

Review of Economic Impact Factors for the Durango Creative District

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INTRODUCTION

History of the Creative Class

Richard Florida made a significant contribution to the literature when he established the **creative class** and defines this group as, “Those workers in science and engineering, architecture and design, education, arts, music and entertainment, whose economic function is to create new ideas, new technology and/or new creative content...these people engage in complex problem solving that involves a great deal of independent judgment and requires high levels of education or human capital” (Florida, 2004).

Florida considered the factors that contribute to the economic, environmental, and social well-being of a city (Long, 2009). Essentially, there is a formula for constructing a creative city that is viewed by city planners as comparatively inexpensive and easy to implement so long as the given city has the potential for creative sustainability (Long, 2009).

According to Chapple, Jackson, and Martin (2010), the implementation of the creative class can be both informal and formal. Informal networks are reflected in

organic and spontaneous association of creative class members. Formal networks are reflected in a class with a heightened degree of intentionality and collaboration with city or regional planners. Typically, a district that applies for and earns a designation by a regional or state-wide association is considered a formal network.

DURANGO, ART, AND TOURISM

Impacts from formal networks are expected to include more long-term stability, opportunities, and protections for artists. In December 2019, the Durango Creative District was the 26th location to earn its designation from Colorado Creative Industries and is now considered a formal network, aligned with the goals and accessing the sources for designated districts in Colorado. The goal of Colorado Creative Industries is to support the development of Creative districts to: Attract artists and creative entrepreneurs to a community; infuse new energy and innovation into the community, which in turn enhances the economic and civic capital of the community; create hubs of economic activity, thereby enhancing the area as an appealing place to live, visit and conduct business (Colorado Office of Economic Development, 2020).

Specifically, in Durango the short-term goals of the District include: developing regional marketing materials with neighboring creative districts, create and maintain an online directory of creatives in the area, implementing an advisory committee for a creative loan fund, and developing a Cultural Plan for Durango, to be presented to the City of Durango for adoption. The long-term goals of the District include: the pursuit of dedicated ballot funding, conducting an impact study to demonstrate the ROI of the District, and writing grants for collaborative projects. Success of districts in formal networks is dependent on the alignment with city's strategic plan as well as community

engagement, community leadership, and community support (McIntyre Miller & Olberding, 2014).

Durango, as a tourist destination, can combine tourism and art to attract not only outside visitors, but entrepreneurs interested in the arts. Per McNulty and Koff (2014), there has been a notable shift in tourism. “This shift in tourism from relaxation to self-discovery is reflected in the explosion of niche market designations within the tourism industry. The more widely known include adventure tourism, culinary tourism, religious tourism, ecotourism, sustainable tourism, and educational tourism” (McNulty & Koff, 2014). Another niche market surrounds arts and cultural tourism, where, per the American Alliance of Museums (n.d.), “seventy-six percent of all U.S. leisure travelers participate in cultural or heritage activities such as visiting museums” (American Alliance of Museums, 2018).

According to Franklin (2018), “art tourism” has been growing in recent years for at least four reasons. First, its association with urban and regional regeneration and rise of urban festivals. Second; the centrality of art to contemporary life, culture, and design. Third, the growing significance of major exhibitions, events, biennales and festivals. And fourth, the hope that tourism will go a significant way towards increasing economic vitality.

In Colorado, there was \$21.6 billion in travel spending and 178,470 jobs in the travel industry in 2018 (U.S. Travel Association, 2020). Although recreation has traditionally been a focus of Colorado tourism Colorado (Colorado Office of Economic Development and International Trade, Arts & Culture, 2020) the arts have more recently become an important aspect of this state with over 20 different creative districts

(Hughes, 2019) focusing on such offerings as galleries, performances, music, museums, and local artwork. Per the Colorado Office of Economic Development and International Trade (2020), “Colorado has one of the nation’s highest concentrations of creative occupations and continues to attract people and companies focused on design, film and media, heritage, literary and publishing, performing arts, and visual arts and crafts.”

The travel and tourism scholarship focusing on the relationship between art and tourism spans many avenues. Some research focuses on specific communities, notably Kimmel (1995) researched the impact of art on Santa Fe tourism highlighting the importance of art to the economy but noting that it is one piece of the “tourism picture” (p. 30). Other research focuses on specific areas of the arts such as creativity (Richards, 2011) suggesting that “tourism has itself become a creative arena” (p. 1,227) where the development of creative spaces is often aimed toward gaining a competitive advantage. However, specifically helpful in making decisions regarding art in Durango, several scholars make recommendations to decision-makers focused on marketing and developing art areas. Kimmel (1995) suggests areas interested in emphasizing art: (1) become an “authentic art center” with working artists not just galleries, (2) must have a “context for pedestrian browsing” with the area being favorable for looking, and (3) promote the area in two markets – art collectors and “visitors who are not primarily interested in art, but who are attracted to the ambience that accompanies an art district” (p. 30). Further, other scholars note mistakes that impact communities interested in a focus on art that should be taken into consideration. For example, Markusen and Gadwa (2010) offer that, “Decision makers often favor ephemeral tourists over their own

residents as patrons, overinvest in large-scale arts facilities that may become expensive white elephants in the longer run, focus on particular districts (and the real estate interests that have a stake in them) rather than the mosaic of offerings that already exist, and fail to build decision-making frameworks where artists, smaller scale arts organizations, and a multiplicity of distinctive cultural communities can participate in cultural planning” (p. 11). From this research, we can deduce that arts and tourism are intertwined, but the way in which arts are supported and structured within communities impacts the success of the community’s focus.

THE ECONOMY AND THE ARTS

The Bureau of Economic Analysis (BEA) distributes a report, the Arts and Cultural Production Satellite Account (ACPSA) that estimates the Gross Domestic Product generated from “arts and culture” on the U.S. economy. The ACPSA also discusses how many people in the economy are employed and the compensation they receive. The report uses 35 industries counted as being in the arts and culture sector. The data used in the report also includes information from the National Endowment for the Arts. The BEA uses input- output analysis to determine their findings. The definition of the “arts and cultural” industries included in their analysis are very broad, everything from broadcasting to the performing arts. The analysis also includes supporting industries, and industries with secondary production that are designated as artistic or cultural. Data from the *core industries* alone provides the most accurate picture (see Table One below).

The most recent data the ACPSA reports is for the year 2017. According to the report, the “arts and cultural economic activity, adjusted for inflation, increased 3.6

percent in 2017 as compared to 2016. That compares with a 5.3 percent increase in 2016 from 2015. Arts and cultural economic activity accounted for 4.5 percent of gross domestic product (GDP), or \$877.8 billion, in 2017” (Bureau of Economic Analysis, March 17, 2020).

According to the report, the leading contributor to the increase in GDP was information services. This includes the broadcasting and publishing industries. *Core arts and cultural production* industries increased 4.4 percent. The leading contributors to the increase were performing arts and design services (italics added, percentage changes are in nominal terms) (Bureau of Economic Analysis, March 17, 2020).

Economic contribution from the arts and cultural industries increased in almost every state in 2017 (with four exceptions). For states and the District of Columbia, the arts and cultural share of total GDP ranged from 8.8 percent in the District of Columbia to 1.5 percent in Delaware. The share for most states ranged between 2 and 5 percent. Colorado’s share was 4.5% (Bureau of Economic Analysis, March 17, 2020).

Arts and cultural employment nationwide increased 0.9 percent (on average) in 2017 as compared to 2016. However, in Colorado, the arts and cultural employment percent change from 2016-2017 was negative 0.8% Table One provides an overview for Colorado’s statistics (Bureau of Economic Analysis, March 17, 2020).

Table One: Arts and Cultural Production Economic Value Added – Colorado, 2017

	(Thousands of Dollars)			Percent Change, 2016-2017		
	TOTAL Arts and Cultural Industries	CORE Arts and Cultural Industries	SUPPORTING Arts and Cultural Industries	TOTAL Arts and Cultural Industries	CORE Arts and Cultural Industries	SUPPORTING Arts and Cultural Industries

Colorado	15,631,746	3,019,103	12,222,454	1.0	4.5	0.1
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Source: U.S. Bureau of Economic Analysis

The top five *core* arts and cultural industries in Colorado in 2017 were architectural services; advertising; independent artists, writers and performers; promoters of performing arts and similar events; and interior design services (in order of economic value added). Colorado’s arts and cultural industries employed 103,401 people in 2017 (which was approximately 3.72% of total employment in Colorado in 2017). Average compensation per wage-and-salary job in Colorado's arts and cultural industries was \$73,363 in 2017, compared with \$69,209 for all salaried jobs in the state (Bureau of Economic Analysis, March 17, 2020).

Since similar data are not available for the city of Durango, Colorado data is useful in determining if adding to Durango’s art and cultural community through a Designated Arts District would be economically beneficial. This assumes that Durango is somewhat typical of Colorado as a whole. According to Florida (2018), the creative class is mostly urban, only about 10% rural. Even so, the creative class makes up a relatively large share of the workforce even in rural areas. It must be noted, as well, that Florida’s definition of the creative class is very broad, composed of knowledge workers and professionals in fields such as science and technology; business and management; healthcare, law, and education; and arts, culture, design, media, and entertainment. However, looking at the arts more narrowly, rural areas still include a workforce that includes artists of all kinds.

In 2017, Durango had a population of 18,000 people with a median household income of \$60,521 (DataUSA, 2020). Even if 10% of the employment and economic productivity came from the arts and cultural districts, that is still a noticeable economic

benefit. Furthermore, Durango is no a typical “rural” area. As the county seat and home to Fort Lewis College, it is the retail, and cultural “hub city” of southwestern Colorado. People come to Durango for a variety of reasons. Through careful preservation of its historic western architecture, the city retains a vibrant downtown filled with the arts, shopping, and nightlife. In addition, the city is home to the historic Durango & Silverton Narrow Gauge Railroad and is situated within easy driving distance of Mesa Verde National Park. These attributes are extremely synergistic with artistic and cultural activities. Therefore, the arts and cultural industries in Durango most likely make up more than 10% of its economic productivity and employment.

According to Region 9 Economic Development District of Southwest Colorado, in 2018 (the most recent data available), tourism alone made up 30% of the total number of jobs in La Plata County (Region 9 Economic Development District of Southwest Colorado, 2020). The overlap between the arts and tourism, as explained in the section above, is growing and therefore, the number of jobs in arts and culture in Durango will most likely expand in the coming years.

ECONOMIC IMPACT FACTORS

Florida defined three occupational groups composing the creative class, including:

- *The “Supercreative Core”*

Those in highly creative occupations which include natural scientists and engineers, information scientists, economists and social scientists, the medical profession (physicians), architects, academic staff and related occupations.

- *The “Creative Professionals”*

Those in certain highly qualified occupational groups such as technicians, consultants, organizational experts, mediators and brokers.

- *The “Bohemians”*

Those usually defined as the occupations of the cultural economy sector: various occupational groups in the sphere of the arts (writers, visual and performing artists, photographers, musicians, designers, etc.), as well as artistically creative occupations in media, entertainment and sports (Florida, 2004).

The inclusion of various occupational categories creates substantial variation in measurement and results within the academic literature examining these groups. One study finds that choices about which industries, firms, and occupations to include affect the resulting size and content of the cultural economy; the authors show that the Boston metro's creative economy varies in size from less than 1% to 49%, although most cultural definitions range from 1% to 4% (Markusen, et. al., 2008).

As such, one must exercise caution in extrapolating results from prior studies to alternative contexts, ensuring that comparisons are made on an equivalent basis. Furthermore, many large impacts identified to be driven by the creative class have come through the Supercreative Core and Creative Professionals categories from particularly high growth in industries like healthcare and technology.

These considerations and caveats are particularly important for the economic impact of Durango's artistic industries, as the Durango Creative District has identified thirteen occupational groups within the creative industry, generally in line with the bohemian classification above, including:

- Artisan products

- Culinary arts
- Culture and heritage
- Design
- Education
- Film and media
- Literary and publishing
- Live music
- Performing arts
- Public art
- Venues
- Visual arts
- Other

Prior Economic Impact Studies – A Summary

The American Academy for the Arts conducts economic impact studies using input-output modeling techniques on cities and arts districts across the nation. Over the last several years, they have conducted hundreds of studies (American Academy for the Arts, 2020). Table Two summarizes their calculated impacts from the studies and for two peer groups with similarities to the Durango Creative District. The first peer group includes all studies from the Four Corners region and the second peer group includes samples of a similar size to Durango, measured by population.

Table Two: Americans for the Arts, Economic Impact Studies Summary

	2015 Population	Estimated	Estimated	TOTAL ECONOMIC IMPACT				
		Total Spending by Nonprofit Arts and Cultural ORGANIZATIONS	Estimated Total Spending by Cultral AUDIENCES	Total Spending by the Nonprofit Arts and Culture INDUSTRY	Full-Time Equivalent Jobs Supported	Resident Household Income Generated	Local Government Revenue Generated	State Government Revenue Generated
"National" (341 studies) Average	908,831	\$131,811,193	\$122,475,705	\$254,286,899	7,434	\$174,786,413	\$11,689,918	\$13,418,856
Peer Group 1 (Four Corners) Average	366,753	\$36,201,324	\$51,541,187	\$87,742,510	2,790	\$59,729,667	\$4,289,000	\$4,362,867
Peer Group 2 (Pop 10-30K) Average	19,452	\$6,747,976	\$8,742,927	\$15,490,903	445	\$8,960,682	\$605,909	\$806,136

The most interesting data from Table Two for Durango would be from Peer Group 2 (samples of cities of a similar size to Durango). The average economic impact of the arts on household income is calculated for that group as \$8,960,682 for the year of 2015. This resulted in 445 new jobs and \$605,909 of local government revenue.

Methodological Considerations and Limitations

Results from the Table Two are subject to an important limitation within econometric modeling. The use of econometrics for examining the causal effects of policy analysis has progressed beyond the input-output methods like those employed the Americans for the Arts studies. Input-output models try to estimate how one dollar of spending in a certain sector flows through additional sectors within the economy to generate multiplier effects. Often, however, input-output models overestimate economic benefits (Hughes, 2003) and, at least historically, it has been shown that input-output multipliers are commonly misused in tourism impact studies (Harris, 1997). Another important limitation of input-output models is that they ignore the opportunity cost of funding that may be utilized for other projects; to the extent that funding sources are flexible, input-output models do not account for the impact that those dollars could have had if spent elsewhere.

Econometric methods have evolved significantly in ways to estimate causal impacts using techniques like carefully designed multivariate regression, regression discontinuity, and difference-in-difference. Without proper design, one cannot claim that some number of dollars will cause a certain economic impact on jobs, incomes, or revenues into the future. We have not found any causal studies linking the creation of arts districts to economic outcomes.

Regardless of study type and methodology, each place is unique, and one must be extremely careful in generalizing results, even from peer groups, to a new location. There are many unique characteristics about Durango which make it a tourist destination and many factors contributing to its diverse economy; to claim a causal impact of the existence of the arts district on outcomes will be particularly difficult. COVID-19 will create further challenges to measure any effects since the virus will likely create long-lasting, structural changes to the local and regional economies.

The Americans for the Arts completed the Arts & Economic Prosperity IV report based on data from 2008-2009. The economic impact of nonprofit arts and culture was measured in 182 communities, including Durango, CO. An input-output model included survey data and government data to estimate the economic impact of the arts and culture industry in each community. The study concluded that arts and culture are a \$9.1 million industry in Durango, attributing for 309 full-time equivalent jobs, and \$420,000 in revenue to the local government. A section of the report specifically looks at event-related spending to understand how event audiences contribute to the local economy. The annual event attendance in Durango was estimated as 143,340 attendees who spent an average of \$22.47 locally (excluding the cost of event

admission). The report asserts that cultural tourists spend 281% more than local residents who attend events, reinforcing the value of cultural tourists.

The Americans for the Arts repeated this research using data collected from 341 communities in 2015-2016 in the Arts & Economic Prosperity 5. The value of the nonprofit arts and cultural industries increased to \$18.1 million, attributing for 602 full-time equivalent jobs, and \$975,000 in revenue to the local government. The number of attendees to cultural events increased to 287,519 with average local spending of \$32.95. Table Three illustrates the increase in key metrics between the fourth and fifth Arts & Economic Prosperity reports.

Table Three: Comparing Metrics from Arts & Economic Prosperity 4 and 5

	Industry Expenditures	Revenue to Local Governments	Attendance to Arts & Culture Events	Event Related Spending per Person
AEP4 2010	\$9,053,126	\$420,000	143,340	\$22.47
AEP5 2017	\$18,096,610	\$975,000	287,519	\$32.95
% Change	99.9%	132.1%	100.6%	46.6%

There are several other studies from organizations that consider the economic impact of the creative industries. Colorado Creative Industries completed the 2020 Colorado Creative Economy Report. The purpose of the report was to examine the scale, scope, and growth of the creative economy in CO from 2010-2019. Metrics were reported for employment, revenue, and initial impacts of the COVID-19 crisis. Seven regions in CO were identified for analysis and Durango is in the “Southwest” region. For employment, the Southwest region saw a 19% increase between 2010 and 2019 with the largest employment sectors in music, theater, dance, visual arts, and culinary arts. For revenue, the Southwest region was estimated to generate over \$489 million in sales

revenue in 2019. For initial impacts of the COVID-19 crisis, the report estimates that Colorado's creative industries will lose an estimated 59,587 jobs and \$2.6 billion in sales revenue between April and July 2020. This equates to 31% of employment and 8% of annual sales revenue. The report identifies that creative occupations are particularly vulnerable to economic crises as many are self-employed or work freelance. Government funding can help with immediate needs for the creative economy to recover.

A report by the National Endowment for the Arts (from 2017) finds several positive impacts on innovation in rural settings when arts organizations are present. Using findings from the Rural Establishment Innovation Survey, the study finds that when performing arts organizations are present so are businesses that are substantive innovators. Furthermore, "Rural arts organizations attest to more civic leadership, greater reliance on customer feedback, and a proportionally higher level of non-local attendees or visitors than do urban arts organizations" (NEA, 2017, p.12).

CONCLUSIONS

Measuring the impacts of the creative district designation in Durango will be complicated by the timing of the designation immediately followed by shifts in travel and volatility of the economy due to the COVID-19 pandemic. Metrics and trends should be monitored for impact factors such as: local and state level sales tax revenue, arts employment, tourism visitor counts and tourism employment, vacancy rates of retail space in the district zone, resident household income, etc. All of these factors should be considered within the wider context and it should not be assumed that changes in the metrics (positive or negative) are directly influenced by the arts district designation,

but rather that the impact of the arts district is embedded in a variety of spurious variables (such as increases/decreases in spending on tourism marketing, economic stability and consumer confidence, travel restrictions due to health and safety threats) that simultaneously sway the factors.

Overall trends do appear to favor arts and cultural tourism. Durango is positively situated to benefit from this trend, barring other factors not changing in the opposite direction. Careful consideration should be made, however, with how and where the arts and cultural growth will appear. This will be a result of the actions of individuals and their preferences for specific goods and services in markets. Foreseeing and planning these preferences is not manageable.

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