

Economic Activity Associated with Building a Downtown Arts Campus for UMKC Programs

Summary Memorandum

The Mid-America Regional Council was asked to estimate the economic impact of creating a downtown arts campus for UMKC and moving its conservatory, art and art history, theatre and film and media programs to it. The estimates of construction costs, program sizes before and after the move, and what happens on the Volker campus after the programs move, are based on information provided by UMKC, as interpreted by MARC.

In this analysis, the creation of an arts campus is primarily treated as any other facilities investment that would allow a local employer to expand. That is, the expansion causes an expenditure for construction and equipment, allows the hiring of new staff and generates new visitors (or in this, case, students) to the region. The added staff and students also spend money in the region, creating a multiplier effect as dollars circulate throughout the regional economy. MARC's economic forecasting model, REMI, is especially well-suited to simulate the impact of such expenditures on a regional economy.

However, the creation of an arts campus is not like a typical facilities investment in one very important regard: Such a project has the potential to amplify and build upon the community's already large investment in the Kauffman Center for the Performing Arts.

What might result from a successful amplification is largely unknown at this point. Nonetheless, as an aid to the community discussion concerning the benefits and costs of the proposed arts campus, it may be useful to better understand a "best case" scenario. To this end, MARC examined Austin's South by Southwest (SXSW) festival and simulated the development of a similar event in metropolitan Kansas over a 25-year period (which is how long SXSW has been in existence). As part of this simulation, MARC assumed that the new festival plus the synergies created between arts performance and arts education would enhance the reputation of the region to the point where the enrichment of local amenities begins to affect population migration rates. These assumptions are described in more detail below.

To provide an apples-to-apples comparison, each simulation is carried out for the same 25-year period. The results are summarized in Table 1. The figures presented should be regarded as preliminary estimates of gross rather than net economic impact. The figures represent the economic activity associated with creating an arts campus, but not necessarily caused by it. The degree to which funders would have funded other local projects instead, students would have gone to other local universities, and/or visitors would have visited anyway have not been taken into account.

Table 1 is split into three parts. The top portion provides the economic impact estimates of the current arts programs on the Volker campus. MARC estimates these programs generate an average of 310 jobs, \$15.8 million in real Gross Domestic Output (GDP) and \$12.2 million in real disposable income (where "real" means inflation-adjusted 2012 dollars).

Table 1: Summary of Results

Impact of current arts programs at Volker campus					
Scenario	Impact Measure	2017	2027	2037	Average
1. Impact of existing arts programs at Volker campus	Employment	317	304	318	310
	GDP (\$M, fixed 2012)	15.5	14.6	18.2	15.8
	Income (\$M, fixed 2012)	9.7	11.1	16.7	12.2
Impact of a new arts campus					
Scenario	Impact Measure	2017	2027	2037	Average
2. Construct Downtown arts campus	Employment	217	217	217	217
	GDP (\$M, fixed 2012)	18.2	18.2	18.2	18.2
	Income (\$M, fixed 2012)	13.8	13.8	13.8	13.8
Note: Construction impact calculated only as an average over the 25-year period due to its sporadic nature					
3. Expand existing arts programs when moved to downtown arts campus.	Employment	60	78	116	58
	GDP (\$M, fixed 2012)	2.8	4.0	6.6	3.0
	Income (\$M, fixed 2012)	1.5	3.0	4.9	2.3
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4. Refill the Volker campus.	Employment	71	210	286	134
	GDP (\$M, fixed 2012)	3.3	10.6	16.1	9.6
	Income (\$M, fixed 2012)	1.8	7.6	12.5	6.8
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Total: Estimated additional economic activity associated with building a downtown arts campus	Employment	348	505	619	409
	GDP (\$M, fixed 2012)	24.3	32.7	40.9	30.8
	Income (\$M, fixed 2012)	17.1	24.4	31.2	22.9
Potential impact of adding a nationally significant arts festival					
Scenario	Impact Measure	2017	2027	2037	Average
5. Add an arts festival that grows over a 25-year period to rival Austin's South by Southwest.	Employment	33	192	585	297
	GDP (\$M, fixed 2012)	1.8	11.6	42.2	19.7
	Income (\$M, fixed 2012)	0.9	6.6	28.1	12.3
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6. Increase the attractiveness of region due to improved amenities and arts reputation.	Employment	-	30	453	166
	GDP (\$M, fixed 2012)	-	2.6	39.6	13.8
	Income (\$M, fixed 2012)	-	4.4	49.1	17.7
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Potential impact a nationally significant arts festival:	Employment	33	222	1,038	463
	GDP (\$M, fixed 2012)	1.8	14.2	81.8	33.5
	Income (\$M, fixed 2012)	0.9	10.9	77.3	29.9

Source: MARC Research Services

The middle portion of Table 1 then proceeds to estimate the impact of constructing a downtown arts campus, expanding the existing arts programs as well as opening up the Volker campus for additional program expansion. Each of these new economic activities is simulated separately, then the results are summed. MARC estimates that the level economic activity associated with the construction of the arts campus and reuse of the Volker campus would average approximately 409 jobs, \$30.8 million in real GDP, and \$22.9 million in real disposable personal income. Of these impacts, a little over half results

from the construction itself, with the rest generated by the expansion of arts and other educational programs at UMKC.

Finally, the bottom portion of Table 1 proceeds to evaluate potential benefits of a “best case” scenario, where not only does UMKC expand its arts and other educational programs, but the synergy with the Crossroads area and the Kauffman Center for the Performing Arts allows metropolitan Kansas City to grow a nationally significant arts festival bringing visitors to the region over a period of a week to 10 days. As simulated by MARC, the development of such an event over a 25-year period would produce an average annual impact of 463 jobs, \$33.5 million in real GDP and \$29.9 million in real disposable personal income.