

A LOCALIZED ECONOMIC IMPACT ANALYSIS

PROPOSED CULTURAL CENTER IN ARLINGTON, VIRGINIA

The Arlington Cultural Affairs Division (CAD) of the Department of Parks, Recreation and Cultural Resources (PRCR) has proposed converting the former Newseum space at 1101 Wilson Boulevard into a cultural center, to include spaces for theatrical and musical performances, an art gallery, and a casual dining venue.¹ Arlington Economic Development (AED) has been asked to conduct an economic analysis of the proposed facility to answer the following research questions:

- What is the localized economic impact, in terms of spending and jobs, within the Rosslyn neighborhood of Arlington?
- What are the selected direct and indirect fiscal impacts of the proposed cultural center on the Arlington General Fund?

AED has utilized the best information readily available to answer these questions.

The Webb Management Services, Inc. report provided projections of attendance and spending within the cultural center itself. It should be noted that for this analysis, all Spectrum-related revenues and expenditures were excluded as the Spectrum is already operating and



is not expected to generate new net economic impacts. All projections are based on operating pro-formas for Year-3, which is assumed to be the first fully-stabilized year. Intercept surveys conducted by Randall Travel Marketing in the Autumn of 2006 and 2007 informed visitor spending and activities for visitors. A survey of arts patrons of the Arena Stage conducted in 2009 by the Crystal City Business Improvement District

provided additional data. Sources and assumptions are documented within this report. Finally, this analysis is focused on the economic impact within Rosslyn and does not account for any intra- or inter-jurisdictional effects.

¹ See *Final Report, Arts Space for Everyone (ASE) Business Plan Review*. Webb Management Services Inc. March 13, 2009.

Methodology

The research methodology required several initial assumptions about spending impacts related to transportation: the origin of the projected patrons (i.e. are they residents of the Washington Metro area or are they visitors originating outside of the region, since each group has a somewhat differential impact), and how those patrons will access the proposed cultural center.

With the initial assumptions in place, AED projected direct local spending both within the proposed cultural center and elsewhere in Rosslyn. Next, AED projected direct job creation attributable to the proposed cultural center within the Rosslyn neighborhood and indirect job creation irrespective of the location of those jobs. Construction jobs were not included in the analysis. Finally, AED projected general fund tax revenues that would accrue to Arlington County from the creation of the proposed cultural center.

Analysis

ATTENDANCE

Table 1 shows projected attendance at the proposed cultural center. The total projected attendance is 251,982; with most of the patrons, 226,784 (90 percent), coming from within the Washington D.C. metropolitan area. The remaining 25,198 patrons come from outside of the metropolitan area. AED projects that relatively few out-of-area patrons would arrange a hotel room, or extend a hotel stay, due solely to activities in the cultural center. A modest projection of room nights is based on the experience of Arlington Conventions and Visitor Services (ACVS) in creating targeted marketing packages to promote Arlington as an arts destination.

Table 1: Estimated Attendance for Proposed Cultural Center

Total Persons Attending Proposed Cultural Center Events ¹	251,982
Persons from Local Area (w/in 100 miles)	226,784
Persons from Outside Local Area ²	25,198
Generated Hotel Stays ³	720

Source: Arlington Economic Development, April 2009

¹ Does not include Spectrum related attendance as follows:

Spectrum Presentations - 934

Spectrum Rentals - 22,670

Spectrum Synthetic - 23,812

Total - 47,416

Source: Webb Management Services Inc. Final Report, March 13, 2009, ASE Pro-forma Operating Budget, Page 5

² Assumed 10% of total attendance based on 2009 Arena Stage Patron Survey, Crystal City Business Improvement District

³ Hotel stays generated for the sole purpose of proposed cultural center event attendance.

MODAL SPLIT

It is projected that most patrons will access the proposed cultural center by vehicle (68.8 percent) even though it is Metro accessible (see Table 2). The density of residential and hotel uses in proximity will allow many patrons to arrive by walking.

Table 2: Modal Split for Proposed Cultural Center Event Attendance

	Attendance
Total Persons Attending Cultural Center Events	251,982
Persons from Local Area	226,784
Drive	149,677
Walk	13,607
Metro/Metrobus	61,232
Taxi	2,268
Persons from Outside Local Area	25,198
Drive	23,686
Walk	1,421
Total Drive-Related Attendance	173,364
Total Vehicles ¹	86,682

Source: Arlington Economic Development, April 2009

Note: Modal split based on information obtained from 2009 Arena Stage Patron Survey, Crystal City Business Improvement District.

¹ Assumed 2 persons per vehicle

The uses of taxis and parking garages provide input to the spending analyses.

LOCAL SPENDING

While much of the spending associated with the proposed cultural center is projected within the center itself and is largely related to entertainment, the analysis shows a sizable spending impact in the Rosslyn neighborhood. Of the \$3.26 million in projected spending on food and beverage, some \$1.92 million or 59percent will be captured by other Rosslyn businesses (see Table 3). Other spending in the surrounding area will go toward transportation and lodging, which together with the food and beverage impact, will yield total spending of \$2.94

million in Rosslyn, outside of the cultural center. Total spending associated with the facility is projected to exceed \$10.3 million annually in current dollars.

JOB CREATION

The facility will result in 145.3 new jobs, most of which are generated by direct spending (see Table 4).² AED used a reasonable multiplier of 1.3 to calculate indirect jobs. An imputed share of personnel costs was derived and applied to projected average salaries in order to project jobs. While many of these jobs will result from the activities taking place within the proposed cultural center, some 38.2 jobs are projected for the remainder of Rosslyn.

Table 3: Local Spending Projections for Proposed Cultural Center

	Within Cultural Center	Other Rosslyn	Total
Food and Beverage	\$1,334,970 ¹	\$1,920,438 ²	\$3,255,408
Gifts and Souvenirs	\$210,120	\$0	\$210,120
Transportation	\$0	\$456,089	\$456,089
Metro/Metro Bus	\$0	\$0	\$0
Taxi	\$0	\$22,680 ³	\$22,680
Parking	\$0	\$433,409 ⁴	\$433,409
Lodging	\$0	\$108,000 ⁵	\$108,000
Entertainment	\$5,837,793 ⁶	\$0	\$5,837,793
Total Direct Spending	\$7,382,883	\$2,940,616	\$10,323,499

Source: Arlington Economic Development April 2009

¹ Assumed direct spending of \$5.29 per person based on analysis of projected revenues from 3/13/2009 Webb Report/Pro-forma

² Assumed direct spending of \$7.61 per person based on calculation derived from estimates of total per person spending for Food and Beverage (Source 4/3/2009 email from John Palmer Claridge to Terry Holzheimer "Ancillary Arts Spending")

³ Assumed \$10 average taxi fare

⁴ Assumed \$5 average parking cost

⁵ Assumed \$150 average room rate

⁶ Derived total entertainment spending from 3/13/2009 Webb Report/Pro-forma estimates of entertainment revenue, excluding Spectrum-related entertainment revenues

Table 4: Direct and Indirect Job Projections for Proposed Cultural Center

	Personnel Share of		Estimated Average Salary	Number of Jobs
	Direct Spending	Direct Spending		
Food and Beverage	\$3,255,408	40%	\$40,000	32.6
Gifts and Souvenirs	\$210,120	40%	\$30,000	2.8
Transportation	\$456,089	50%	\$40,000	5.7
Lodging	\$108,000	25%	\$40,000	0.7
Entertainment	\$5,837,793	60%	\$50,000	70.1
Total Direct Jobs				111.8
Indirect Jobs				33.5
Total Jobs				145.3

Source: Arlington Economic Development April 2009

TAX REVENUES

The proposed cultural center will result in new revenues for Arlington County. Total projected direct revenues attributable to the proposed cultural center, not including real estate taxes currently

² These include the limited number of current full time equivalent jobs contributed to the proposed cultural center by CAD, some of which may also support the Spectrum.

collected, are approximately \$191,500 annually (see Table 5). The projected indirect impacts will add \$57,400 for a total of \$248,900 annually.

Table 5: Rosslyn Generated Revenues from Proposed Cultural Center

	Direct Spending	Tax Rate	Estimated Revenues
Food and Beverage	\$3,255,408	5.0%	\$162,770
Gifts and Souvenirs	\$210,120	1.0%	\$2,101
Transportation	\$456,089	\$0.35/\$100 Gross Receipts	\$1,596
Lodging	\$108,000	4.25%	\$4,590
Entertainment	\$5,837,793	\$0.35/\$100 Gross Receipts	\$20,432
Total Direct Revenues			\$191,490
Indirect Revenues			\$57,379 ¹
Total Revenues			\$248,869

Source: *Arlington Economic Development April 2009*

¹ Assumed constant jobs to revenue ratio

jobs created by the proposed cultural center is 145.3. In addition, new revenues accruing to Arlington County from the center is projected to be \$248,900 annually. These impacts are substantial in light of the total development costs of approximately \$6.5 million.

The proposed cultural center will be subsidized by Arlington County, the Rosslyn Business Improvement District, and sponsor and donor contributions. Webb Management's business plan provides these details. The economic impacts are described above. Over and above these economic benefits, and not quantified, are the street life resulting from 250,000 annual visitors to Rosslyn and the largely enhanced cultural experiences for Rosslyn, Arlington, Washington area, and visitor patrons.

Conclusions

In answering the research questions posed above, the localized impacts of spending and jobs are projected to total \$10.3 million annually in current dollars by the third year of operations. The stabilized number of both direct and indirect