

ECONOMIC IMPACT ANALYSIS OF PALM BEACH CULTURAL COUNCIL

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Prepared for:

Cultural Council of Palm Beach County

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Executive Summary

The Cultural Council of Palm Beach County is the umbrella organization that recommended cultural facility investment from the proposed one penny sales tax currently being proposed in Palm Beach County, FL.

Following the construction period, economic impacts from new operations and associated primary out-of-town cultural visitor spending will reach \$119 million per year, on an ongoing basis. These impacts will add 1,100 new jobs. The original penny tax investment will be almost completely returned in full, EVERY SINGLE YEAR, on an ongoing basis, once the permanent facilities are in place. The cultural facilities expansion program is highly beneficial both culturally and economically.

Funding under this program would provide \$121 million in penny tax monies to fund 23 cultural facilities expansion and upgrade projects with a total construction cost of \$355 million, throughout the County. The remainder of funding, an additional \$2 for each \$1 dollar of public money would come from grants, endowments and private contributions.

The project construction activity will be phased, 10 years. Planning and cultural needs assessments efforts have been underway for years, with most projects already extensively planned. During the development period, local economic impacts of construction plus the multiplier effect of this work will reach \$35.8 million per year. Construction and related service and retail employment will provide \$10.8 million in annual wage payments.

The resulting new facilities will add more than 600,000 square feet of building space plus outdoor activity areas in facilities located throughout the County. Building space among these cultural facilities will more than double. Attendance is expected to increase by 1 million persons over the current levels. Spending from out-of-town visitors will introduce additional spending into the community. Once complete, ongoing benefits of the projects will support 1,100 permanent new jobs and \$119 million in annual economic impacts.

The project includes the following economic impacts:

Economic Impacts – Construction

- Economic Activity - \$35.8 million per year during construction
- Earnings - \$10.8 million per year

Ongoing Annual Economic Impacts – Post Construction Operations and Visitors

- Economic Activity - \$119 million per year
- Earnings - \$48 million per year
- Employment – 1,100 permanent new jobs

1.0 Introduction

The Cultural Council of Palm Beach County is the umbrella organization that recommended cultural facility investment from the proposed one penny sales tax currently being proposed in Palm Beach County, FL.

At present, there is a referendum being considered to increase the local option sales tax in Palm Beach County by one penny. A portion of the revenues generated by this additional tax are proposed to be used to fund arts and cultural facilities throughout Palm Beach County.

The capital planning program among cultural facilities has been an ongoing effort. As a result, most of the projects contemplated have been in the planning or development stages for quite some time. In addition, it is contemplated that all of the projects identified will have private funding sources to supplement the public tax money investment. As a result, for every \$1 dollar of penny sales tax money invested, there will be an additional \$2 invested in construction.

The total physical facilities will be increased by 150 percent to over 1 million square feet of building and facility space. Total visitor/patron attendance is expected to increase from approximately 2 million persons to 3 million persons. Staff and operations spending will increase accordingly.

This analysis examines the economic impact, associated income, and employment effects of construction, permanent operations and patron spending among out-of-town visitors to Cultural Council facilities, as a result of the planned expansion program.

2.0 Economic Impact Analysis of Construction

2.1 Economic Impact Analysis Overview

The Consultant conducted the analysis to determine the economic impacts of the construction. This study relies on data gathered from the following sources:

- Primary Data for planned expansions as provided by Cultural Council
- Local survey data provided by Americans for the Arts and Decision Support Partners, Inc.
- Economic Impact Modeling using IMPLAN

A systematic analysis of state and local level economic impacts is essential for effective planning in the public- and private-sectors. The Consultant has used IMPLAN multipliers for this analysis, for the Palm Beach County economy.

Twenty-three separate cultural programs and facilities projects have been identified for partial funding by the penny sales tax. The capital construction amounts identified total \$355,300,000. Of the total project amount, the penny sales tax funding portion is projected to be \$121,500,000. Private sources will contribute an additional \$2 for every \$1 of tax revenue invested. The result is a highly advantageous cultural funding program which is catalyzed by public investment. The projects are slated to be completed in a phased manner, over a ten-year construction period.

In order to access the tax funding there is a requirement for each dollar in tax revenues used a guaranteed 1 dollar minimum will be raised and spent in private supplemental funding for these projects. The criteria ensures a minimum of \$121 million in private funds must be raised in order to access the \$121 million in public funds. This leveraging of public investment provides an automatic boost for economic development and the accompanying economic impacts.

Table 1 describes the facility, the total program construction planned amounts and the portion to be funded by the penny sales tax.

Table 1 - Capital Funding Requirements for Cultural and Arts Programming

Organization Name	Capital Budget	Penny Tax Funding
African American Research Library and Cultural Center	\$2,000,000	\$805,500
Benzaiten Center for Creative Arts	\$1,500,000	\$604,125
Boca Raton Children's Museum	\$100,000	\$40,275
Boca Raton Historical Society	\$4,500,000	\$1,812,375
Boca Raton Museum of Art	\$15,000,000	\$6,041,250
Arts Education after School Facility City of Pahokee	\$1,750,000	\$1,409,625
Cultural Council of Palm Beach County	\$4,000,000	\$1,611,000
Delray Beach Playhouse	\$1,092,700	\$440,085
Historical Society of Palm Beach County	\$7,000,000	\$2,819,250
Jupiter Inlet Lighthouse and Museum	\$27,000,000	\$10,874,250
1000 Lake Arts Center	\$8,000,000	\$3,222,000
Lawrence E Will Museum of the Glades	\$2,000,000	\$1,611,000
Loggerhead Marinelifelife Center	\$8,500,000	\$3,423,375
Maltz Jupiter Theatre	\$28,000,000	\$11,277,000
Morikami Museum and Japanese Gardens	\$18,806,000	\$7,574,117
Mounds Botanical Garden	\$3,000,000	\$1,208,250
Norton Museum of Art	\$84,000,000	\$16,000,000
Cultural Center at Old Boynton Beach High School	\$4,500,000	\$805,500
Old School Square	\$4,500,000	\$1,812,375
Palm Beach Dramaworks	\$10,000,000	\$4,027,500
Palm Beach Zoo & Conservation Society	\$40,000,000	\$16,000,000
South County Arts Complex – Boca Ballet, Symphonia, et al	\$50,000,000	\$16,000,000
South Florida Science Center and Aquarium	\$30,000,000	\$12,082,500
Total Cultural and Arts Programming	\$355,248,700	\$121,501,351

Source: Cultural Council of Palm Beach County and Fishkind & Associates, Inc.

2.2 Economic Impacts of Construction

The economic impacts of the cultural arts programming plan include three segments:

- construction
- ongoing operations impacts
- effects of visitor/attendee/patron spending

Below, we present the construction impacts.

For purposes of analysis, construction spending is divided into two components. These are 1) new construction and 2) renovation of existing facilities. Estimates developed by Fishkind & Associates, based on descriptions of each of the 23 separate projects, indicate approximately 70% of spending will take place for new construction and 30% will take place for renovation of existing structures.

Economic impacts are concerned with the amount of spending that takes place in the local community (called the direct effect) and the impact of that spending when it is re-spent in the community (the multiplier effect), by local businesses and workers in Palm Beach County. Because some of the total project cost is initially spent outside the local area, for the purchase of specialty materials and services not produced locally, the direct effect spending is seen to be a reduced amount when compared with the total project cost.

Typically, in construction, labor costs are 50% of project totals and materials are 50%. Of the materials, Fishkind estimates 60% are purchased outside of Palm Beach County and 40% of materials are purchased or manufactured locally. As a result of the out of area materials purchase, it is estimated 70% of total project spending takes place within Palm Beach County. Thus, of the \$355.3 million project cost, \$248.7 million is spent locally. It is this direct spending amount which creates the multiplier effect when it is re-spent in the community. Table 2 provides the summary of the direct effect of construction spending and the resulting multiplier effect.

Table 2 - Cultural Council Economic Impacts of Construction

Impact Type	Employment	Labor Income	Output
Direct Effect	1,087	\$67,251,535	\$248,674,083
Indirect Effect	460	\$22,683,690	\$59,760,522
Induced Effect	396	\$17,591,724	\$49,252,609
Total Effect	1,944	\$107,526,949	\$357,687,214
Average Annual Effect Over 10 Years	194	\$10,752,695	\$35,768,721

Source: Fishkind & Associates, Inc.; Minnesota IMPLAN Group, Inc., Copyright 2016

Total local employment generated by the construction program will occur on a phased basis, over a ten year period. On an annual average basis this will support nearly 200 construction jobs each year, with cumulative economic impact of \$357,700,000. Some \$10,800,000 will be paid in construction wages annually throughout the decade.

Table 3 details the local industries across which the economic impacts are distributed. These top industries account for 75% of all the wages paid over the construction period as a result of the construction program and resulting multiplier effect.

Table 3 Key Economic Sectors Benefitted by Cultural Council Construction

Description	Employment	Labor Income	Output
Constr. of new edu. and museum structures	712	\$43,528,587	\$173,006,045
Maintenance and repair non-res structures	380	23,979,078	76,485,004
Retail	145	4,267,936	11,855,328
Real estate	59	913,733	8,822,999
Owner-occupied dwellings	0	-	7,518,981
Wholesale trade	30	2,683,434	7,366,169
Architectural, engineering, and related services	38	2,917,571	4,928,678
Hospitals	20	1,404,221	2,899,462
Ready-mix concrete manufacturing	7	748,070	2,476,760
Full-service restaurants	29	858,409	1,709,409
Subtotal Key Industries	1,420	81,301,039	297,068,835
Construction Impacts	1,944	\$107,526,949	\$357,687,214
Avg. Annual Impacts Over 10-Year Development Period	194	\$10,752,695	\$35,768,721

Source: Fishkind & Associates, Inc.; Minnesota IMPLAN Group, Inc., Copyright 2016

3.0 Permanent Economic Impacts from Operations

Permanent impacts of the new development will generate 323 jobs in direct operational employment and total employment of 514 jobs, including the indirect and induced multiplier effects. Upon completion of the construction program, the estimated additional annual operations payroll will reach \$22.0 million annually. The annual economic impact of new operations associated with the project will reach \$56.2 million including direct, indirect and induced impacts. This represents the effect of new programming and new facilities only, as contemplated under the construction program. Locally resident funded and paid admissions and membership fees are excluded from these measurements to prevent double counting and reflect that admissions and memberships do not represent new monies added to the local economy.

Table 4 shows the annual, ongoing permanent economic impact from the operational activity of new facilities.

**Table 4 - Cultural Council
Annual Economic Impacts of New Facilities Operations**

Impact Type	Employment	Labor Income	Output
Direct Effect	323	\$14,024,578	\$31,312,501
Indirect Effect	109	\$4,365,933	\$14,762,048
Induced Effect	82	\$3,632,151	\$10,172,369
Total Effect	514	\$22,022,662	\$56,246,919

Source: Fishkind & Associates, Inc.; Copyright 2016 Minnesota IMPLAN Group, Inc.

3.1 Permanent Economic Impact of New Operations on Key Industries

The impacts of the new cultural facilities can be described and illustrated among different industries and areas of business in the local economy. Table 5 illustrates the most prominent industries throughout the county which will benefit from the expanded facilities and operations.

Table 5 Cultural Council New Operations Impact on Key Industries

Description	Employment	Labor Income	Output
Museums, historical sites, zoos, and parks	323	\$14,029,336	\$31,323,124
Real estate	47	\$717,825	\$6,931,310
Owner-occupied dwellings	-	\$0	\$1,547,487
Scenic, sightseeing and support for transportation	5	\$329,811	\$807,582
Insurance carriers	2	\$153,262	\$613,052
Hospitals	4	\$291,564	\$602,027
Maint. and repair construction of non-res struc.	3	\$178,775	\$570,230
Advertising, public relations, and related services	3	\$165,228	\$556,323
Employment services	10	\$385,726	\$540,915
Offices of physicians	3	\$311,073	\$430,960
Full-service restaurants	7	\$197,032	\$392,364
Couriers and messengers	4	\$93,549	\$356,616
Limited-service restaurants	4	\$142,584	\$302,869
Services to buildings	5	\$144,037	\$295,115
Other educational services	4	\$168,896	\$256,078
Subtotal of Key Industries	425	\$17,308,698	\$45,526,050
Permanent Impacts of New Operations	514	\$22,022,662	\$56,246,919

Source: Fishkind & Associates, Inc.; Copyright 2016 Minnesota IMPLAN Group, Inc.

The impact of the new cultural facilities operations is felt throughout the local economy, benefitting a variety of industries and supporting economic diversity. Key industries benefitted by the new facilities include museums, historical sites, transportation services, media services and restaurants, among others.

4.0 Economic Impacts From Out-of-Town Patron Spending

Recent visitor survey data collected by the Cultural Council of Palm Beach in conjunction with American for the Arts (AFTA) and Decision Support Partners Inc., indicates 31.4% of cultural attendees are non-residents of Palm Beach County. Further, 18.1% of all attendees to cultural facilities in Palm Beach County are *primary purpose cultural visitors*, from out-of-town. As primary purpose cultural visitors, their primary reason for visiting Palm Beach County was for the County's cultural programming. This figure excludes seasonal snowbird residents and secondary cultural visitors- those who visit from out of town but only incidentally attended a cultural program or event. This is a conservative measure of unique purpose out-of-town cultural programming attendance. This measure is used to estimate direct cultural related visitor spending.

When cultural facilities are expanded and additional attendees are projected, we have applied these percentages to estimate the share of primary purpose cultural visitors. These estimates describe new visitor tourist dollars brought into the community as a direct result of expanded cultural facilities.

The majority of primary out-of-town cultural visitors undertake day trip visits. Some visitors stay overnight. The AFTA survey data indicates 15.9% of primary out-of-town cultural visitors stay overnight, in paid lodging. AFTA survey data also indicates those visitors have a party size of 2.7 persons, stay an average of 9.4 nights and use 1.2 rooms per party.

It is estimated there will be 1 million new attendees in total. From these AFTA visitor survey data, we have estimated the number of increased primary cultural out-of-town visitors and associated primary cultural visitor tourist spending. The primary cultural out-of-town visitor expenditures resulting from new and expanded facilities attendance will generate economic impacts of \$62.9 million, per year, on an ongoing basis, once construction is complete. New out-of-town visitor spending will support 586 additional permanent jobs in Palm Beach County. Table 6 shows the

economic impact of patron spending from the increase in primary cultural out-of-town visitors.

Table 6. Economic Impacts of New Out-of-Town Visitor Spending

Impact Type	Employment	Labor Income	Output
Direct Effect	415	\$17,434,884	\$40,851,773
Indirect Effect	76	\$3,918,170	\$10,257,782
Induced Effect	95	\$4,204,557	\$11,774,316
Total Effect	586	\$25,557,610	\$62,883,871

Source: Fishkind & Associates, Inc.; Copyright 2016 Minnesota IMPLAN Group, Inc.

The economic impact of new out-of-town visitor spending from the expansion of cultural facilities is felt throughout the local economy. This spending benefits a variety of businesses in the County supporting economic diversity. Key industries benefitted by attendance spending at the new facilities primarily include hotels, restaurants, transportation and miscellaneous retailing as described in Table 7. It is estimated 131,633 hotel roomnights will be added by new primary cultural out-of-town visitors.

Table 7. Out-of-Town Visitor Spending Impact for Key Sectors

Description	Employment	Labor Income	Output
Hotels and motels, including casino hotels	201	\$10,423,498	\$25,314,884
Full-service restaurants	142	\$4,210,983	\$8,385,618
All other food and drinking places	52	\$1,644,096	\$4,589,872
Retail - Miscellaneous store retailers	18	\$473,258	\$761,561
Real estate	17	\$255,960	\$2,471,542
Transit and ground passenger transportation	11	\$514,656	\$936,817
Employment services	7	\$278,203	\$390,133
Other local government enterprises	6	\$668,081	\$2,022,475
Retail - General merchandise stores	6	\$180,233	\$427,270
Limited-service restaurants	5	\$176,892	\$375,743
Maint. and repair of nonresidential structures	4	\$254,777	\$812,650
Management of companies and enterprises	4	\$635,283	\$1,112,280
Owner-occupied dwellings	0	\$0	\$1,793,147
Subtotal of Key Industries	474	\$19,715,919	\$49,393,992
Total Effect	586	\$25,557,610	\$62,883,871

Source: Fishkind & Associates, Inc.; Copyright 2016 Minnesota IMPLAN Group, Inc.

5.0 Summary of Economic Impacts and Conclusions

There will be significant additions and enhancements to the Palm Beach County cultural community resulting from the penny tax construction program. Overall, cultural facilities will more than double in size, and attendees are expected to exceed 1 million new and additional persons. The penny tax will fund approximately one third of the planned construction and expansion program. The remaining two-thirds of the planned program will come from private contributions. Because of this supplemental funding, the overall effect of sale tax monies used for the expansion of cultural facilities is enhanced to a very large degree.

The construction impact of the planned cultural facilities expansion program will include \$10.8 million per year in construction and related wages and \$35.8 million a year in total construction impacts. Economic impacts of the construction period will occur annually over the ten-year, phased, construction period. Should facilities be built more quickly annual construction impacts will increase and permanent impacts will begin sooner.

Following the construction period, economic impacts deriving from new operations and visitor spending will add 1,100 new jobs and \$119 million per year in total economic impact. These impacts are due only to the new facilities and associated visitor spending from new primary out-of-town cultural visitors to Palm Beach County. These are new impacts and do not include existing jobs and impacts as a result of current ongoing operations and activities.

Table 8 shows the permanent impacts of new facilities and new primary cultural out-of-town visitors, combined, as a result of the planned program and facilities expansion plan. These figures also exclude resident funding of operations paid through admission fees and memberships as resident spending does not represent new money injected into the local economy.

Table 8 Permanent Economic Impacts – Operations and Visitors

Impact Type	Employment	Labor Income	Output
Direct Effect	738	\$31,459,462	\$72,164,275
Indirect Effect	185	\$8,284,103	\$25,019,830
Induced Effect	177	\$7,836,708	\$21,946,685
Total Effect	1,100	\$47,580,273	\$119,130,790

Source: Fishkind & Associates, Inc.; Copyright 2016 Minnesota IMPLAN Group, Inc.

The investment of \$121 million, over ten years from penny tax revenues, into Palm Beach County cultural facilities will result in an economic impact of \$36 million per year over the decade-long development and construction program, some \$357 million in total. Economic benefits from construction alone are nearly three times the initial investment.

Following the construction period, economic impacts from new operations and associated primary out-of-town cultural visitor spending will reach \$119 million per year, on an ongoing basis. These impacts will add 1,100 new jobs. The original penny tax investment will be almost completely returned in full, EVERY SINGLE YEAR, on an ongoing basis, once the permanent facilities are in place. The cultural facilities expansion program is highly beneficial both culturally and economically.

6.0 Economic Impact Methodology - IMPLAN

The economic impact methodology utilized to determine the multiplier effects is IMPLAN (IMpact Analysis for PLANning).

IMPLAN's Social Accounting Matrices (SAMs) capture the actual dollar amounts of all business transactions taking place in a regional economy as reported each year by businesses and governmental agencies. SAM accounts are a better measure of economic flow than traditional input-output accounts because they include "non-market" transactions. Examples of these transactions would be taxes and unemployment benefits.

Multipliers

Social Accounting Matrices can be constructed to show the effects of a given change on the economy of interest. These are called Multiplier Models. Multiplier Models study the impacts of a user-specified change in the chosen economy for 440 different industries. Because the Multiplier Models are built directly from the region specific Social Accounting Matrices, they will reflect the region's unique structure and trade situation.

Multiplier Models are the framework for building impact analysis questions. Derived mathematically, these models estimate the magnitude and distribution of economic impacts, and measure three types of effects which are displayed in the final report. These are the direct, indirect, and induced changes within the economy. Direct effects are determined by the Event as defined by the user (i.e. a \$10 million dollar order is a \$10 million dollar direct effect). The indirect effects are determined by the amount of the direct effect spent within the study region on supplies, services, labor and taxes. Finally the induced effect measures the money that is re-spent in the study area as a result of spending from the indirect effect. Each of these steps recognizes an important leakage from the economic study region spent on purchases outside of the defined area. Eventually these leakages will stop the cycle.