worked at 1,202 establishments in the two zip codes in 2016. Over one third of these employees worked

² For example, in the form of savings, payments on goods and services produced outside of the state, etc.

Table 1. Summary of Employment and Establishments by Sector in AZ 85003/AZ 85004 in 2016³

NAICS	SECTOR	ESTABLISHMENTS	EMPLOYEES
11	Agriculture, Forestry, Fishing and Hunting	3	59
22	Utilities	6	175
23	Construction	29	540
31-33	Manufacturing	41	1,315
42	Wholesale Trade	47	1,088
44-45	Retail Trade	61	1,181
48-49	Transportation and Warehousing	15	735
51	Information	42	2,434
52	Finance and Insurance	54	6,437
53	Real Estate and Rental and Leasing	40	622
54	Professional, Scientific, and Technical Services	233	6,167
55	Management of Companies and Enterprises ⁴	8	5,727
56	Admin & Support and Waste Management & Remediation	58	1,716
61	Educational Services	49	2,843
62	Health Care and Social Assistance	120	3,036
71	Arts, Entertainment, and Recreation	31	1,376
72	Accommodation and Food Services	182	4,471
81	Other Services (except Public Administration)	83	1,377
92	Public Administration	100	12,646
TOTAL		1,202	53,945

source: MAG 2016 Employers Database

within the Management of Companies and Enterprises, Finance and Insurance, or Professional, Scientific and Technical Services. Approximately 8.3% worked in Accommodation and Food Services; and 2.6% in Arts, Entertainment and Recreation. Public Administration roles accounted for 23.4% of all employment in both zip codes. A full breakdown of employees by sector is provided in Table 1.

A separate survey implemented by the UCX as part of the current study estimates that approximately 18,000 of these jobs were along or adjacent to the Central Idea's 1.5 mile corridor. Seidman estimates that approximately 14,375 people lived within zip codes AZ 85003 and AZ 85004 in 2016.⁵

Drawing from the stakeholder interviews, Seidman also estimates that at least 700,000 people in 2016 (including up to 20% from outside metro Phoenix) visited the key arts and

³ The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing and publishing statistical data related to the U.S. economy.

⁴ This includes people identified by MAG as working in Mining, Quarrying, and Oil and Gas Extraction.

⁵ This is based on 2.03% City of Phoenix total annual population growth between 2015 and 2016 (source: U.S. Census Bureau) applied to a County Business Patterns estimate of 9,479 residents in zip code AZ 85003 in 2015, and 4,610 residents in zip code AZ 85004.



The Central Idea will make us stronger. Marketing is easier when there is more foot traffic. It can only be a good thing for us.”

cultural institutions that could potentially be impacted by the Central Idea.

Two scenarios are examined for zip codes AZ 85003 and AZ 85004. The first scenario estimates the *additional* annual economic impact of the two zip codes (combined) as a result of organic growth, excluding the construction proposed for Hance Park, which represents a temporary one-off boost to the local economy. The second scenario estimates the *additional* annual economic impact of the two zip codes (combined) based on the assumption that the Central Idea has become a reality.

AZ 85003 and AZ 85004 extend beyond the immediate 1.5 mile geographical focus of the Central Idea. However, the Central Idea’s impact will permeate throughout the city; and the use of the two zip codes in this analysis therefore serves as a reasonable approximation for the local economy. One property developer interviewed in this study even suggests that any location within a 10–12 minute car ride of the Central Idea could potentially benefit from developments along the 1.5 mile north-to-south corridor. As a result, the economic impact estimates presented for the Central Idea scenario are conservative.

Three measures of economic impact are evaluated:

- › **Gross Regional Product (GRP):** This is synonymous with total valued added. GRP represents the dollar value of all goods and services produced for final demand in a regional economy. It can also be defined as the sum of employment compensation, proprietor income, property income, and indirect business taxes. The national equivalent of GRP is Gross Domestic Product (GDP).
- › **Employment:** This is the number of full-time and part-time employees needed to support the economic activity.
- › **Labor income:** This is a broad estimate of labor compensation for both the self-employed and payroll employees. It includes benefits as well as wages and salaries.



It's going to create an area where people want to come and hang out. So it could be of huge benefit to us economically.”

All economic impacts are expressed in 2016 dollars.

The modeling draws from a variety of data sources. These include:

- › Employment and population data from the U.S. Census Bureau and other federal agencies.
- › Employment data in 2016 for AZ 85003 and AZ 85004 from the Maricopa Association of Governments.
- › Insights provided by 16 stakeholders about their current economic footprint and anticipated future plans with and without the Central Idea. Representing property developers, bar/restaurant owners, arts and cultural institutions, government, and education, the insights were shared in confidence in a series of face-to-face in-depth interviews conducted by Seidman.
- › Insights acquired through telephone interviews with several key players familiar with and/or contributing to the revitalization of other U.S. cities, including Detroit, MI and San Antonio, TX.

“THE NEXT 20–30 YEARS
COULD BE THE GOLDEN AGE
OF THE DENSIFICATION AND
INTENSIFICATION OF THE FIRST
AND SECOND RINGS AROUND
DOWNTOWN. THE MORE
COMPELLING THAT CORRIDOR
BECOMES, THE BRIGHTER THE
HALO.”

DOWNTOWN PHOENIX IS UNDERGOING A SIGNIFICANT TRANSFORMATION, WITH DEMAND FOR RESIDENTIAL AND OFFICE SPACE INCREASING, DEMONSTRATED BY UP TO 30% GROWTH IN LEASES OVER THE PAST TWO YEARS .

ADDITIONAL ECONOMIC IMPACT OF ORGANIC GROWTH



If we only allow for organic growth, in the fullness of time new opportunities will come, a new level of vibrancy. But organic evolution is slower than it needs to be, and it will be largely unguided.”

Downtown Phoenix is undergoing a significant transformation, with demand for residential and office space increasing, demonstrated by up to 30% growth in leases over the past two years. To gain insights into these changes, Seidman held face-to-face in-depth interviews with 16 stakeholders about their current economic footprint and anticipated future plans with and without the Central Idea. The interviewees represented property developers, bar/restaurant owners, arts and cultural institutions, government, schools and colleges.

Interviewees expect the population in the two zip codes to increase by approximately 4,800 residents over the next five years due to a significant increase in the availability of residential units of particular appeal to young professionals, empty-nester's and retirees. All three demographic groups want to enjoy a “lock-and-leave” lifestyle, and use the downtown Phoenix area as their playground.

One property developer interviewed as part of this study suggests that the primary differentiator for office space since 2008 is the level of demand from technology entrepreneurs, startups, and creative industries. Property developers are currently looking for traditional class A buildings and adaptive use of existing historical buildings for offices and retail, or potential urban mixed-use sites in close proximity to existing employment cores.

Over 80 new restaurants have opened in the last three years; and the influx of new people into the area is also having a major impact on the number of bars, musical venues and other forms of entertainment opening for business. For example, the sales tax contributions of restaurants and bars in the Downtown Entertainment District have increased from \$2.1 million in 2007 to \$4.1 million in 2015.⁶ Hotel and motel sales tax contributions in the same district have increased from \$1.8 million in 2007 to \$5 million in 2015.⁷

⁶ The boundary for the downtown Entertainment District is Fillmore (north), railroad tracks (south), 7th St (east) and 3rd Ave (west).

⁷ All sales tax estimates are courtesy of the Downtown Phoenix Partnership.

Two major food retailers are expected to open within the next couple of years in the area, thereby overcoming one of the barriers to even greater residential appeal. Arts and cultural institutions are currently revisiting their short and medium-term strategies in conjunction with the setting of ambitious annual visitor targets. One interviewee has even embarked on an \$8.5 million capital campaign to enhance its facilities and maximize future revenue streams.

ASU estimates that its downtown Phoenix campus will grow from 12,000 to 20,000 students by 2020, in six existing colleges. The advent of light rail, a focus on place-making (CityScape) and the downtown college campuses (ASU and University of Arizona) are perceived by interviewees to be key drivers for the development to date. The arrival of 12,000 students downtown, for example, has brought a vibrancy to the area; and light rail is described as "...the ultimate sticky infrastructure." All three factors, together with the revitalization of Hance Park, are expected to help foster organic growth over the next five years.

Drawing from the stakeholder interviews, Seidman makes the following assessment about organic growth in AZ 85003 and AZ 85004 for the study's time horizon:

- › An additional 4,800 residents, with corresponding effects for employment growth in the zip codes.
- › An 18% increase in visitor numbers to the arts and cultural institutions interviewed for this study.

Figure 2. Additional Economic Impacts Associated with Organic Growth⁸



source: Authors' Calculations

⁸ It should be noted that zip code level economic impact models, such as the one used for AZ 85003 and AZ 85004 (combined), will generate smaller economic impacts compared to city-level or state-level models. This is due to the fact that small geographies, especially ones with little retail activity, tend to have large leakages, as additional rounds of expenditures are lost to the region. A large portion of residents' income will be spent outside the area and will not benefit the area. These expenditures will benefit the surrounding areas, such as city, county and state, but not the zip code areas themselves. In addition, AZ 85004 has a large employment base but few residents, so many of these employees will spend their incomes outside the zip code area.

The resident population and visitor number increases described above are not conditional on the implementation of the Central Idea. They are assumed to take place organically in the two zip codes.

Figure 2 details Seidman’s estimate of the *additional* economic contribution of AZ 85003 and AZ 85004 (combined) based on the employment, population and visitor changes predicted by stakeholders. Gross Regional Product (GRP) refers to the final value of all goods and services produced in the zip code’s economy. The job metric estimates the number of people having a full-time equivalent job for 12 consecutive months. Labor income refers to the salaries and benefits received by employees and the self-employed in AZ 85003 and AZ 85004. Seidman estimates that organic growth in the two zip codes (combined) could contribute an *additional* \$85.1 million to the local economy per year, compared to a scenario in which no organic growth occurs. This organic growth could also directly and indirectly account for an additional 1,079 jobs paying \$49.1 million in wages and salaries every year. Both monetary estimates are expressed in 2016 dollars.⁹

The additional economic impacts generated by organic growth in the two zip codes reflect:

- › The estimated contribution of firms in AZ 85003 and AZ 85004 expanding their employee bases through increased output, customer base expansion, or new development, as opposed to mergers and acquisitions.
- › The estimated contribution of 4,800 new people choosing to live in AZ 85003 and AZ 85004.
- › The annual expenditure of 25,400 additional people from outside metro Phoenix visiting arts and cultural institutions located along the Central Idea’s 1.5 mile corridor of interest.^{10, 11}

Table 2. Distribution of Additional Economic Impact Estimates, 2021¹²

	DIRECT ADDITIONAL IMPACTS	INDIRECT & INDUCED ADDITIONAL IMPACTS	TOTAL ADDITIONAL IMPACTS
GRP	\$65.5 Million	\$19.7 Million	\$85.1 Million
Employment	852	228	1,079
Labor Income	\$37.0 Million	\$12.1 Million	\$49.1 Million

source: Authors’ Calculations

9 The organic growth scenario excludes the proposed \$118 million revitalization of Hance Park.

10 Seidman estimates that a total of 167,000 people will visit the arts and cultural institutions from outside metro Phoenix as a result of organic growth, compared to 141,600 in 2016. The impact of 668,000 metro Phoenix resident visitors’ expenditure is excluded, as their spending will not represent an influx of new dollars into the regional economy.

11 For the purpose of this analysis, Seidman has applied the restaurant/bar, groceries/take-out food and drinks, and souvenirs expenditure of San Antonio’s non-local day visitors, in conjunction with a \$15 admission/fees charge per visitor.

12 Rows may not tally exactly due to rounding.



The Central Idea will make Phoenix a real, walkable city. People will choose to live in this downtown environment. It will result in more independent food operations and more art institutions. The residential core will grow. People will take advantage of our cultural institutions; and the shaded structure will make things feel more connected.

Table 2 shows the split between *additional* direct and indirect/induced impacts from organic growth.

Seidman estimates that only 6.5% of the additional GRP impacts, 12.8% of the additional employment impacts, and 9.5% of the labor income impacts occurring through organic growth are the result of *new* visitors to the arts and cultural institutions arriving from outside metro Phoenix. That is, most of the additional impacts from organic growth are from people deciding to live and/or work in the two zip codes.

Table 2's estimates of additional impact exclude the construction impacts associated with a potential \$118 million investment in Hance Park. They also exclude the cost of construction associated with any residential or commercial property developments. The economic impact of a five-year \$118 million investment in Hance Park is described by one interviewee as "...a needle mover because it will alter perceptions of downtown." The City of Phoenix has commissioned a private firm to estimate the economic impact of the Hance Park proposal, which will be funded by both public and private sector sources. A preliminary estimate by Seidman, based exclusively on the projected \$118 million construction costs, suggests that GRP in the two zip codes will increase by a total of \$74.9 million over five years as a result of the Hance Park construction work. There could also be an additional total of 892 job years of employment during the five-year period associated with the proposed Hance Park construction work,¹³ and \$50.3 million labor income.¹⁴

13 A job year refers to a person holding a job for one full year. A person working at the same firm for five consecutive years represents five job years of employment, but only one job.

14 Please note: the Hance Park construction impact estimates are preliminary and represent a cumulative total for a five-year period. They are separate to, but should not be added to Table 2's economic impacts for one year caused by organic growth.

THE CENTRAL IDEA IS THE
MISSING PIECE TO COMPLETE
THE DOWNTOWN AREA. A
CAREFULLY PLANNED EXPERIENCE
OF ARCHITECTURE, PUBLIC ART,
SHADE AND LANDSCAPE COULD
TRULY ENCOURAGE PEOPLE TO
WALK, TO CREATE VIBRANCY.

**ADDITIONAL
ECONOMIC IMPACT
OF THE CENTRAL IDEA.**

All 16 interviewees are familiar with the Central Idea concept, and welcome it as a positive contribution towards the development of a thriving urban core.

One interviewee cautions against the over-development of food and beverage options in the corridor. Another calls for a convening of stakeholders to more clearly define the Central Idea, culminating in a master plan that could connect the 1.5 mile corridor to the Downtown Entertainment District under something like an “Eds, Meds and Arts” umbrella.

Every interviewee acknowledges the importance of streetscape and approves the solar shade panels entwined with other interesting components. However, the commercial and residential densification of the area is perceived to be the main driver for the development of a vibrant urban core, as the presence of people is key.

The fine details of the Central Idea, including financing and timeline, have still to be agreed; and past experience in Detroit and Cleveland suggests that the proposal could take several years to come to fruition. However, everyone recognizes the positive benefits of the Central Idea for their own organization and the wider community.

To estimate the *additional* economic gains in AZ 85003 and AZ 85004 (combined) following the implementation of a Central Idea, Seidman makes the following assumptions:

- › Approximately 24,800 people in total could reside in the two zip codes once the Central Idea has come to fruition.
- › Annual visitor numbers to the arts and cultural institutions along the Central Idea’s 1.5 mile key corridor could double if the Central Idea is implemented, compared to 2016. This includes an increase in the proportion of day and overnight visitors from outside metro Phoenix.

Figure 3 estimates the *additional* annual economic contribution of AZ 85003 and AZ 85004 if the Central Idea is implemented.

Seidman estimates that AZ 85003 and AZ 85004 (combined) could contribute an *additional* \$193.5 million to the local economy each year following full implementation of the Central Idea. This is over and above what the two zip codes would have generated in the absence of the Central Idea. It could also directly and indirectly additionally account for 2,503 jobs paying \$112.4 million in wages and salaries. Both monetary estimates are expressed in 2016 dollars.

Figure 3. Additional Annual Economic Impacts Associated with the Central Idea¹⁵



source: Authors' Calculations

The additional economic impacts in AZ 85003 and AZ 85004 reflect the higher employment and resident population potential of the two zip codes stimulated by the Central Idea. They also reflect the expenditure of 233,400 additional people arriving each year from outside metro Phoenix to visit the arts and cultural institutions located along the Central Idea's 1.5 mile corridor of interest, including a significant portion of overnight visitors.^{16, 17}

Figure 3's estimates exclude the impact of a \$100 million investment in the Central Idea's proposed solar shaded structure and streetscape, which is separately estimated at the end of this section.

The split between the *additional* direct and indirect/induced impacts is shown in Table 3.

Table 3. Distribution of Additional Annual Economic Impacts from the Central Idea

	DIRECT ADDITIONAL IMPACTS	INDIRECT & INDUCED ADDITIONAL IMPACTS	TOTAL ADDITIONAL IMPACTS
GRP	\$148.9 Million	\$44.6 Million	\$193.5 Million
Employment	1,987	516	2,503
Labor Income	\$84.8 Million	\$27.6 Million	\$112.4 Million

source: Authors' Calculations

¹⁵ It should be noted that zip code level economic impact models, such as the one used for AZ 85003 and AZ 85004 (combined), will generate smaller economic impacts compared to city-level or state-level models. This is due to the fact that small geographies, especially ones with little retail activity, tend to have large leakages, as additional rounds of expenditures are lost to the region. A large portion of residents' income will be spent outside the area and will not benefit the area. These expenditures will benefit the surrounding areas, such as city, county and state, but not the zip code area themselves. In addition, AZ 85004 has a large employment base but few residents, so many of these employees will spend their incomes outside the zip code area.

¹⁶ Seidman estimates that 375,000 people will visit the arts and cultural institutions from outside metro Phoenix as a result of the Central Idea, compared to 141,600 in 2016. The impact of metro Phoenix resident visitor expenditure is excluded, as their spending will not represent an influx of new dollars into the regional economy.

¹⁷ For the purpose of this analysis, Seidman has applied the restaurant/bar, groceries/take-out food and drinks, and souvenirs expenditure of San Antonio non-local day and overnight visitors, in conjunction with a \$15 admission/fees charge per visitor.

Seidman estimates that approximately 10.8% of the additional GRP impacts, 18.5% of the additional employment impacts, and 14.2% of the additional labor income impacts could occur as a result of *new* day and overnight visitors to downtown Phoenix’s arts and cultural institutions arriving from outside the metro area.

Table 3’s estimates exclude the economic impact of a potential \$100 million investment in the construction of a solar-shaded structure and streetscape enhancements — a cornerstone of the Central Idea. This is because the streetscape construction represents a temporary single boost to the economy, compared to the long-term annual boost of Table 3’s estimates. A preliminary estimate by Seidman, based exclusively on the \$100 million construction costs, suggests that GRP in the two zip codes will increase by a total of \$63.5 million over 10 years as a result of the construction of the Central Idea shaded structure and streetscape enhancements. There could also be an additional 744 job years of employment in total for the ten-year period associated with the construction,¹⁸ and \$41.9 million labor income.¹⁹

Table 4. Comparison of Additional Annual Economic Impact Estimates by Scenario

	ORGANIC GROWTH SCENARIO	CENTRAL IDEA SCENARIO	CHANGE ASSOCIATED WITH CENTRAL IDEA
GRP	\$85.1 Million	\$193.5 Million	+\$108.4 Million
Employment	1,079	2,506	+1,424
Labor Income	\$49.1 Million	\$112.5 Million	+\$63.3 Million

source: Authors’ Calculations

Table 4 compares the AZ 85003 and AZ 85004 (combined) *additional* annual economic impact estimates for the organic growth and Central Idea scenarios. Seidman estimates an additional \$108.4 million GRP could potentially be generated in a single calendar year if the Central Idea becomes a reality, compared to a situation in which the two zip codes (combined) simply continue along their current organic growth trajectory.

Seidman also estimates that the Central Idea could potentially generate an additional 1,424 job years of employment each year, and \$63.3 million in labor income, compared to a situation in which the two zip codes (combined) simply continue along their current organic growth trajectory.

¹⁸ A job year refers to a person holding a job for one full year. A person working at the same firm for five consecutive years represents five job years of employment, but only one job.

¹⁹ Please note: the construction impact estimates for the Central Idea are preliminary and represent a cumulative total for a ten-year period. They are separate to, and should not be added to Table 3’s estimates for a single year.

“...THE NOTION THAT WE CAN CONNECT THE REALLY INTERESTING AREA NORTH OF ROOSEVELT AND SOUTH OF THE HEARD, THAT’S THE SWEET SPOT. THERE’S NO REASON WHY IT CANNOT BE AS VIBRANT AS DOWNTOWN, WHICH ARTIFICIALLY STOPS AT ROOSEVELT.”



A SIGNATURE EVENT IS A UNIQUE ANNUAL EVENT SPECIFICALLY ASSOCIATED WITH A COMMUNITY, WHICH DRAWS PEOPLE IN HIGH NUMBERS TO THE AREA.



REVIEW OF SIGNATURE EVENTS

In recent years, downtown and midtown Phoenix has demonstrated its potential as a walkable, vibrant cultural destination through the First Friday event.

One of the largest self-guided art walks in the nation, up to 20,000 people head to downtown Phoenix on the first Friday of each month between 6pm and 10pm to tour the 18 galleries, 26 art spaces/cultural venues, 3 performing arts centers, and 11 artist studios venues. Visitors can ride the light rail, or park at one of the Artlink HUB stops, prior to catching a free trolley service connecting key venues and serving McDowell Road, Grand Avenue, CityScape and Roosevelt Row.

Primarily, but not exclusively targeted at locals, First Friday appeals to a diverse audience in terms of age and ethnic backgrounds, including college students, families and seniors. Many visitors are familiar with and already have a love for the arts. For others, a First Friday event is often their first introduction to art and culture in Phoenix. Most First Friday visitors are Valley residents, but some arrive from other parts of the state or even further afield.

A key component of the Central Idea is the development of a signature event that will identify Central Avenue as a place worth visiting. A signature event is a unique annual event specifically associated with a community, which draws people in high numbers to the area.

All 16 interviewees support the idea of a signature event. There was a clear reticence to suggest a theme for the signature event; but several interviewees referred to First Fridays to demonstrate its potential value. The development of a signature event in and of itself will be insufficient to significantly enhance the economic contribution of AZ 85003 and AZ 85004. The key to stimulating economic growth is to encourage people to work, live, shop and play in the zip codes year-round, rather than just for a couple of days each year. Nevertheless, the economic value of a signature event cannot be underestimated, as demonstrated by the following three examples in other states.



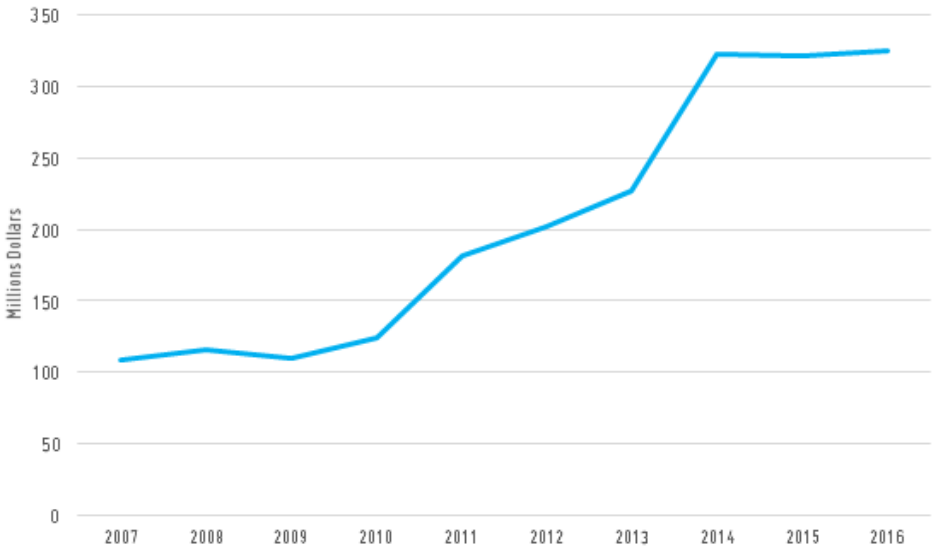
The Central Idea can only have a positive impact. We will have the opportunity to let people know this is a vibrant cultural community.”

SXSW

South by Southwest (SXSW) is an annual conference and series of festivals and exhibitions focused on films, interactive media, and music held in mid-March in Austin, TX.

Initially launched as a regional music festival in 1987, the organizers expected 150 registrants but welcomed over 700! Since that time, SXSW has grown into a signature event of truly global appeal, and has also diversified into film and interactive media. One of the highest revenue-producing events for the city of Austin economy, SXSW is positioned as a tool for creative people worldwide to meet, learn and share ideas. The 2017 10-day event attracted 421,900 people. This consisted of 285,804 festival visitors, 70,696 conference participants and 65,600 exhibition attendees.

Figure 4. Annual Economic Contribution of SXSW, 2007-2016 (2016 \$)



source: SXSW

Demographic insights published by SXSW for the 2017 conference participants suggest that:

- › 54% are male.
- › 71% are ages 24-44.
- › 87% have a Bachelors' degree or higher.
- › 37% earn at least \$150,000 per annum, plus a further 14% in excess of \$75,000.
- › 78% of total attendees arrive from the U.S., including 25% from West-South-Central states (AR, LA, OK and TX).
- › 22% of total attendees arrive from 94 countries outside the U.S., including Canada, Australia, China, Japan and several European nations.

SXSW has hired a local firm to estimate annual economic impact since 2007. These annual economic impacts are displayed in Figure 4. In 2007, the annual economic impact for the Austin economy was an estimated \$95 million, which is equivalent to \$108.77 million in 2016 dollars. In 2016, the annual economic impact for the Austin economy was an estimated \$325.3 million. An estimate for 2017 is currently unavailable. To put SXSW's 2016 economic impact estimate into perspective, the 2017 NCAA Final Four tournament in Phoenix generated \$324.5 million for the State of Arizona economy.

The distribution of SXSW's 2016 total economic is illustrated in Figure 5. SXSW's direct impact in 2016 came from operations, official sponsors, event attendees and exhibitors.

Figure 5. Distribution of SXSW's Economic Impact (2016 \$)



source: SXSW



source: Austin TX, SXSW Event, Photography by Jay Janner/Austin American-Statesman

The indirect impact reflected increases in sales, incomes and jobs associated with companies that benefited from SXSW expenditures.

The induced impact refers to the spending by individuals whose earnings increased as a result of the SXSW festival and conference.

The scale and complexity of SXSW requires year-round operations generating an estimated \$116.9 million in 2016 (approximately 36% of the \$325.3 million total impact). Expenditures by credentialed and official participants and event ticket holders generated \$159.7 million for the Austin economy in 2016 (approximately 49% of the total impact). The remaining \$48.7 million refers to expenditures by SXSW Guest Pass and Consumer Participants and parties. The latter are free events primarily attended by local residents.

The 2016 economic impact report also states that SXSW is the single most profitable event for the city of Austin's hospitality industry. Staying an average of 5.2 nights per registrants, direct bookings by SXSW alone (equating to 59,000 room nights) are estimated to have generated \$1.8 million in hotel occupancy tax revenues for the city of Austin. This is a conservative estimate, as it excludes thousands of rooms self-booked by visitors.

WATERFIRE PROVIDENCE

WaterFire Providence is a free public art event of major appeal to Rhode Island residents and

visitors, held on up to 20 evenings from May to December each year. Originally held in 1994 to celebrate the tenth anniversary of First Night Providence, the signature event focuses on an award-winning sculpture by Barnaby Evans presented on three rivers in downtown Providence, Rhode Island. Over 80 ritual bonfires burn from sunset to midnight on metal braziers floating just above the river surface, accompanied by music, natural sounds and chants.

Managed by a 501 (c) 3 nonprofit, the primary purpose of WaterFire is to revitalize the urban experience, foster community engagement and creatively transform the city of Providence. On WaterFire evenings, the public are invited to walk along the riverfront, experience the beauty and aroma of burning braziers, and enjoy the accompanying music, art and street performers.

The event is primarily possible thanks to a \$143 million waterfront revitalization plan, implemented over eight years between 1989 and 1996. Up to 85% of the infrastructure enhancements and rerouting of the three rivers were paid for by federal and public sources.²⁰ Prior to the infrastructure enhancements, the cityscape was dominated by pedestrian-unfriendly streets, city-dividing highways, railroad tracks, parking lots and other dead spots. The area was also shunned by Rhode Island's citizens.²¹

The current public art event was introduced to help populate the waterfront and bring new commercial development to the area. This demonstrates how an investment in streetscape alone is insufficient to revitalize an area — a common theme expressed in the Central Idea interviews. Increasing the flow of people to an area is critical.

WaterFire draws between 10,000 and 100,000 spectators into downtown Providence each evening, equivalent to approximately 1 million visitors each year. More than 50% of these visitors are believed to arrive from outside Rhode Island, thereby generating a significant Influx of new dollars into the local economy. This is in part due to Providence's eastern seaboard location which affords close proximity to large out-of-state metropolitan areas.

In 2004, WaterFire Providence was estimated to have a direct economic impact of \$33.2 million.²²

20 Dauffenbach, Robert. (2016). *The Economics of Place and Potential Impacts of Arkansas River Development Project*. Prepared for Tulsa Regional Chamber. Center for Economic & Management Research, University of Oklahoma.

21 Rotella, Carlo. (2006). The Elements of Providence. *Washington Post*. September 17, 2006. Available at: <http://www.washingtonpost.com/wp-dyn/content/article/2006/09/13/AR2006091301612.html>

22 Source: Botello, Bridget. (2005). WaterFire Touts Economic Benefits to City - \$33M in '04. *Providence Business News*. March 19, 2005.

Figure 6. Economic Impact Estimate of WaterFire Providence (2012 \$)



source: U.S. Army Corps of Engineers

The most recent estimate of economic impact for WaterFire is 2012. The study was completed by the U.S. Army Corps of Engineers using an IMPLAN input-output model consistent with the model used by Seidman for the Central Idea. It estimated an annual impact of \$114.3 million from visitor spending,²³ and the creation of 1,294 jobs. The 2012 study also estimated that WaterFire generates \$9.3 million in state and city sales taxes each year. Their tax estimates exclude any fiscal impacts associated with indirect and induced spending, or local income taxes.²⁴

In 2015, the nonprofit employed 43 individuals, and additionally relied on the help of 5,294 volunteers to produce 14 evening performances. Their total expenses of \$2.3 million were offset by \$3.9 million in total revenue, primarily sourced from contributions and grants. Government contributed \$458,000; the private sector \$3.1 million.²⁵

ART BASEL MIAMI BEACH

Art Basel is an international art fair held annually in Basel (Switzerland) since 1970, in Miami Beach, FL., since 2002 and in Hong Kong since 2013. It showcases contemporary works by both established and emerging artists.

Attracting over 75,000 visitors each year, the Miami Beach event is held over five days in December. Paintings, sculptures, installations, photographs, films and editioned works are displayed in Miami Beach Convention Center's main exhibition hall. In addition, large-scale artworks, films and performances are showcased outdoors in Collins Park and SoundScape Park; and visual arts education programs are offered for children aged 4 to 12 and high school students.

²³ This is equivalent to \$121 million in 2016 dollars.

²⁴ WaterFire Providence. (2015). The Economic Impact of WaterFire Providence. Available at: <http://waterfire.org/wp-content/uploads/2015/11/ACoE-Exec-Summary-letterhead.pdf>

²⁵ Source: WaterFire Providence Form 990 IRS submission, 2015.

Positioned as the #1 U.S. and #2 global art fair, Art Basel Miami Beach is estimated to generate \$500 million a year for the local economy, and has rejuvenated the Miami art scene.²⁶ In 2015, 800 private jets arrived for the fair (more than the Super Bowl) to view and purchase up to \$3 billion of art. A detailed breakdown of the economic impact analysis has not been found. CBS Miami, for example, states that Art Basel does not release statistics, and attributes the \$500 million to unidentified analysts.²⁷

The New York Times postulates that the 75,000 tourists would on average generate \$13 million for the region, but notes that Art Basel Miami Beach attendees are very different to ordinary tourists.²⁸ The article suggests that the importance of the signature event is that it positions Miami as a world-class community and destination for art. Prior to 2002, Miami Beach did not feature on the radar of the arts world. Today, it not only appeals to high-end customers with a passion for expensive art. It also attracts a younger creative class eager to capture the city's evolving zeitgeist. In short, the event has become a catalyst for year-round growth.

The ripple effects of Art Basel Miami Beach are demonstrated in advertorial placed in the Miami Herald by the Miami Association of Realtors. They attribute the development of the Miami Design District,²⁹ Wynwood,³⁰ and a revitalized downtown to the success of Art Basel Miami Beach.³¹ Art Basel is also presented as a key factor in the metamorphosis of the beach town into a global city:

“Miami has shown how a city can market itself around culture. Arts create a sense of place, attract tourists and educate and inspire citizens to develop new ideas.” (page 8A)

The Miami Association of Realtors' comments are endorsed by Harvey Mogul, President and CEO of the United Way of Miami-Dade, who told the Miami Herald in a 2015 interview:

“Art Basel has spawned hundreds of successful ancillary businesses and fueled the growth of Wynwood, the Design District and Midtown — not just Miami Beach. And,

26 Newell, Eric. (2016). The Basel Beast. Art Basel Miami Beach's Impact on the Local Art Scene. *Time Out*. November 15, 2016. Available at: <https://www.timeout.com/miami/blog/the-basel-beast-art-basel-miami-beachs-impact-on-the-local-art-scene-111516>

27 CBS Miami. (2014). Art Basel Brings Boom to Local Businesses. CBS Miami. December 3, 2014. Available at: <http://miami.cbslocal.com/2014/12/03/art-basel-brings-boom-to-local-businesses/>

28 De Aenlle, Conrad. (2014). Art Fair Energizes Economy of Region. The New York Times. December 4, 2014. Available at: <https://www.nytimes.com/2014/12/04/arts/international/art-fair-energizes-economy-of-region.html>

29 This is a creative neighborhood and shopping destination dedicated to innovative fashion, design, architecture and art.

30 This is a hip Miami neighborhood with more than 70 galleries and museums, plus restaurants, bars, and clubs.

31 South Florida Real Estate Market Facts & Trends, (2016). From Beach Town to Arts Capital: Art Basel Miami Beach's Impact on South Florida. *Miami Herald*. November 30, 2016. Available at: <https://www.miamire.com/docs/default-source/international-articles-and-advertisements/intl-article-2016-11-30-miami-herald.pdf?sfvrsn=2>



The Central Idea is ripe with potential and possibility. It paves the way to create moments where people come to see art. There's a power in making people realize there's a cultural center to this town, where people can be dazzled and entertained. We don't really have that. It would give us some cohesion.

equally important, it has helped elevate our community's self-esteem and aspiration for an even better tomorrow."³²

The long-term ripple effects of Art Basel are such that Arts organizations in the region employed 30,000 people in 2014, generating \$1.1 billion in annual revenue.³³

SIGNATURE EVENT CONCLUSIONS

- › A signature event can help to create awareness of, and drive traffic to, a region's key attractions.
- › A signature event can also help to change in-state and out-of-state perceptions of an area or region.
- › The three signature events examined in this section encourage a significant infusion of new dollars from outside their home states into their respective regional economies.
- › The annual range of economic impacts for the three events is \$121 million to \$506 million. (2016 \$)
- › The financial contribution of a signature event for a regional economy depends on the appeal of the event concept, timing, duration, and proposed catchment area.
- › The economic contribution of an effective signature event should increase over time.
- › All 16 interviewees are enthusiastic about downtown Phoenix hosting a signature event, but they are also reticent to suggest a theme for the event.
- › Some local interviewees also caution against an over-reliance on a signature event to revitalize an area. Attracting people year-round to AZ 85003 and AZ 85004 is key to the long-term prosperity of the region.
- › Signature events are often used to provide offer short-term boosts for part of the year. The ripple effects of Art Basel Miami Beach on business composition is possibly an exception.

32 Miami Herald. (2015). Hey Art Basel — We Owe You One. Miami Herald. December 1, 2015. Available at: www.miamiherald.com/opinion/editorials/article47447980.html

33 De Aenlle, Conrad. (2014). Art Fair Energizes Economy of Region. The New York Times. December 4, 2014. Available at: <https://www.nytimes.com/2014/12/04/arts/international/art-fair-energizes-economy-of-region.html>



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