

108-0232020-002

Agenda Item No. **5(D)**
Meeting of September 28, 2020**MEMORANDUM****TO:** Oversight Board**FROM:** Nadia Sesay
Executive Director**SUBJECT:** Authorizing a First Amendment to the Grant Agreement between the Mexican Museum and the Successor Agency to extend the term by eighteen months**EXECUTIVE SUMMARY**

On December 14, 2010, the former San Francisco Redevelopment Agency (the “Former Agency”) authorized a Grant Agreement with The Mexican Museum, a California 501 (c) (3) non-profit charitable corporation (the “Museum”), for development of a new museum facility (the “Museum Space”) associated with a planned mixed-use project in the Yerba Buena Center (“YBC”) Redevelopment Project Area on a site at Third and Mission Streets, known as the 706 Mission Street project (the “Project”). The Former Agency and Museum entered into the Grant Agreement to preserve the Museum’s access to funds budgeted for development of the Museum Space in light of the imminent expiration of the YBC Redevelopment Plan. The Grant Agreement authorized over a ten year period the disbursement of approximately \$10.5 million for predevelopment and construction of tenant improvements for the Museum Space. The Grant Agreement also stipulates that this funding is to be disbursed through one or more future ancillary agreements (the “Grant Disbursement Agreements”).

Since approval of the Grant Agreement, state law dissolved the Former Agency and the Office of Community Investment and Infrastructure (the “OCII”), as the Successor Agency, assumed administration of the Grant Agreement. To date, the Commission has authorized four Grant Disbursement Agreements totaling \$3,780,881 and the balance of grant funding remaining is \$6,785,119. The Grant Agreement has a ten-year term and is scheduled to expire as of December 14, 2020.

The Museum has requested an extension to the term of the Grant Agreement in light of the substantial challenges to its financial management, operations, and programs caused by the COVID-19 pandemic. In particular, the Museum’s capital fundraising program to fund the build-out of the Museum Space is experiencing economic challenges as a result of COVID-19 and the resulting negative impacts to the local, national and global economy. The Museum reports that an extension of eighteen months will allow it to proceed with predevelopment of the Museum Space.

The First Amendment of the Grant Agreement is subject to the review and approval by the Oversight Board and the State Department of Finance (the “DOF”) for a determination of whether the action is “in the best interests of the taxing entities.” Cal. Health & Safety Code § 34181(e). When it is complete, the Museum will provide benefits to local taxing entities, particularly the City and County of San Francisco (the “City”), by attracting national and international tourists and local area residents to a distinctive arts and cultural venue.

The Successor Agency proposes a First Amendment to the Grant Agreement to extend the term of the agreement by eighteen (18) months, to June 14, 2022, for a total term of eleven and one-half years, and all other provisions of the Grant Agreement remain the same (the "First Amendment to the Grant Agreement," see Attachment 1).

BACKGROUND

The Museum Space is part of a new mixed-use project being developed by 706 Mission Street Co LLC, an affiliate of Millennium Partners (the "Developer"), at the corner of Third and Mission Streets. The Project, also known as 706 Mission Street, includes a 480-foot high-rise residential tower with 190 units, commercial space, and the Museum Space in the base of the building; it is being built on land the Developer acquired from OCII. In 2008, the Museum formally agreed to become part of the Project in return for the Developer's substantial contribution toward the construction of the Museum Space's core and shell and an endowment for its future operating costs.

In December 2010, the Former Agency approved, by Resolution No. 157-2010 (Dec. 14, 2010), the Grant Agreement with the Museum which required the future disbursement of \$10.5 million that had been budgeted for the Museum Space. The Former Agency and the Museum entered into the agreement to preserve funds authorized under the Yerba Buena Center Redevelopment Plan, which was expiring in January 2011. Specifically, the grant funds were to be used for (1) predevelopment activities, which include preparing and implementing the Museum's predevelopment plan (as approved by the Former Agency Commission on October 18, 2011), operational and organizational planning, designing the Museum Space, hiring staff and consultants for predevelopment activities, and securing regulatory approvals; and (2) design/construction of the Museum's tenant improvements, which include specialized HVAC/humidity control systems, all fixtures, furniture and equipment, all exhibit spaces, and exterior signage. Disbursement of the funds was to occur through separately approved Grant Disbursement Agreements that complied with the Grant Agreement.

On January 17, 2012, the Former Agency Commission authorized a Grant Disbursement Agreement with the Museum in an amount not to exceed \$750,000 for predevelopment planning, staffing and consultant costs related to the Museum Space (the "First Grant Disbursement Agreement"). On February 1, 2012, state law dissolved the Former Agency and certain of its enforceable obligations, including the Grant Agreement were transferred by operation of law to the Successor Agency. Under Redevelopment Dissolution Law, OCII has listed, and DOF has approved, the Grant Agreement as a continuing enforceable obligation on the state-required Recognized Obligations Payment Schedule ("ROPS"), which authorizes OCII expenditures.

Completion of the Museum Space is a critical component of the Project previously approved by Resolution No. 8-2013 of the Oversight Board and by DOF. Under that certain Agreement for Purchase and Sale of Real Estate dated as of July 16, 2013, by and among the Successor Agency, as transferor, the Developer, and the Museum, as third party beneficiary (as may be amended from time to time, the "PSA"), the Museum is obligated to design and construct tenant improvements and other improvements related to the Museum Space. The Grant Funds provide the Museum with the means to fulfill its obligations under the PSA.

On April 15, 2013, the Successor Agency Commission, also known as the Commission on Community Investment and Infrastructure (the “Commission”), authorized a second Grant Disbursement Agreement in an amount not to exceed \$1,000,000 for continued predevelopment work (the “Second Grant Disbursement Agreement”). The Commission approved a third Grant Disbursement Agreement in the amount of \$1,030,881 on July 15, 2014 for predevelopment and planning work associated with the Museum Space (the “Third Grant Disbursement Agreement”). Most recently, the Commission approved a fourth Grant Disbursement Agreement in the amount of \$1,000,000 on September 17, 2019 for disbursement to the Developer on behalf of the Museum for the purpose of completing design, fabrication and installation of a façade screen for the Museum portion of the Project (the “Fourth Grant Disbursement Agreement”).

The PSA contemplates that the Developer will convey to the City a commercial air rights parcel to house the Museum and also sets forth the terms and conditions of the Museum’s participation in the project. In March 2015, the City and the Museum entered into a 66 year lease, with an option extension of an additional 33 years, for the Museum Space at a base rent of \$1.00 for the term of the lease, provided, however, that the Museum would be responsible for, among other things, any taxes and common area maintenance payments (“Lease”) and provided further that the tenant improvements for the Museum Space are substantially completed within twenty-four (24) months of the issuance of a Temporary Certificate of Occupancy for the Core and Shell by the City.

The Project received its initial building permits in November 2015, and construction activities started in June 2016. Construction of the Project is substantially complete, with temporary certificates of occupancy (“TCOs”) for the initial portion of the residential condominiums issued September 3, 2020. The Developer anticipates that the TCO for the Museum Space may be issued as soon as November of 2020. The terms of the City’s Lease with the Museum commence when the City delivers possession of the space to the Museum.

DISCUSSION

On March 4, 2020, the Governor of the State of California proclaimed a State of Emergency in the State of California as a result of the threat of COVID-19. The COVID-19 pandemic, as well as physical distancing and other public health measures undertaken in response to it, continue to affect individuals, businesses, cultural institutions, schools, and government agencies alike. Many nonprofits and cultural institutions, including the Museum, are experiencing substantial challenges to their financial management, operations, and programs related to COVID-19, hindering their ability to meet their existing obligations and impacting their fiscal health.

The Museum’s capital fundraising program to fund the build-out of the Museum Space is experiencing economic challenges as a result of COVID-19 and the resulting negative impacts to the local, national and global economy. The Museum’s ability to meet its performance obligations under the Grant Agreement, namely to raise capital funds for the total development costs of the Museum Space, have been negatively impacted. In consideration of these impacts, the Museum has requested relief from the Successor Agency in the form of an extension to the term of the Grant Agreement (see Attachment 2, Letter of Request from The Mexican Museum to OCII, dated September 3, 2020). The extension will allow the Museum time to continue its capital fundraising and submit at a future date a complete plan for the design, construction and funding of the Museum Space

The extension of the Grant Agreement is an amendment to an existing enforceable obligation and thus requires the Oversight Board to make a finding that the amendment is in the best interest of the taxing entities (Cal. Health & Safety Code § 34181(e)). As described by the Museum in its letter of September 3, 2020 (see Attachment 2), the completion and operation of the Museum Space will generate increased economic activity and associated revenues from patrons and visitors to the Museum, in addition to contributing to the cultural vitality and diversity of San Francisco and the Bay Area region. The Mexican Museum's 2015 business plan (Attachment 3) for operation at the 706 Mission location presented market and financial analysis which estimated:

- the future annual attendance potential of the Mexican Museum from 77,000 to 118,000 visitors per year;
- creation of between 30 and 40 fulltime equivalent staff to operate the Museum; and
- an initial stabilized operating budget of \$5.1 million and earned revenues of \$1.8 million (in 2015 dollars).

Subsequently, in 2017, the Americans for the Arts' published Arts & Economic Prosperity 5 (the "AEP5")(see Attachment 4), an economic impact study of the nation's nonprofit arts and cultural organizations and their audiences. AEP5 quantifies the estimated economic benefits to state and local government from the operation of cultural institutions and includes an economic input-output model for the City and County of San Francisco.

The Museum's 2015 business plan and the AEP5 impact study indicate that the completion and operation of the Museum would generate a net positive impact to the City's General Fund as well as other taxing entities, and the State, and create employment at the Museum. Specifically, the completion and operation of the Museum is expected to generate approximately \$300,000 in annual revenues to local government entities, including the City, school districts and special districts, and approximately \$440,000 in annual revenues to the State. Revenue from economic activity generated by nonprofit arts and cultural institutions to local and State government includes revenue from local and state taxes (e.g., income, sales, lodging, real estate, personal property, and other local option taxes) as well as funds from license fees, utility fees, filing fees, and other similar sources. Local government revenue includes funds to governmental units such as city, county, and school districts, and other special districts.

The extension of the Grant Agreement facilitates the completion of the tenant improvements of the Museum Space, in fulfillment of the Museum's obligations under the PSA, and a key public benefit of the Project to the taxing entities, and maximizes the overall value of the Project, consistent with the PSA approved by the Commission, the Oversight Board and DOF. The taxing entities, including the City and County, will benefit from facilitating the completion of the Project and the Museum Space utilizing existing funds available under the Grant Agreement for this purpose.

On September 15, 2020, the Successor Agency approved Resolution 24-2020, conditionally authorizing a First Amendment to the Grant Agreement to extend the term of the agreement by eighteen months, to June 14, 2022 (see Attachment 1) and authorizing transmittal of the First Amendment to the Oversight Board for its review and approval under Section 34181 (e) of the Health and Safety Code.

CALIFORNIA ENVIRONMENTAL QUALITY ACT

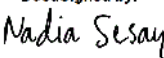
Authorizing the First Amendment to the Grant Agreement, which will extend the term of the Grant Agreement by eighteen months to June 14, 2022 is an administrative activity of government that will not result in direct or indirect physical changes in the environment, and, therefore, is not a project subject to environmental review under CEQA pursuant to CEQA Guidelines Section 15378(b)(5).

CONCLUSION & NEXT STEPS

The Successor Agency recommends approval of the First Amendment of the Grant Agreement because, as discussed above, the action facilitates completion of the Museum Space, which will generate increased revenues to the taxing entities and create additional employment. In addition, the requested action assists the completion of the Successor Agency's obligation under the PSA.

Upon Oversight Board approval of the requested action, staff will submit Oversight Board Resolution No. 05-2020 and supporting documentation to the California Department of Finance ("DOF") for its review. DOF will have 5 days to review the item; if they choose not to review it, the Resolution will be deemed approved. If DOF does review the matter, it may take up to 40 days to review the action, Cal. Health & Safety Code § 34179 (h) (2).

(Originated by Hilde Myall, Development Services Manager)

DocuSigned by:

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Nadia Sesay
Executive Director

- Attachment 1: Form of First Amendment to the Grant Agreement
- Attachment 2: September 3, 2020 Letter of Request from The Mexican Museum to Nadia Sesay, OCII
- Attachment 3: The Mexican Museum Business Plan, 2015
- Attachment 4: The Arts & Economic Prosperity 5 Economic Impact Study, 2017

FIRST AMENDMENT TO THE
GRANT AGREEMENT
BY AND BETWEEN
THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
AND
THE MEXICAN MUSEUM, A CALIFORNIA NON-PROFIT CORPORATION

This First Amendment to the Grant Agreement (the “First Amendment”) is dated as of this ____ day of _____, 2020, by and between the Successor Agency to the Redevelopment Agency of City and County of San Francisco, a public body organized and existing under the laws of the State of California (the “Successor Agency”), and The Mexican Museum, a California non-profit corporation (“Museum”).

W I T N E S S E T H

This First Amendment is made with reference to the following facts and circumstances:

- A. The Redevelopment Agency of the City and County of San Francisco (the “Former Agency”), approved, by Resolution No. 157-2010, a Grant Agreement (the “Grant Agreement”) between the Former Agency and The Mexican Museum, a California non-profit corporation (“Museum”), to authorize over a ten year period up to \$10,566,000 of Former Agency funding (“Grant Funds”) to cover a substantial portion of the costs for predevelopment, planning, and tenant improvement work related to museum space (the “Museum Space”) in a proposed mixed-use project on a site at 706 Mission Street (Assessor’s Block 3706, Lot 93) and Former Agency disposition parcel CB-1-MM (Assessor’s Block 3706, portion of Lot 277) (the “Project”) located in the now-expired Yerba Buena Center Redevelopment Project Area. The Grant Agreement is dated as of December 14, 2010 (the “Effective Date”) and is included as Exhibit A to this First Amendment and incorporated herein by reference.
- B. On January 1, 2011, the Redevelopment Plan for the Yerba Buena Center Redevelopment Project Area expired, but the Community Redevelopment Law authorized the Former Agency

to continue to enforce existing covenants, contracts, or other obligations, such as the Grant Agreement, Cal. Health & Safety Code § 33333.6 (a).

- C. The Grant Agreement requires the Museum to use the Grant Funds for "redevelopment activities" defined in the Community Redevelopment Law (Sections 33678(b), 33020, and 33021 of the California Health and Safety Code), and for purposes consistent with federal tax laws.
- D. On February 1, 2012, the State of California dissolved all redevelopment agencies, including the Former Agency, and established successor agencies to assume certain rights and obligations of the former redevelopment agencies, Cal. Health & Safety Code § 34170 et seq. (the "Redevelopment Dissolution Law"). As a result, the Former Agency ceased to exist and the Successor Agency, assumed certain obligations of the Former Agency, including those "enforceable obligations" that were entered into prior to the suspension of redevelopment agencies' activities, including the Grant Agreement.
- E. Article 3 of the Grant Agreement requires disbursement of the Grant Funds to the Museum, under certain terms and conditions, in accordance with one or more grant disbursement agreements. The Former Agency approved, by Resolution No. 5-2012, a First Grant Disbursement Agreement on January 17, 2012 for \$750,000. The Successor Agency approved, by Resolution No. 11-2013, a Second Grant Disbursement Agreement in the amount not to exceed \$1,000,000. On July 15, 2014, the Successor Agency approved, by Resolution No. 58-2014, a Third Grant Disbursement Agreement in the amount not to exceed \$1,030,881. The Successor Agency approved a Fourth Grant Disbursement Agreement on September 17, 2019, by Resolution No. 24-2019, in an amount not to exceed \$1,000,000. Approval of the grant disbursement agreements were in compliance with the Grant Agreement.
- F. Pursuant to the four grant disbursement agreements, the Successor Agency disbursed, or will disburse, a total of \$3,780,881 of Grant Funds, leaving a remaining balance of \$6,785,119 of Grant Funds available under the Grant Agreement.
- G. The Successor Agency has approximately \$6,785,119 remaining n under the Grant Agreement (the "Grant Funds").
- H. Article 2 and Article 6 of the Grant Agreement establishes the term of the Grant Agreement as the tenth anniversary of the Effective Date (the "Term"), unless terminated earlier due to the

full disbursement of Grant Funds. The Grant Agreement terminates on December 14, 2020.

- I. The Museum has requested an extension of the Grant Agreement. Under Redevelopment Dissolution Law, the Oversight Board of the City and County of San Francisco (“Oversight Board”) may direct, subject to review by the California Department of Finance, the Successor Agency to modify the Grant Agreement, if it finds that the modification would be in the best interest of the taxing entities, Cal. Health & Safety Code § 34181(e). The Oversight Board has found, by Resolution No. _____ (_____, 2020) that an extension of the Grant Agreement by one year is in the best interests of the taxing entities.
- J. The Successor Agency and the Museum now wish to enter into this First Amendment to the Grant Agreement to extend the Term by eighteen months to June 14, 2021.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Successor Agency and the Museum agree as follows:

1. The Grant Agreement shall be amended as follows:
 - a. Article 2 is hereby deleted in its entirety and replaced with the following:
“The term of this Agreement will commence on the Effective Date and will continue in full force and effect until June 14, 2022, unless terminated earlier as described in Article 6, below (the “Term”).”
2. Miscellaneous
 - a. This First Amendment constitutes a part of the Grant Agreement and any reference to the Grant Agreement shall be deemed to include a reference to the Grant Agreement as amended by this First Amendment.
 - b. Except as otherwise amended hereby, all terms, covenants, conditions and provisions of the Grant Agreement shall remain in full force and effect.
 - c. The First Amendment shall be binding upon and inure to the benefit of the successors and assigns for the Successor Agency and the Museum, subject to the limitations set forth in the Grant Agreement.

3. Authority. The Successor Agency and the Museum each represent and warrant to the other party that it is fully empowered and authorized to execute and deliver this First Amendment, and the individual signing the First Amendment on behalf of such party represents and warrants to the other party that he or she is fully empowered and authorized to do so; and,
4. Counterparts. This First Amendment may be executed in any number of counterparts, all of which, together, shall constitute the original agreement; and,
5. Effective Date of First Amendment. This First Amendment shall become effective on the date that the California Department of Finance concurs with an Oversight Board resolution approving this First Amendment.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment on the date indicated above.

SUCCESSOR AGENCY:

**Successor Agency to the
Redevelopment Agency of the City
and County of San Francisco**, a public
body organized and existing under the
laws of the State of California

GRANTEE:

The Mexican Museum, a California non-
profit corporation

By: _____
Nadia Sesay
Executive Director

By: _____
Andrew Kluger
Chair, Board of Trustees

APPROVED AS TO FORM:

APPROVED AS TO FORM:

By: _____
James B. Morales
General Counsel

By: _____
Victor M. Marquez, Esq.
General Counsel

Authorized by Commission Resolution No. 24-
2020 (adopted September 15, 2020) and
Oversight Board Resolution
No. ____-2020 (adopted _____, 2020).



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September 3, 2020

VIA E-MAIL

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Executive Director
Office of Community Investment and
Infrastructure
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Email Nadia.Sesay@sfgov.org

Commission on Community Investment and
Infrastructure
Miguel Bustos, Chair
Mara Rosales, Vice Chair
Bivett Brackett
Dr. Carolyn Ransom-Scott
Attn: Commission Secretary
Office of Community Investment and
Infrastructure
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Email: commissionsecretary.ocii@sfgov.org

Oversight Board of the City and County of
San Francisco
Lisa Motoyama, Vice Chair
David Goldin, Member
Alex Randolph
Bevan Dufty
Attn: Board Secretary
Office of Community Investment and
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1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Email commissionsecretary.ocii@sfgov.org

Re: The Mexican Museum Grant Agreement - 706 Mission Street, San Francisco, CA - Extension Request

Dear Nadia:

On behalf of the Board of Trustees of the Mexican Museum, we are formally requesting a twelve month (12 month) extension of time to enable the Mexican Museum ("Mexican Museum" or "Museum") to preserve and spend down the remaining \$6.78 Million Dollars from the December

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Squire Patton Boggs (US) LLP

VIA E-MAIL

Nadia Sesay, Office of Community
Investment and Infrastructure
Commission on Community Investment and
Infrastructure
Oversight Board of the City and County of
San Francisco

September 3, 2020

14, 2010 Grant Agreement between the Mexican Museum and the Office of Community Investment and Infrastructure fka San Francisco Redevelopment Agency.

Through your office, we are formally requesting that the Commission on Community Investment and Infrastructure, as well as the Oversight Board of the City and County of San Francisco kindly grant the extension request being submitted herein.

Under the Grant Agreement, all funds were to be spent by December 14, 2020 for the development and construction of the Tenant Improvements and FF&Es for the cultural component of the 706 Mission Street Residential and Museum Project. The Museum is now requesting an extension to December 31, 2021.

Regrettably, the Mexican Museum has experienced operational hardships within the context of the COVID-19 pandemic crisis. In this regard, the Mexican Museum operations were forced to shut down for several months with the advent of the California Shelter-In-Place Order issued by Governor Newsom on or about March 16, 2020. In this vein, most businesses in the state shut down for months and many continue to operate with limited capabilities and capacity, including many in San Francisco. In fact, with the recent spike in COVID-19 infections in California and in the entire United States, the challenges for the Mexican Museum and the arts world in general continue to be detrimental in many ways.

Specifically, the Mexican Museum's fundraising efforts have encountered negative impacts due to the unprecedented pandemic. This has been a challenge that the art world, the business world, the government sector and our local and national communities have and continue to undergo. Food, shelter, and economic relief concerns have become paramount local and national priorities because of the pandemic, and understandably so. It is wonderful to know that Mayor Breed and her administration remain committed to arts and culture as evidenced by the recent award of over \$12 Million dollars to the city's arts community.

It is within the COVID-19 pandemic crisis context that we respectfully submit this request for the Commission on Community Investment and Infrastructure, as well as the Oversight Board of the City and County of San Francisco to kindly approve the Mexican Museum's request for an extension of time of 12 months to enable the Museum to retain the grant funds and proceed with the development and construction of its new home at 706 Mission Street.

During this extension, the architects of record, Gutierrez|Associates will be able to complete the schematic phase through drawing documents. The Museum will also engage the General Contractor to build out the tenant improvements & FF&Es. We anticipate that all permits will be on hand to begin construction by no later than early fall of 2021 at which time all building materials will be ordered and the \$6.78 Million Dollar Grant funds will be spent prior to December 14, 2021.

Accordingly, we formally herein request an extension of time to spend the OCCI Grant Funds in the amount of \$6.78 from December 14, 2020 to December 31, 2021.

Squire Patton Boggs (US) LLP

VIA E-MAIL

Nadia Sesay, Office of Community
Investment and Infrastructure
Commission on Community Investment and
Infrastructure
Oversight Board of the City and County of
San Francisco

September 3, 2020

The grant extension to preserve the grant funds will facilitate the completion of the build out of the tenant improvements and FF&Es for the future home of the Mexican Museum at 706 Mission Street. As you know, the core and shell for the Museum is now complete. Hence, the extension of time will enable the Museum to complete the interior space of the Museum. As stated above, our architectural team will complete the schematic, design development and working drawings to enable the start of construction within the 12-month extension period.

The importance of the Mexican Museum cultural space cannot be overstated as it is a way in which the City & County of San Francisco is advancing cultural equity and promoting diversity and inclusion at the Yerba Buena Gardens Arts District. The Mexican Museum is the final bookend to a social and cultural destination at the Yerba Buena Gardens - one of our country's most successful redevelopment projects. The Mexican Museum will join the Contemporary Jewish Museum, the Museum of African Diaspora, the Yerba Buena Center for the Arts, The California Historical Society, the Children's Museum, SFMOMA, and the Filipino Cultural Center and other institutions in what is a vibrant cultural, artistic, retail and educational destination.

The Mexican Museum will attract thousands of local, regional, national and international visitors on an annual basis. This will most certainly help drive foot traffic to the area, including but not limited to:

- The use of Bart, Muni, and Cal-Train, not only by residents of San Francisco but from across the entire Bay Area. The ridership and thereby revenue for the transportation authorities will increase.
- For families driving into the Museum, there will be a generation of additional toll fees for both the Golden Gate Bridge and the Bay Bridge.
- For families driving to the Museum, the use of local parking will increase, including the additional use of the Jesse Square Garage and the Third Street and Mission parking garage.
- Ticket sales and use of the Museum store and café will create additional sales taxes.
- Many visitors to the Museum will also be using hotel nights at our local hotels thereby increasing the hotel tax base. The Museum exhibitions will attract and bring visitor from up and down the state which will lead to the use of local hotels. Moreover, given the relationships the Museum has established with Mexican institution and its ties to the Mexican Counsel in San Francisco and other Latin American Counsels, international visitors will similarly drive the need for hotel room nights.
- SFO and the Oakland Airports will also benefit from increased ticket sales generated by visitors coming to the Museum from Southern California, outside of the state, and from international destinations.
- The additional foot traffic will also drive the use of local shopping destinations such as Metreon and Union Square thereby driving sales taxes.
- The Yerba Buena area has a thriving culinary community. The local restaurants and eateries will benefit from the Museum's visitors.
- Special Events – the Museum will be a much desired destination for special events, including corporate events, weddings, and fundraising events, as well as events for conventioners attending events at the Moscone Center Convention halls. The special events will also create additional service and sales tax revenue.

Squire Patton Boggs (US) LLP

VIA E-MAIL

Nadia Sesay, Office of Community
Investment and Infrastructure
Commission on Community Investment and
Infrastructure
Oversight Board of the City and County of
San Francisco

September 3, 2020

- The Museum will create greater synergy with the other cultural and artistic destination leading to more ticket sales by neighboring sister organizations.
- Conventioneers will have an additional amenity where they can visit during their convention.
- Economic Development and Job Creation – the Mexican Museum will be generating a significant number of full time and part time jobs which will generate payroll taxes.

The foregoing is a partial list of all the economic benefits both in the tax base but also in the creation of local and regional jobs that will add to the local economy and to the City, County and State tax base. In this vein, enabling the Museum to complete and begin operations of the Museum will be in the best interests of the taxing entities. The tax benefit generated by the activities tied to the Museum and having the Museum completed will have a greater benefit to the local economy than if the Museum is not completed.

Moreover, given that over \$30 Million Dollars have already been spent on developing and building the core and shell for the Museum space, the prior investment highlights the fact that the total economic investment for the Museum project is a significant investment in the City's cultural and artistic community which is an important driver for local residents, conventioneers and tourists as well – all which help drive the local economy as highlighted above.

The Mexican Museum, with the support of the Office of Community Investment and Infrastructure, engaged AECOM (<https://aecom.com/about-aecom/>) to prepare a feasibility study. Over \$200,000.00 dollars were spent on this study, which was approved by and through the staff of the Office of Community Investment and Infrastructure on a reimbursement and disbursement basis. The AECOM feasibility study projected close to 100,000 visitors per year to the Museum. This number of visitors supports the above outlined benefits to the Yerba Buena Gardens district and to the City as a whole. Enclosed is a copy of the AECOM study.

In addition, as an economic development project, the following is the projected number of jobs that will be created:

Full time Positions: 33

1 Director

1 Deputy Director

2 Finance

2 Operations

2 Facilities

3 Development

Squire Patton Boggs (US) LLP

VIA E-MAIL

Nadia Sesay, Office of Community
Investment and Infrastructure
Commission on Community Investment and
Infrastructure
Oversight Board of the City and County of
San Francisco

September 3, 2020

2 Memberships

3 Curatorial Department

3 Collections Management

1 Preparator and Exhibition Design

2 Public Programs and Visitor Experience

3 Education

3 Marketing and Communications

5 Supporting Staff

Part-time: 40

10 Gallery Attendant

10 Visitor Experience

10 Special events - On-call

5 Preparators and Exhibition Installation- On-call

5 Security

We hope this is helpful information to both the Commission on Community Investment and Infrastructure, as well as the Oversight Board of the City and County of San Francisco.

In closing, we also would like to highlight the fact that COVID-19 has had a disproportionate impact in the infection rates for the Latino community in San Francisco and in the region. It is the hardest hit racial and ethnic community. The Mexican Museum is a beacon of hope for the local and regional community and it will provide educational opportunities to future generations of San Franciscans and Californians. In a time where our community is devastated by the COVID-19 pandemic, we hope that the Commission on Community Investment and Infrastructure, the Oversight Board of the City and County of San Francisco, and the California Department of Finance will see the importance of preserving the \$6.78 Million Grant Funds for the Mexican Museum to work with the City and the Developer to complete the new cultural space which is the future home of the Mexican Museum.

Squire Patton Boggs (US) LLP

VIA E-MAIL

Nadia Sesay, Office of Community
Investment and Infrastructure
Commission on Community Investment and
Infrastructure
Oversight Board of the City and County of
San Francisco

September 3, 2020

If you have any questions or concerns, or need additional information, please do not hesitate to contact me at either (415) 314-7831 and/or at victor.marquez@squirepb.com.

Truly yours,

Squire Patton Boggs (US) LLP

A handwritten signature in black ink that reads "Victor M. Marquez". The signature is written in a cursive, flowing style.

Victor M. Marquez
Partner

Enclosure: Business Planning for the Mexican Museum Final Report.

Business Planning for the Mexican Museum Final Report

March 2015

General and Limiting Conditions

- Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of AECOM and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.
- This report is based on information that was current as of March 2015 and AECOM has not undertaken any update of its research effort since such date.
- Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by AECOM that any of the projected values or results contained in this study will actually be achieved.
- Possession of this study does not carry with it the right of publication thereof or to use the name of "AECOM" or "Economics Research Associates" in any manner without first obtaining the prior written consent of AECOM. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of AECOM. Further, AECOM has served solely in the capacity of consultant and has not rendered any expert opinions. This report is not to be used in conjunction with any public or private offering of securities, debt, equity, or other similar purpose where it may be relied upon to any degree by any person other than the client, nor is any third party entitled to rely upon this report, without first obtaining the prior written consent of AECOM. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from AECOM. Any changes made to the study, or any use of the study not specifically prescribed under agreement between the parties or otherwise expressly approved by AECOM, shall be at the sole risk of the party making such changes or adopting such use.
- This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

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I. Introduction and Scope of Work

- The Mexican Museum was founded in 1975 by San Francisco artist Peter Rodriguez, in the heart of the Mission District. It subsequently moved to Fort Mason in 1982, where it has developed a permanent collection of over 14,000 objects which includes Pre-Hispanic, Colonial, Popular, Modern and Contemporary Mexican and Latino, and Chicano Art. The museum's vision is based on a broad understanding of the Mexican, Chicano, and Latino experience and includes art, culture, history, and heritage.
- The Museum currently has a unique opportunity to expand and move to a permanent home on the first few floors of a new Millennium Partners residential building located at 3rd and Mission, and is anticipated to open in 2018. The move to this new space will provide an opportunity to be located in a prime San Francisco location in the heart of the Yerba Buena Cultural District, near other museums, and with access to residents, tourist, and key transit stations. It will also provide additional space that will help the museum achieve its full potential.
- At this point in the planning process, The Mexican Museum retained an AECOM team to assist with business planning, strategic planning, and space programming. Forrec, an international firm specializing in planning for museums and attractions, conducted the space programming as part of AECOM's team.
- This report summarizes key findings from AECOM's market and financial analysis.

Introduction and Scope of Work

- As part of this assignment, AECOM conducted the following tasks:
 - Assessed the Mexican Museum expansion concept through meetings with key stakeholders and a review of all design and concept documents.
 - Met with existing museum staff and Board leadership to understand historic museum operations, as well as the vision and goals for the new facility.
 - Evaluated the size and demographics of the resident and tourist markets available to the expanded museum.
 - Conducted detailed benchmarking for a variety of comparable institutions in the United States.
 - Assessed the competitive environment locally through an examination of the performance of cultural institutions and other attractions in the Bay Area.
 - Estimated future attendance potential for expanded Mexican Museum.
 - Evaluated the physical planning parameters based upon likely attendance levels and visitation patterns.
 - Prepared a stabilized year pro forma, including earned income, operating costs, and the likely amount of contributed income required.

Concept and
site analysis

Analysis of
resident and
tourist
markets

Review of
historic
operations

Evaluation of
competitive and
comparable projects

Attendance
estimate

Physical
planning
guidelines

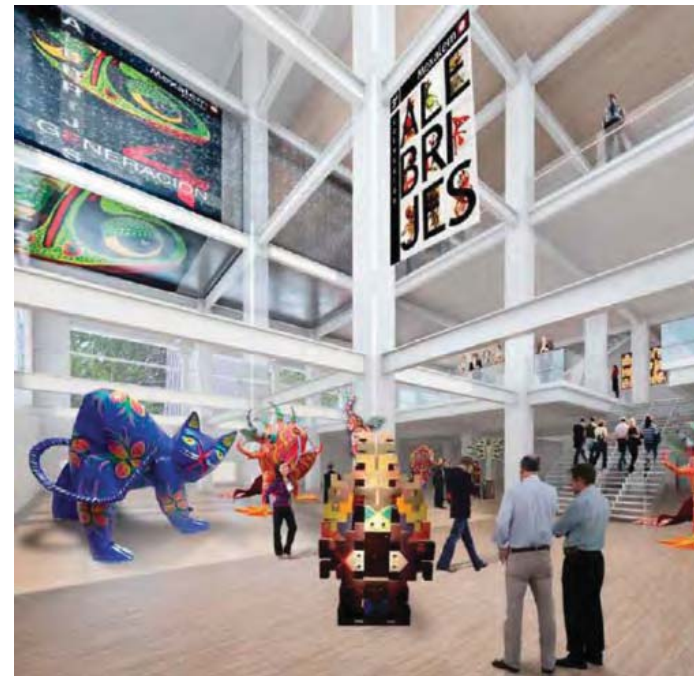
Financial
analysis

II. Concept Overview

- AECOM's reviewed the concept and facility plans for the new Mexican Museum in order to understand the implications for market, attendance, and financial potential. Key assumptions and characteristics are included within this section.
- The new facility includes approximately 64,000 gross square feet on four floors of the Millennium Partners new residential building. Total estimated exhibit area is 15,800 with another 4,500 square feet of education space including a conservation room, classrooms, and hands on activity center. For this analysis, we have assumed approximately 19,000 square feet of active public space divided between two floors.
- Current facility plans are still being developed, but include significant education and programming space, as well as an amphitheater style interior performance and programming area.
- The museum is scheduled to open in 2018.
- Visitor experience and exhibits are still under development. However, they will integrate the museum's collection. Signature experiences, storylines, interactivity, and the exhibits budget is not yet determined.



Source: Project location rendering by Handel Architects



Source: Preliminary Rendering by Enrique Norten, TEN Architectos

Concept Overview: Key Assumptions

Understanding of Current Concept

- The Mexican Museum collection includes some 14,000 objects in five broad categories: Pre-Hispanic Art, Colonial Art, Popular Art, Mexican and Latin American Art, Mexican American, Chicago and Latino Contemporary Art.
- The museum is exploring re-branding, using a name that will incorporate its broader mission including the Mexican and Latin American experience.
- The museum will include approximately 19,000 square feet of exhibition space and offer a wide range of educational programs in various education spaces.
- The museum will host travelling exhibitions and include a gallery amphitheater space for public programming and performances.
- A space that can host external facility rentals where food and beverage can be served is currently assumed.
- A retail store of 1,600 square feet on the ground level is planned.
- Two restaurant spaces, one with Mission Street frontage and entry of 1,900 square feet and an interior café accessible from the museum lobby of 800 square feet.

Important Considerations

- While the visitor experience is still under development, we have made several assumptions as part of our analysis.
 - High quality exhibits will be developed to create a meaningful visitor experience that tells the stories of the Mexican and Latino / Latin American experience.
- The museum will incorporate art, culture, and history in an interesting and compelling way.
- The museum will incorporate signature experiences or “must see” elements that will draw visitors.
- Multimedia experiences and technology will be incorporated to create an interactive and immersive visitor experience.
- The museum will spend sufficient budget to create high quality visitor experiences.
- Traveling exhibitions and changing exhibitions will be part of the museum’s program.

Concept Overview: Assessment of Strengths and Challenges

Strengths and Opportunities

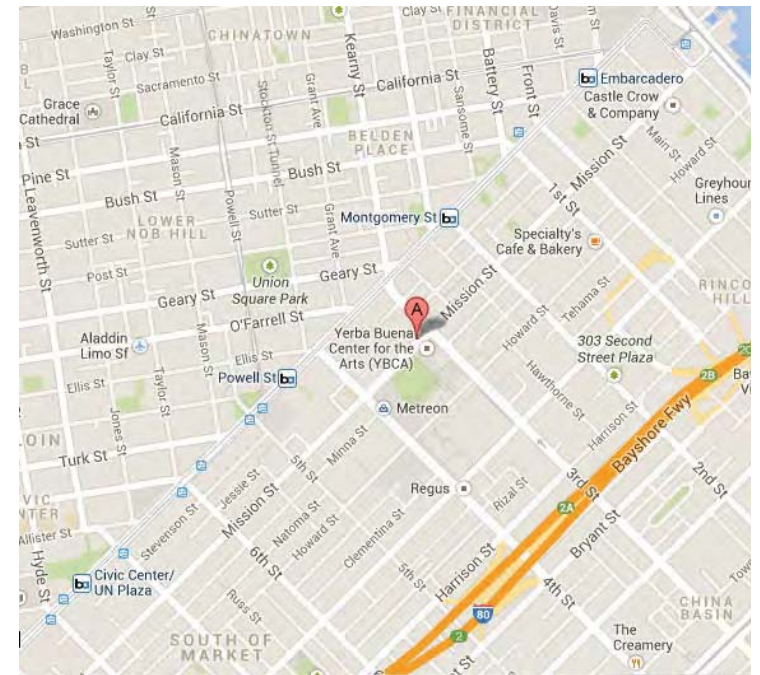
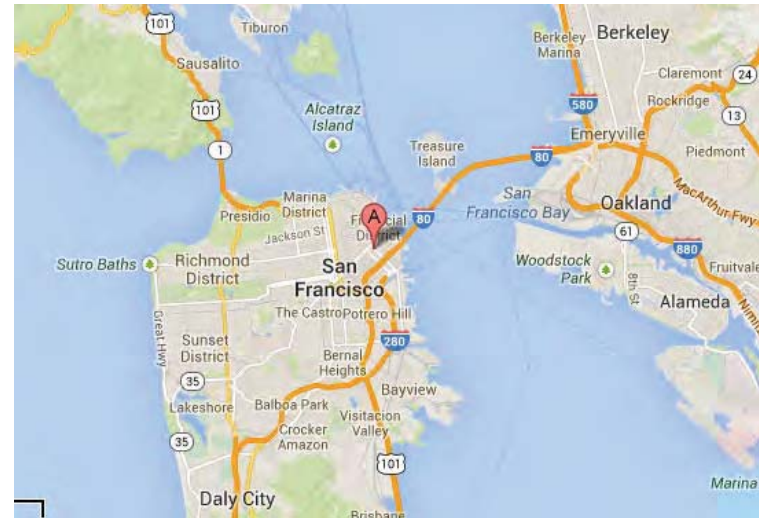
- The Mexican Museum has the potential to be unique in the San Francisco market, as there is no other major Mexican or Latin American museum in the market.
- The museum has a rich history to build upon and an existing collection.
- Compared to many of its specialty museum neighbors, such as the California Historical Society, Museum of the African Diaspora, and the Contemporary Jewish Museum, the facility has larger amount of exhibit area.
- Relocating and expanding into a new building is tremendous opportunity to reinvent, draw new audiences, fundraise, re-brand, and create new visitor experiences.
- Expanding to incorporate the broader Latin American experience will allow the museum to attract a wider audience.

Challenges and Threats

- The building's systems run through the a core in the center of the museum, which creates a somewhat segmented exhibit area. Building heights may limit the types of changing and traveling exhibitions that can be held at the museum.
- While the facility is a good size, the exhibit area is somewhat limited due to the building layout, so the exhibit area is less than one-third of the gross area. Programming will be essential to drawing visitors.
- The concept for the visitor experience not yet developed. It will be important to the business planning effort to develop a more concrete exhibit design and visitor experience plan, along with an exhibits budget.

III. Site Assessment

- AECOM assessed key characteristics of the site for the Mexican Museum, focusing on implications for attendance and financial potential.
- The museum will be located within the Millennium Partners residential tower development at 706 Mission Street. It is partially located in a historic building, with the main ticketing lobby on the second floor.
- The museum is located adjacent to Jessie Square and the Contemporary Jewish Museum.
- The museum is directly across from the Yerba Buena Center for the Arts and other cultural institutions and attractions that drive major visitation.
- The site is at a major intersection of 3rd and Mission Streets.
- In addition to other cultural institutions, the location is in close proximity to Moscone Convention Center, hotels, and retail.
- By joining existing cluster of cultural organizations, the museum is benefiting from public transportation, onsite pedestrian traffic, and adjacent complimentary uses.



Site Assessment: Strengths and Challenges

Strengths and Opportunities

- The museum is in a highly visible location at a major intersection in a vibrant neighborhood.
- The museum is located in an existing cultural district with a critical mass of other cultural institutions, including SF MOMA, which is currently undergoing an expansion, and several specialty museums.
- The location adjacent to Jessie Square provides an opportunity for public events and outdoor programming.
- The museums will be surrounded by a tremendous amount of existing retail, restaurants, and entertainment.
- Proximity to Moscone Center and its proximity to downtown and South of Market office buildings will generate demand for external facility rentals.
- The site has exceptional access to the tourist market.
- There is good access for San Francisco and Bay Area residents via MUNI and BART. There are many parking garages nearby.

Challenges and Threats

- Perception for Bay Area residents outside San Francisco is that the area has traffic and difficult parking.
- The lack of a large, ground floor lobby entrance makes signage and visibility extremely important to the design process.
- There is no direct access between the restaurant and museum, however an interior café accessible from the museum lobby with coffee or limited “grab and go” food options can keep visitors in the building longer.

IV. Review of Historic Operations

- The Mexican Museum has had long and varied history. It was first founded in 1975, moved to Fort Mason in 1982, closed in the mid-2000s, and reopened in 2009.
- Very little information is available on attendance history and performance metrics.
- At its largest footprint, the Fort Mason facility included 10,000 gross square feet and 3,000 square feet of exhibition space.
- The estimated average annual attendance in peak years during the 1990s was approximately 20,000 visitors:
 - Estimates for visitor origin indicate that attendance was predominately from the resident market (85 percent), with a limited number of tourists (15 percent).
 - The core audience has been fairly diverse, with close to 40 percent of attendance from the Latino market, and 40 percent White, with the remaining 20 percent from Asian American and African Americans. The best attended exhibition was Frida Kahlo with some 25,000 visitors.
- Admission to the museum has always been free.
- The budget in the early 1990s was approximately \$1.2 million and \$120 per gross square foot.
- Retail performance in peak years was strong with gross retail sales of \$200,000 in a 1,000 square foot store (La Tienda), translating to per capita revenues of nearly \$9 and sales per square foot of \$200.

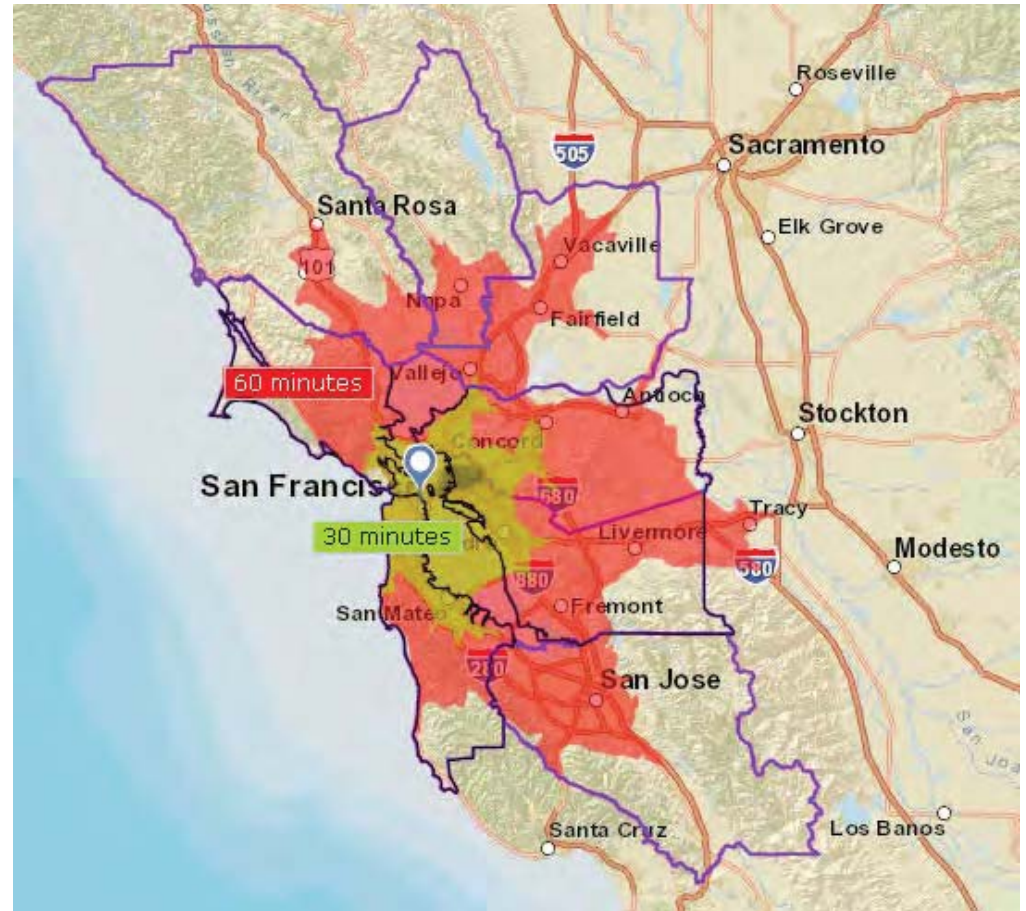
V. Review of Available Markets

- The size and characteristics of the resident and tourist markets from which a cultural institution draws its attendance are important factors in determining the potential audience demand.
- As part of our attendance and financial analysis for the Mexican Museum, AECOM researched and analyzed both the resident and tourist markets in the Bay Area region. AECOM collected data on historical resident population, projected resident market population growth and demographics, and tourism levels and characteristics.



Review of Available Markets: Resident Market Definition

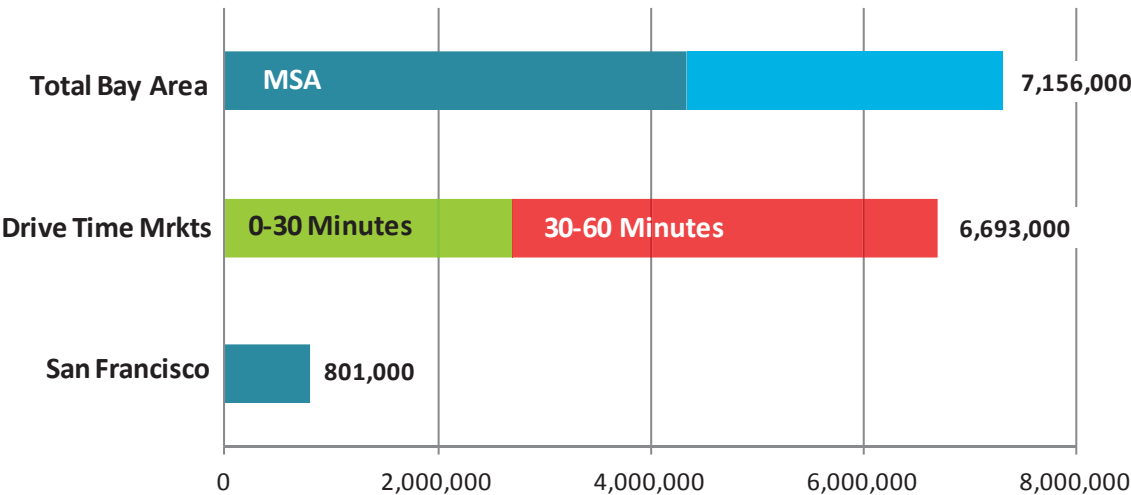
- Visitation to cultural institutions has a direct relationship to market proximity
- For the purposes of this study, AECOM has divided the resident market for Mexican Museum into two sub-market segments—primary and secondary markets—based on distance from the project site:
 - Primary market: Up to a 30 minute drive time from site, includes all of San Francisco County, and the adjacent portions of bordering Marin, Alameda, San Mateo, and Contra Costa counties.
 - Secondary market: 30 to 60 minutes from the project site, includes most of the five county MSA and reaches into all of the nine counties of the greater Bay Area.
 - Residents travelling from farther than the secondary market generally stay overnight and are included as part of the overnight visitor market for benchmarking purposes. We understand that people from further away may still come to San Francisco as day-trippers, but the penetration rates in our attendance analysis account for this overlap.



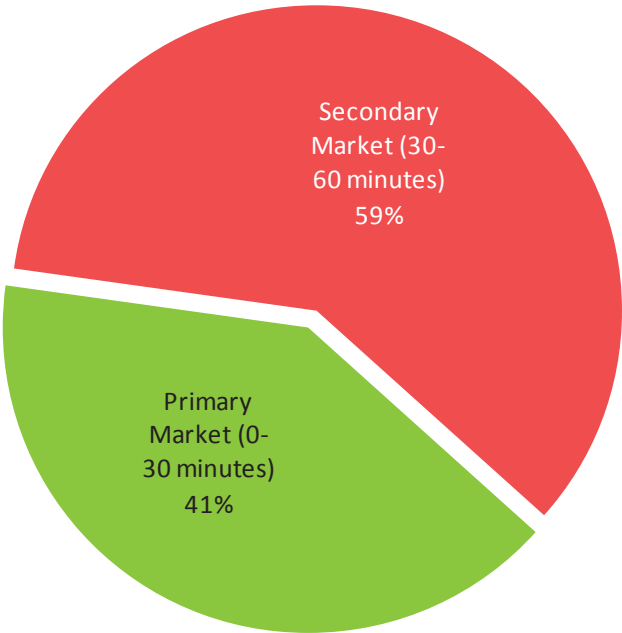
Review of Available Markets: Primary and Secondary Markets

- The total resident market includes 2.5 million households, with a total household population of 6.7 million in 2013.
- Approximately 41 percent of the resident population is in the primary market and 59 percent is in the secondary market.
- Household size is slightly smaller in the primary market with 2.48 persons per household, compared to 2.87 in the secondary market
 - Household size among the region’s Hispanic population is much larger (3.57 persons)
- In comparison, the nine-county Bay Area has a total household population of 7.2 million with 4.3 million within the San Francisco MSA.

Household Population Comparison, 2013



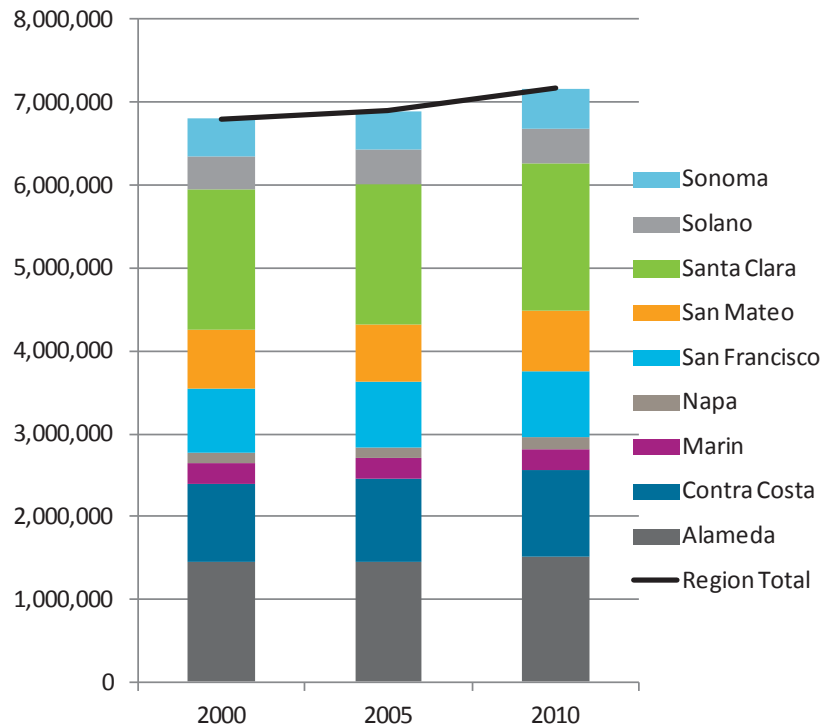
Source: ESRI, AECOM



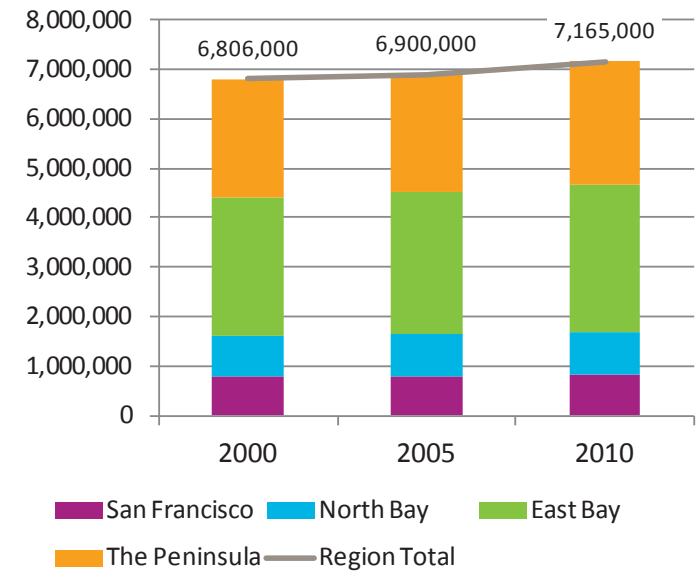
Review of Available Markets : Regional Population Growth

- The nine-county region Bay Area grew from 6.8 million in 2000 to nearly 7.2 million in 2010 at an average rate of 0.5 percent annually.
- East Bay and South Bay/Peninsula locations have the largest population centers and the strongest growth.
- San Francisco's population has stayed relatively stable.

Historic Population Growth by County



Historic Population Growth



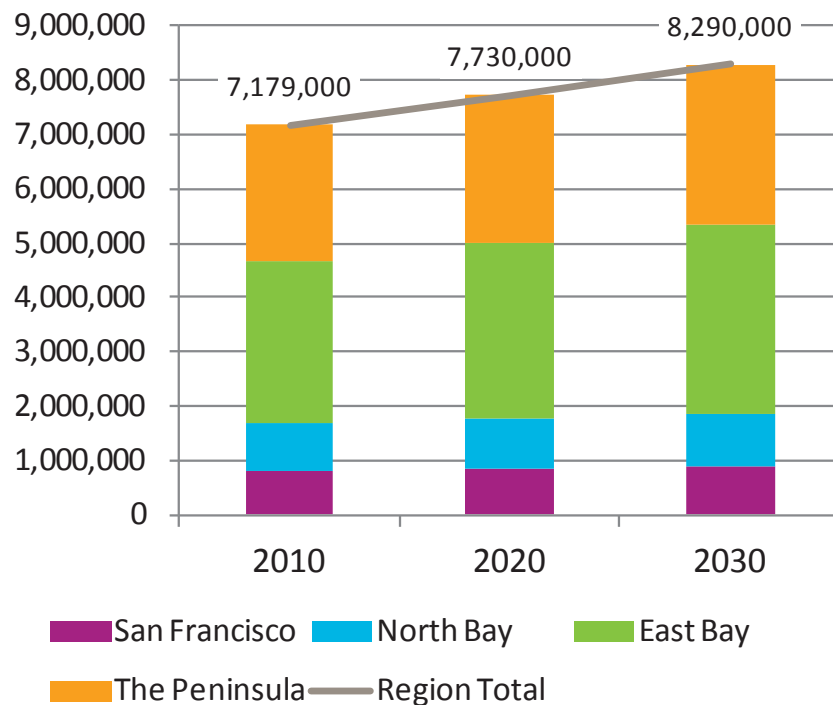
County	2000	2010	CAGR 2000-2010
Alameda	1,449,000	1,513,000	0.44%
Contra Costa	954,000	1,052,000	0.99%
Marin	247,000	253,000	0.21%
Napa	125,000	137,000	0.94%
San Francisco	779,000	806,000	0.35%
San Mateo	708,000	720,000	0.16%
Santa Clara	1,687,000	1,786,000	0.57%
Solano	396,000	413,000	0.42%
Sonoma	460,000	484,000	0.50%
Region Total	6,806,000	7,165,000	0.52%

Source: State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2010. Sacramento, California, September 2012.

Review of Available Markets : Resident Market Growth Projections

- Household population in the Bay Area is expected to grow slowly in the next 20 years, from 7.2 million in 2010 to nearly 8.3 million in 2030.
 - Contra Costa and Santa Clara counties have the highest projected growth at 0.85 percent annually.
 - San Francisco County is forecasted to grow at 0.58 percent annually.

Projected Population Growth



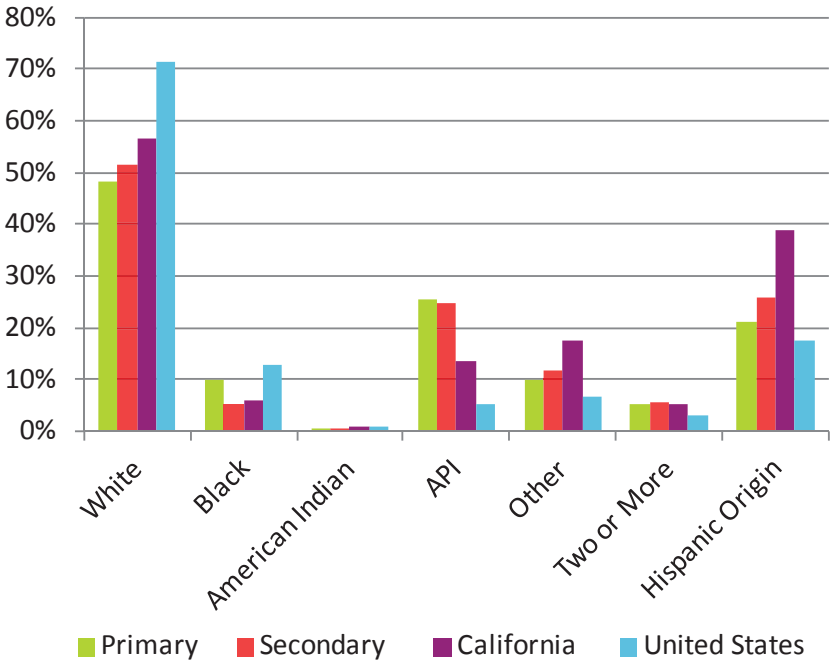
County				CAGR
	2010	2020	2030	2010-2030
Alameda	1,517,018	1,641,002	1,748,984	0.71%
Contra Costa	1,065,506	1,156,349	1,257,853	0.83%
Marin	248,866	251,730	255,963	0.14%
Napa	135,106	142,330	150,225	0.53%
San Francisco	797,677	849,294	895,423	0.58%
San Mateo	720,615	768,181	826,794	0.69%
Santa Clara	1,788,765	1,960,749	2,132,922	0.88%
Solano	419,909	451,358	486,311	0.74%
Sonoma	485,342	509,125	535,669	0.49%
Region Total	7,178,801	7,730,119	8,290,144	0.72%

Source: State of California, Department of Finance, January 2013 and Association of Bay Area Governments (ABAG).

Review of Available Markets : Resident Market Race and Ethnicity

- The resident market is approximately half White, one quarter Asian/Pacific Islanders, and 20 to 25 percent of Hispanic origin.
- The race profile in the resident market is similar to California, with greater diversity. California has a much higher percent Hispanic origin (close to 40 percent). Given the number of tourists who come from California, this could be a positive factor, as the museum could draw tourists specifically interested in the new museum.
- Hispanic population in San Francisco is more diverse than the greater Bay Area, with 50 percent Mexican, 13 percent Salvadoran, 7 percent Nicaraguan, and a mix of other ethnicities. Comparatively, the MSA Hispanic population is two-thirds Mexican.

Distribution by Race and Ethnicity



Source: ESRI, AECOM

Hispanic Population by Ethnic Group, 2012

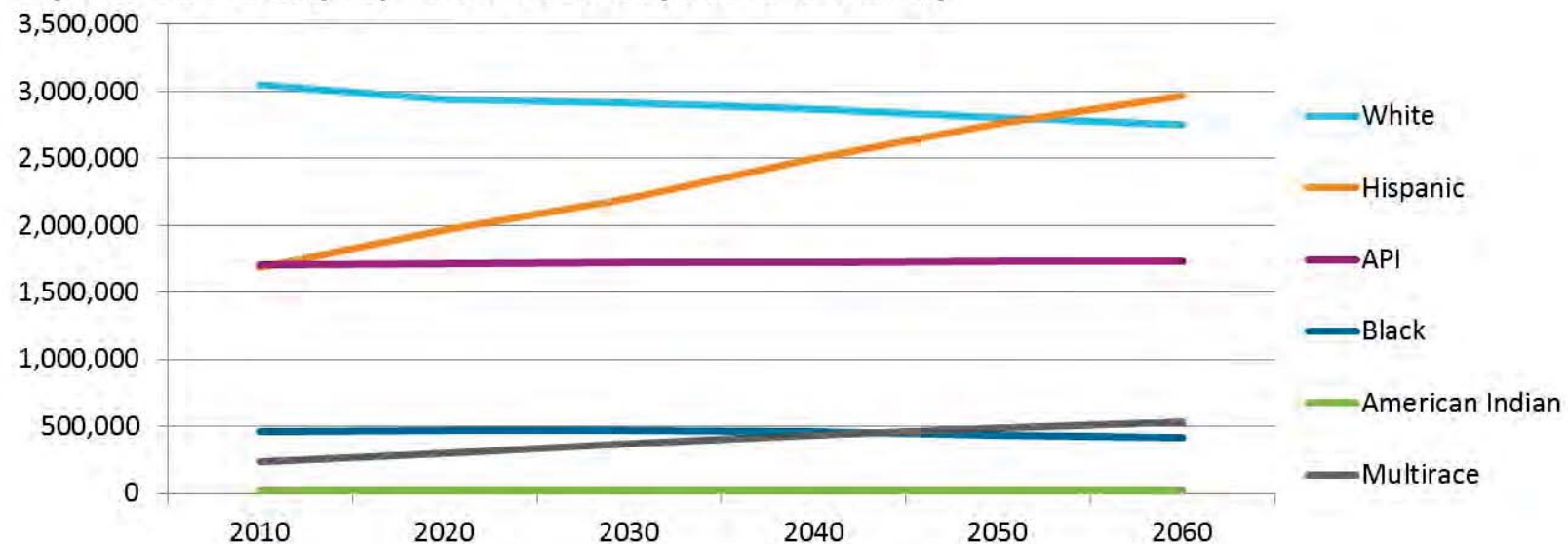
	San Francisco		MSA	
	Total	% Total	Total	% Total
Mexican	62,700	51%	643,900	67%
Salvadoran	16,500	13%	80,600	8%
Nicaraguan	8,100	7%	31,300	3%
Guatemalan	5,600	5%	34,600	4%
Puerto Rican	4,200	3%	26,300	3%
Peruvian	3,900	3%	19,200	2%
Spaniard	3,300	3%	21,200	2%
Honduran	3,000	2%	8,200	1%
All other	16,700	13%	93,700	10%
Total Hispanic Population	124,000	100%	959,000	100%
% Total Population	815,000	15%	4,399,000	22%

Source: U.S. Census Bureau, 2008-2012 American Community Survey

Review of Available Markets: Bay Area Hispanic Population Growth

- Museums that focus on the experience of a specific culture or population typically generate between 25 and 50 percent of their attendance from that group. Many museums nationally are located in regions with significant growth in the Hispanic market, but few have been able to successfully increase their Hispanic market attendance. In Appendix A, we have included research which has been conducted about the Hispanic audience for museums. In this section, we review key characteristics of the Bay Area Hispanic market.
- The Bay Area Hispanic population is projected to grow faster than any race category, from 1.7 million in 2010 to nearly 3 million by 2060.
 - The Hispanic population is projected to grow from 24 percent in 2010 to 33 percent of the total population by 2060.
 - The Hispanic population growth accounts for over 60 percent of total growth from 2010-60.
 - The Hispanic population will replace Asian & Pacific Islanders as the largest minority population by 2020, becoming the racial majority by 2060.

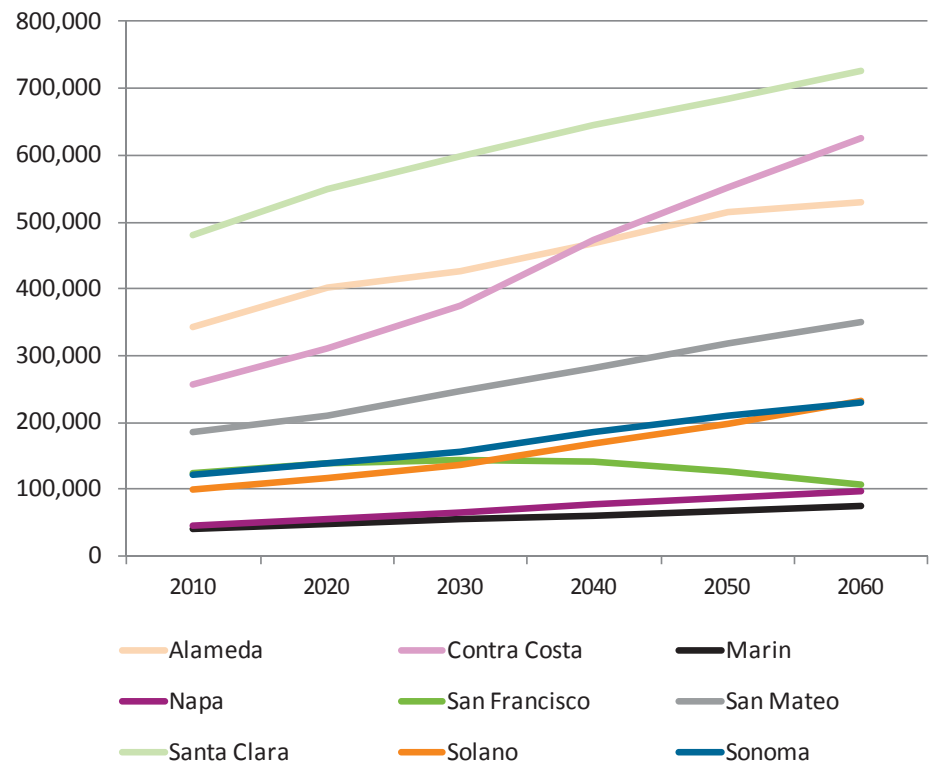
Bay Area Nine County Population Forecast by Race and Ethnicity



Review of Available Markets: Hispanic Population Forecast by County

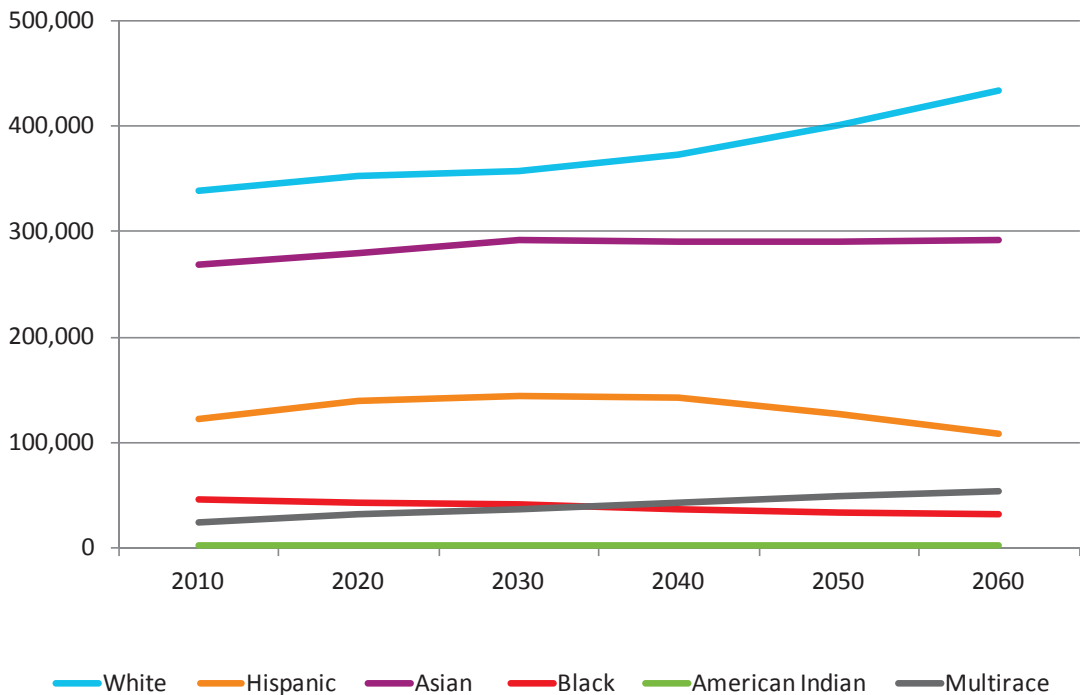
- The Hispanic population is projected to grow in all counties except San Francisco, with the highest growth forecast in Santa Clara County.

Hispanic Population Forecast by County



Source: State of California, Department of Finance, January 2013

San Francisco County Population Forecast by Race and Ethnicity

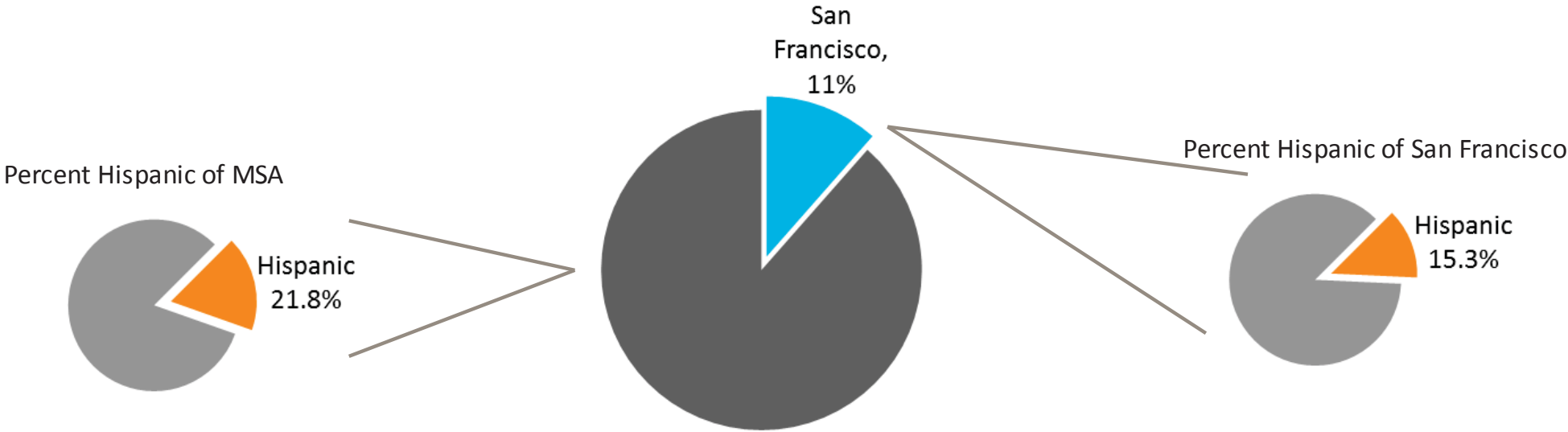


Source: State of California, Department of Finance, January 2013

Review of Available Markets: Hispanic Population in MSA and San Francisco

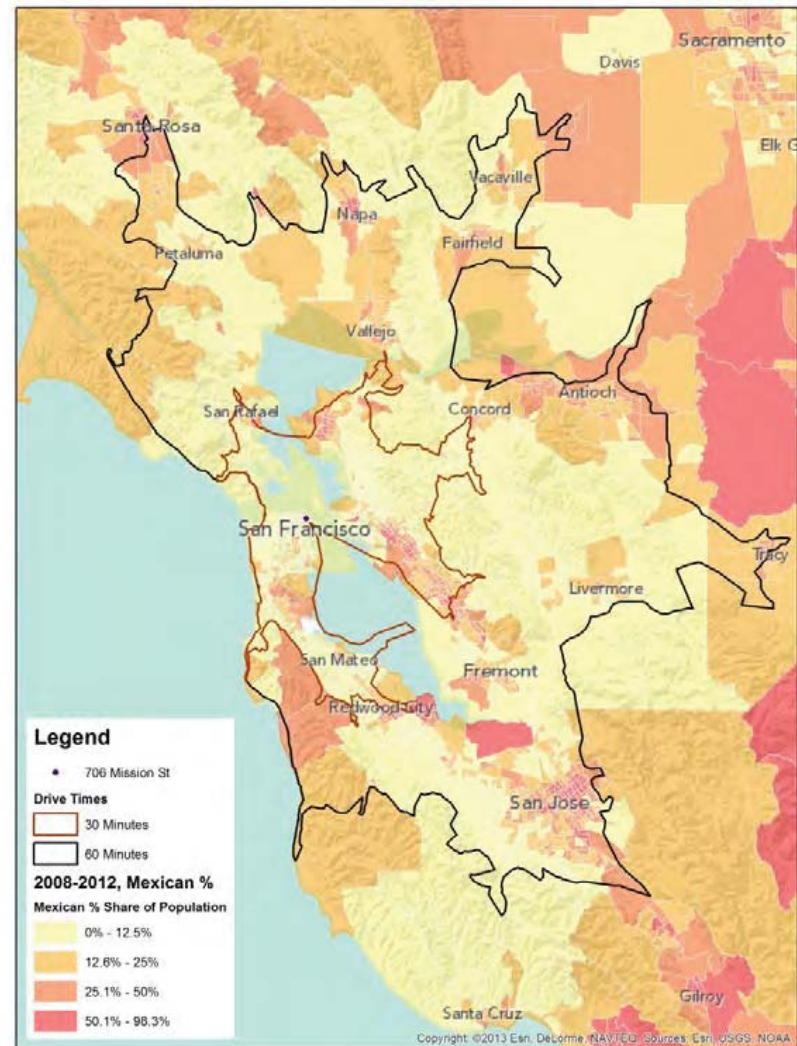
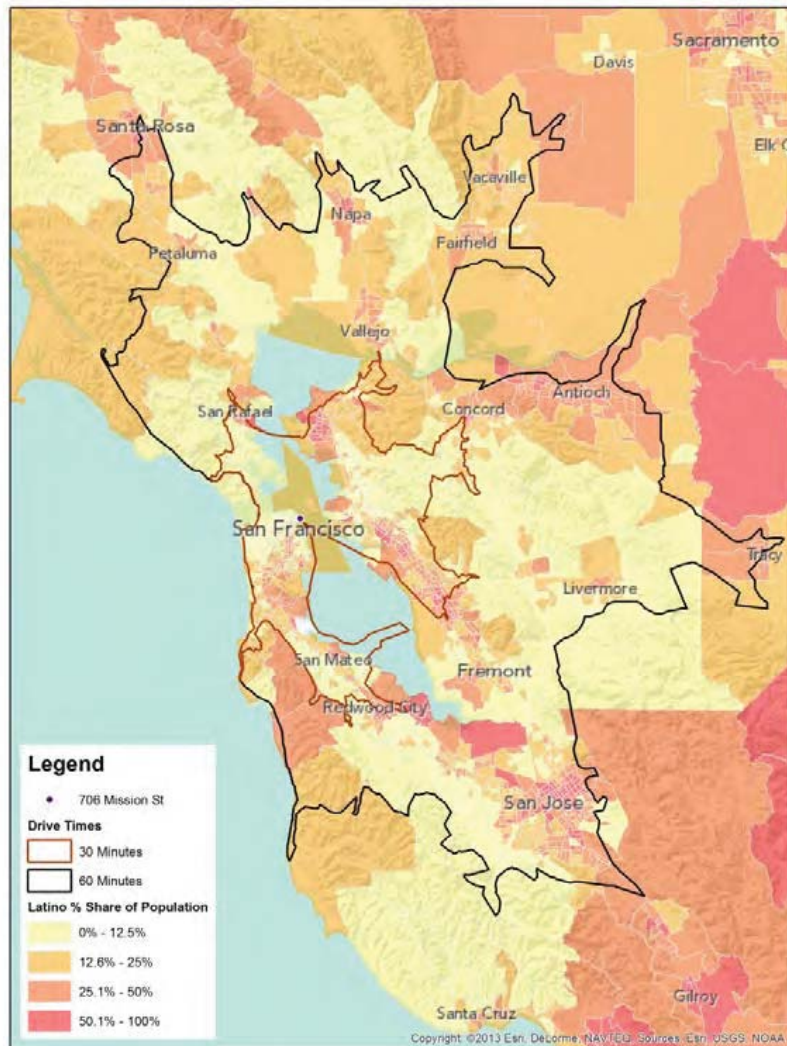
- Only one in ten of the total MSA Hispanic population lives in the City of San Francisco.
- Within San Francisco, 15 percent of residents are Hispanic compared to nearly 22 percent in the MSA.

Regional Hispanic Population in San Francisco



Review of Available Markets: Hispanic and Mexican Percent of Total Population

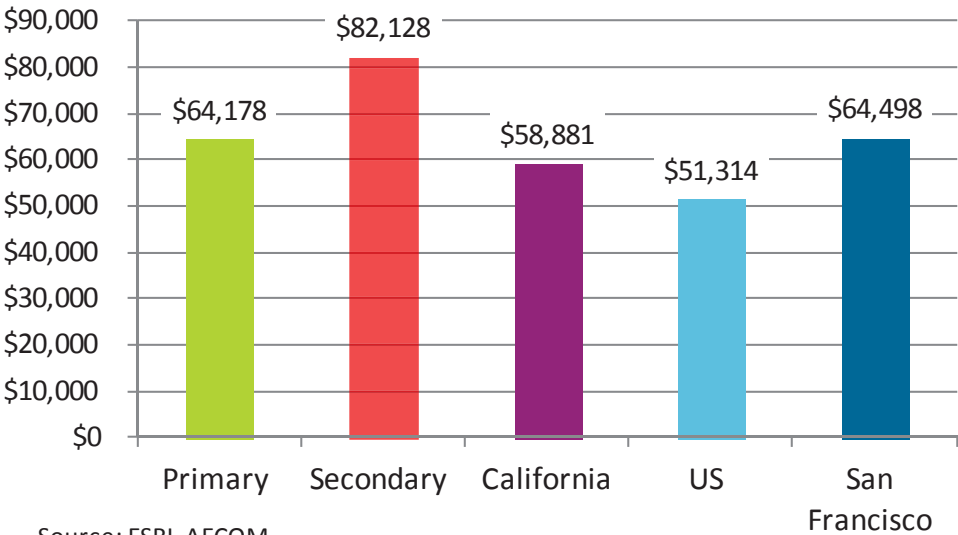
- AECOM mapped population densities of the Hispanic and Mexican populations in the Bay Area by zip code for the latest available census data.



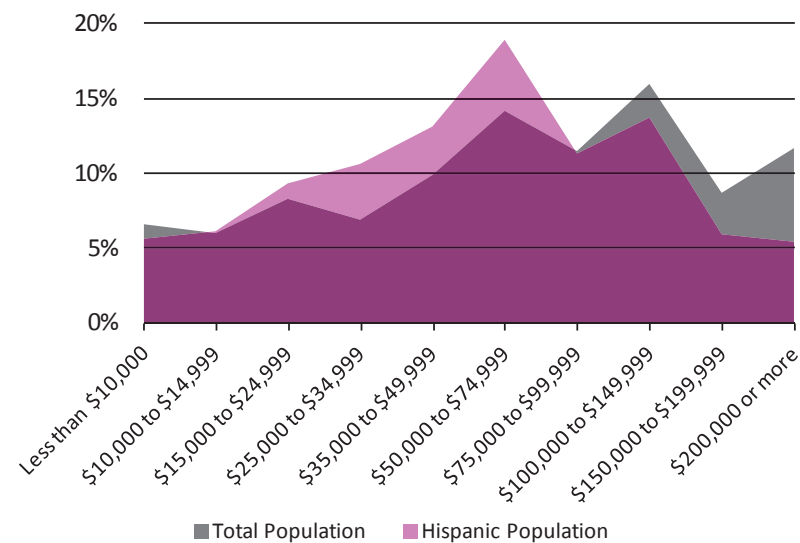
Review of Available Markets : Median Household Income

- Median household income is higher in primary and secondary markets than California and US. The secondary market, in particular, has very high incomes, with a median household income of \$82,128 compared to \$58,881 for California.
- Income for San Francisco and MSA Hispanic populations is lower than the overall population. Household income distribution indicates a larger working and middle class population in the Hispanic market.

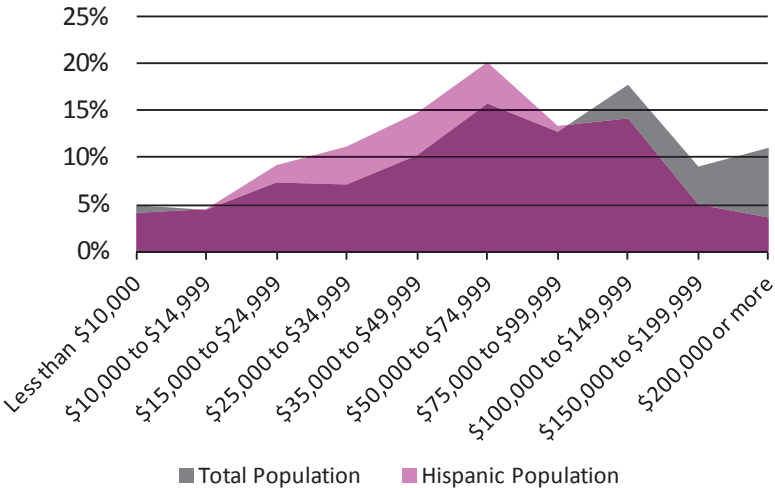
Median HH Income



San Francisco HH Income Distribution

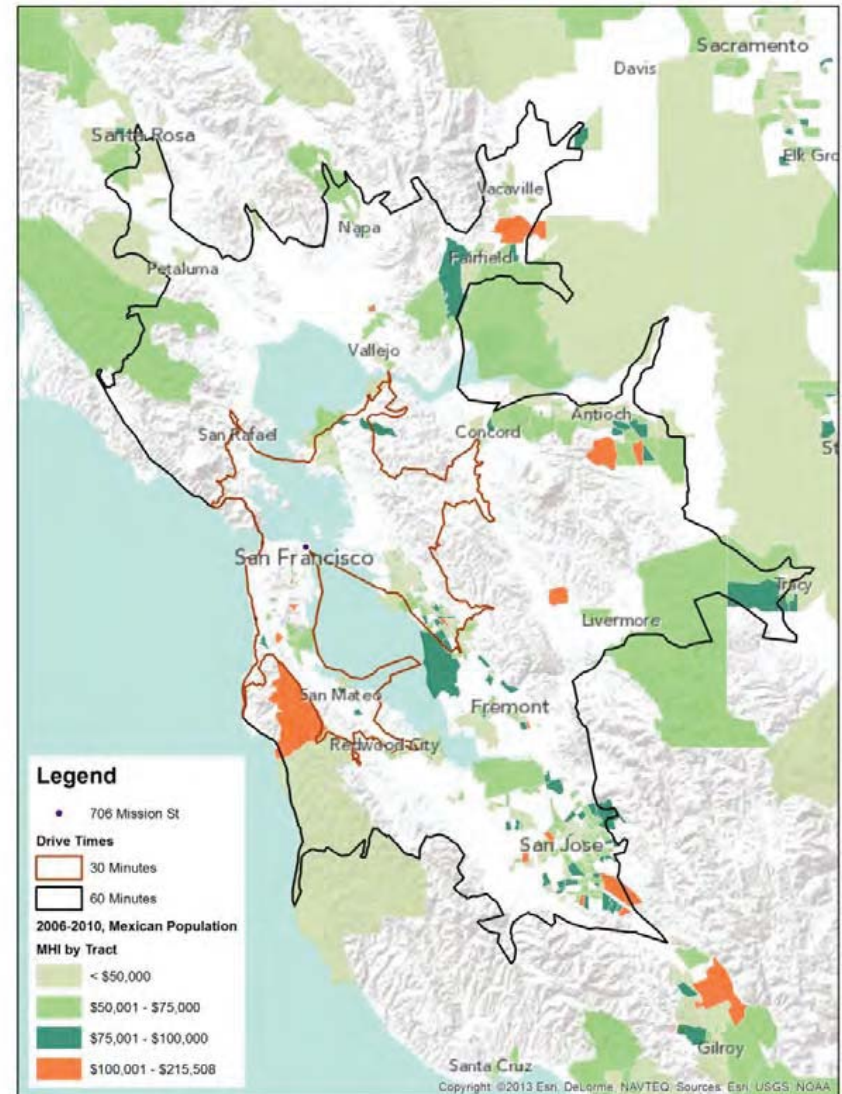
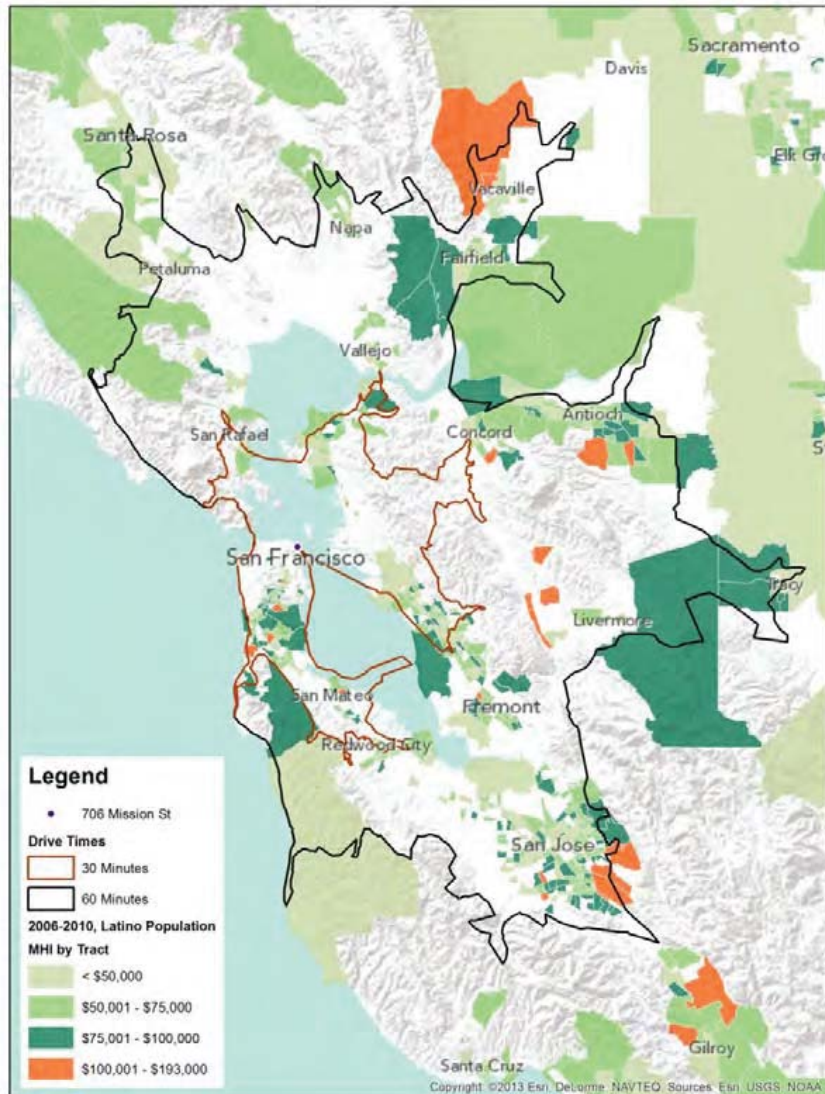


MSA HH Income Distribution



Review of Available Markets : Hispanic and Mexican Median Household Income

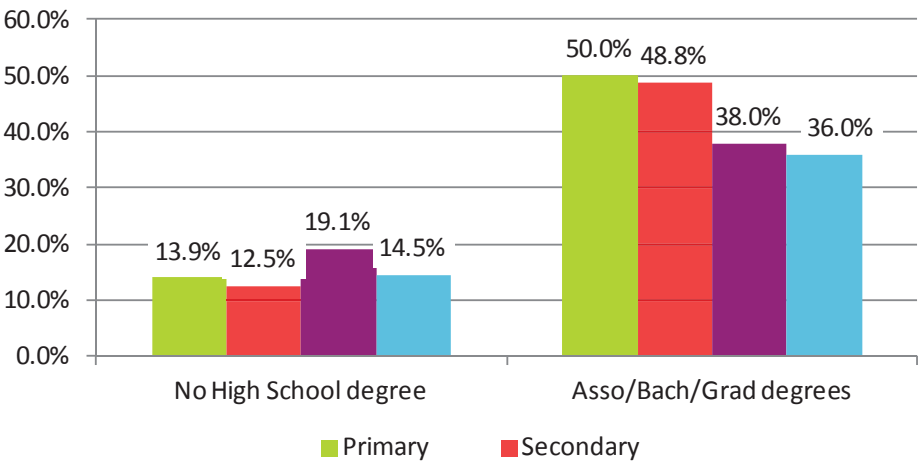
- AECOM mapped median household income levels for the Latino and Mexican populations in the Bay Area by zip code, shown below.



Review of Available Markets: Resident Market Education Profile

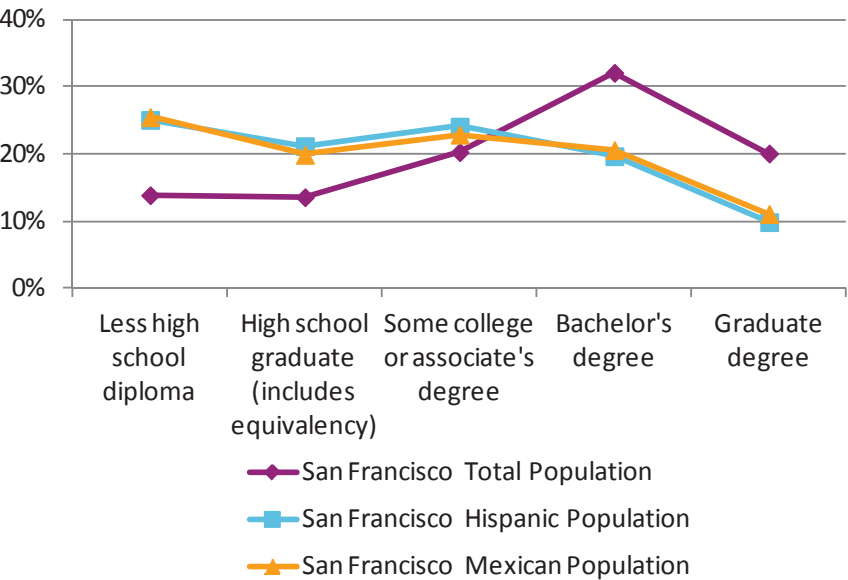
- Education levels in primary and secondary markets are significantly higher than in California and the United States, with 50 percent of the population in the primary market and close to the same number in the secondary market with some form of college degree, compared to 38% in California.
- Education levels among Hispanic and Mexican communities of San Francisco and the MSA are lower than the total population. This may have implications for the museum to consider in developing marketing, programming, and other strategies to attract and serve the Hispanic market.

Educational Attainment Population 25+

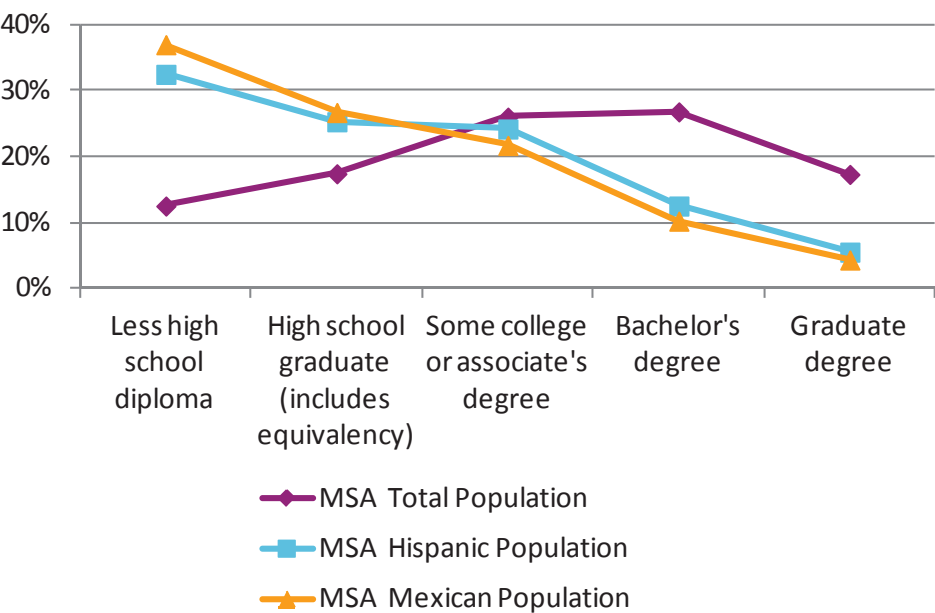


Source: ESRI, AECOM

San Francisco Educational Attainment, aged 25+

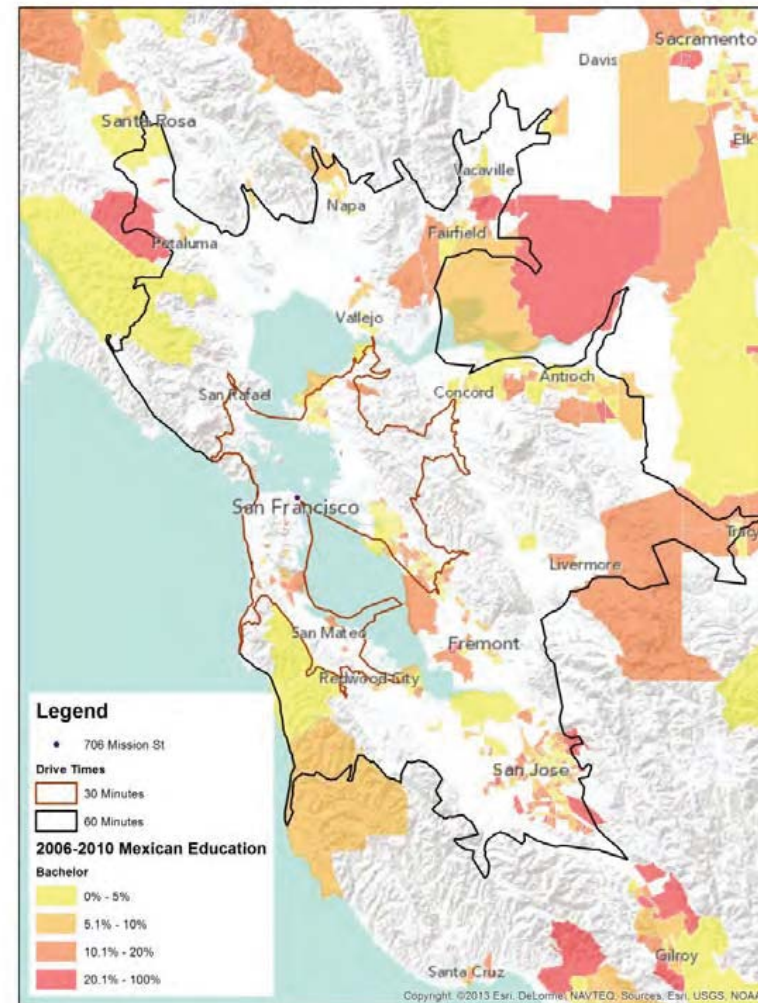
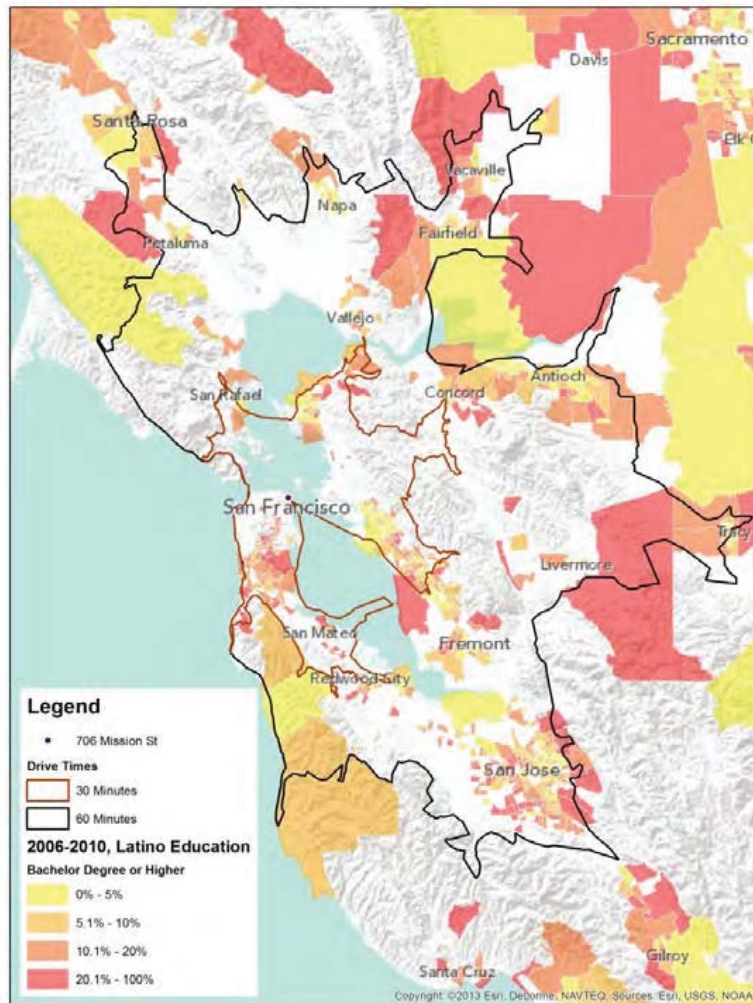


MSA Educational Attainment, aged 25+



Review of Available Markets : Hispanic and Mexican Education Level Geographic Distribution

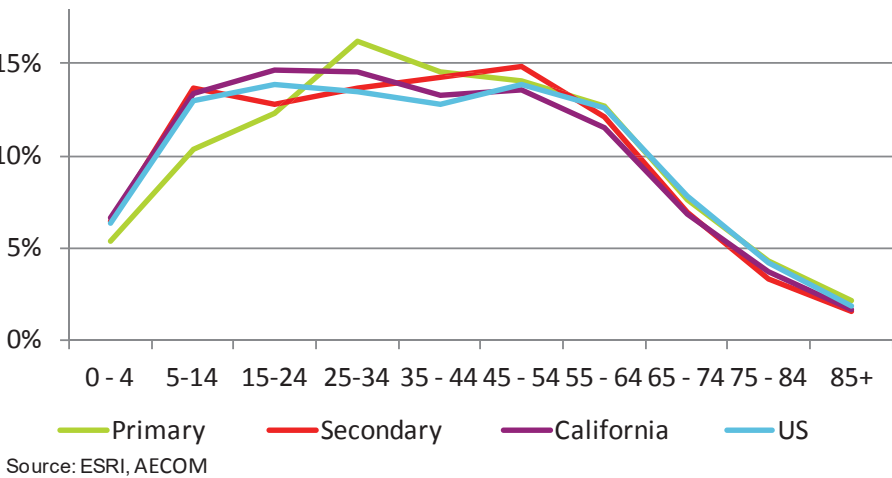
- AECOM mapped education levels for the Hispanic and Mexican populations in the Bay Area by zip code, shown below.



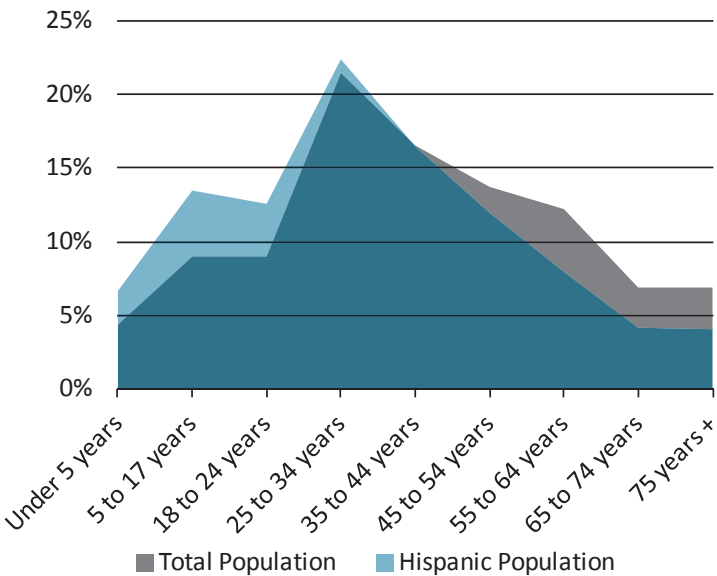
Review of Available Markets : Age Profile

- The primary market has a greater number of young professionals than the secondary market, with a higher percentage of the population between ages 25 to 44 years and a lower percentage of people under 24.
- The secondary market has a larger family market, with more children and adults ages 35 to 54.
- The Hispanic population in both the primary and secondary market is younger than the total population, with a greater percentage of children and youth.

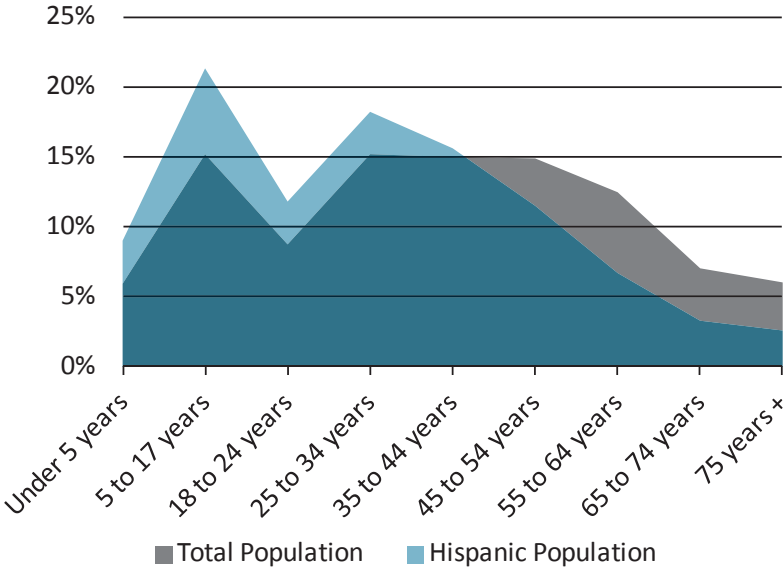
Age Distribution



San Francisco Age Profile



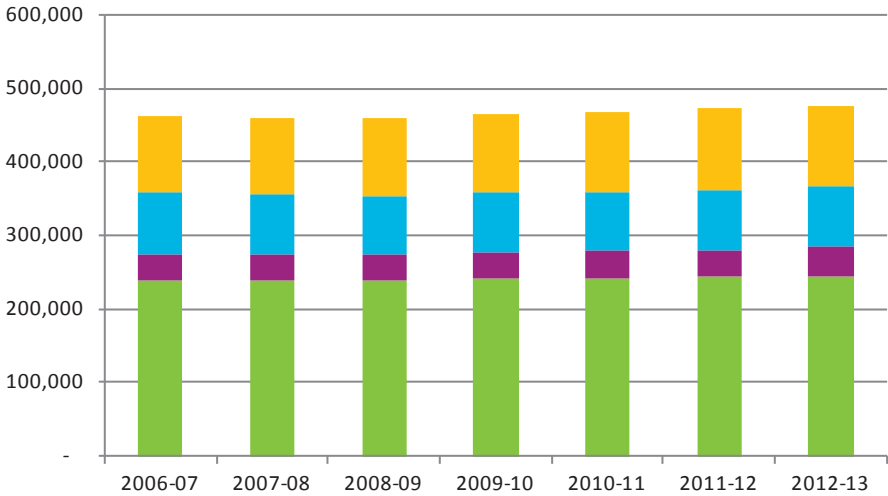
MSA Age Profile



Review of Available Markets : San Francisco School Enrollment

- There are nearly 500,000 students enrolled in public and private schools in Alameda, Marin, San Francisco, and San Mateo counties.
- San Francisco total enrollment is approximately 80,000, with one-third in private schools, the highest percent of any county in region.
- Enrollment as a percentage of the total population is lowest in San Francisco at 10 percent of total compared to 15 percent in other Bay Area counties.

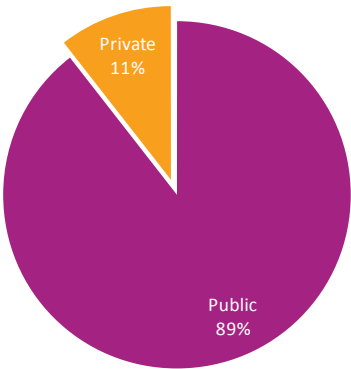
Total Enrollment by County



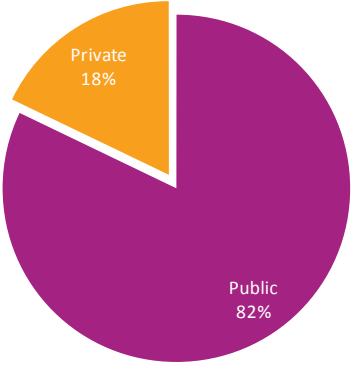
Source: CA Dept of Education

Alameda Marin San Francisco San Mateo

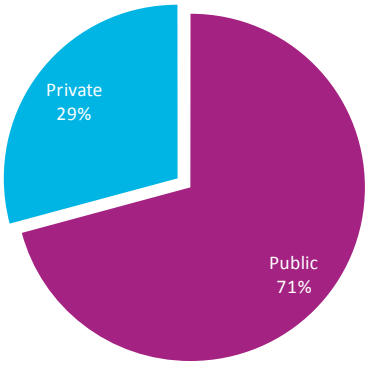
Alameda Total Enrollment



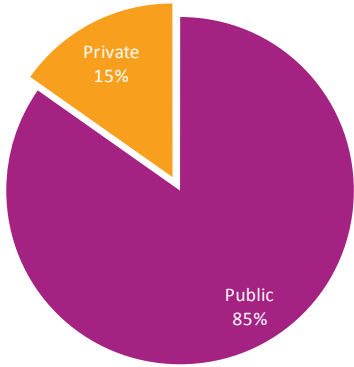
Marin Total Enrollment



San Francisco Total Enrollment



San Mateo Total Enrollment



Review of Available Markets: Tourist Market Overview

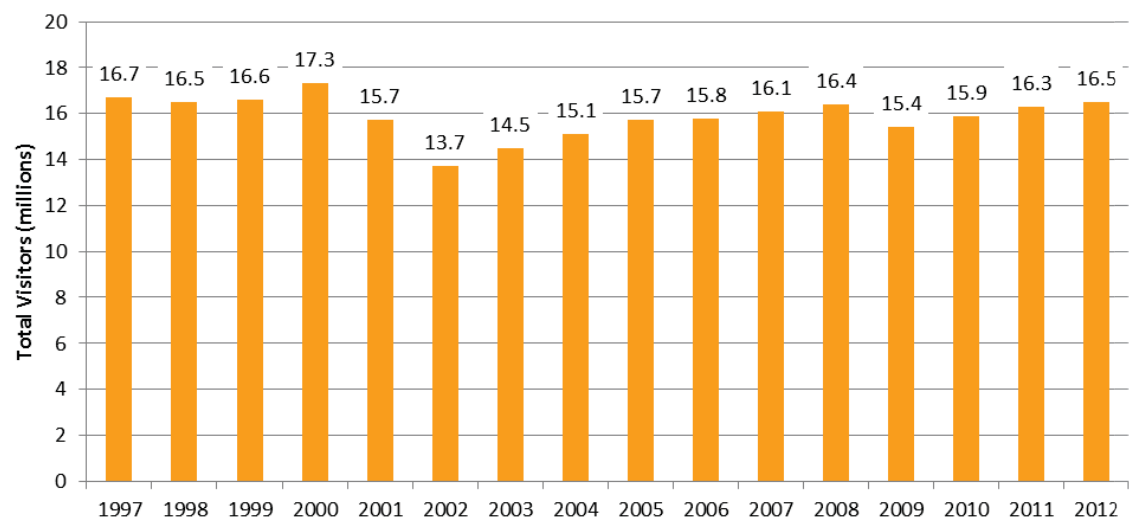
- AECOM uses the number of overnight leisure visitors as the basis for the size of the tourist markets in attendance analysis for cultural attractions.
- While business and other visitors may also attend, this is the core market for museums and used for consistent analysis and comparison with comparable institutions nationwide.
- To understand the size and nature of the Bay Area tourist market, AECOM reviewed estimates and demographic data provided by San Francisco Travel.



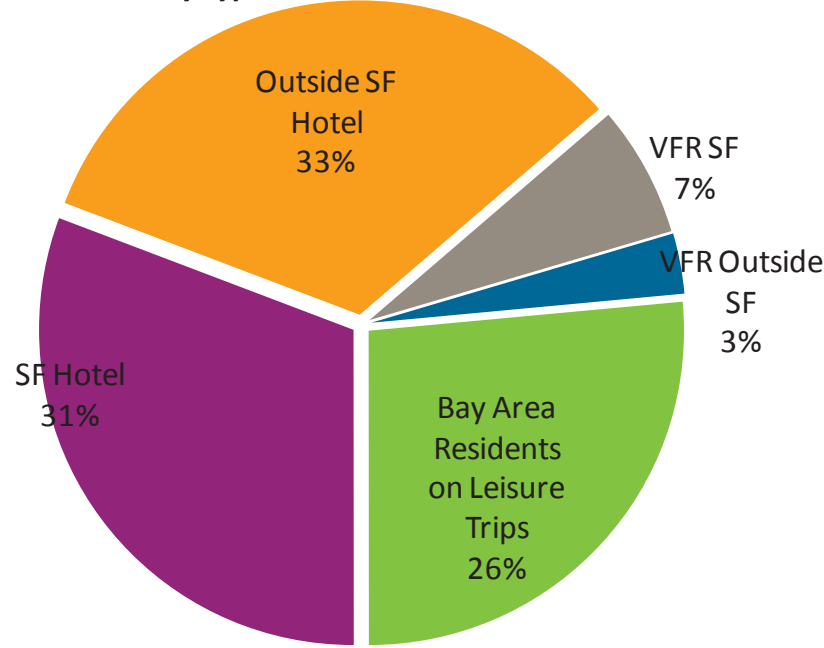
Review of Available Markets: Tourist Market Size

- The San Francisco tourist market appears to have fully recovered from the recent recession, with tourism levels in 2012 exceeding those prior to 2008. In 2012, there were 16.5 total visitors to San Francisco.
- Over 60 percent of total visitors stay overnight in hotels, 10 percent stay in private homes, and 26 percent are regional day trippers.

San Francisco Visitor Volume (millions), 1997-2012



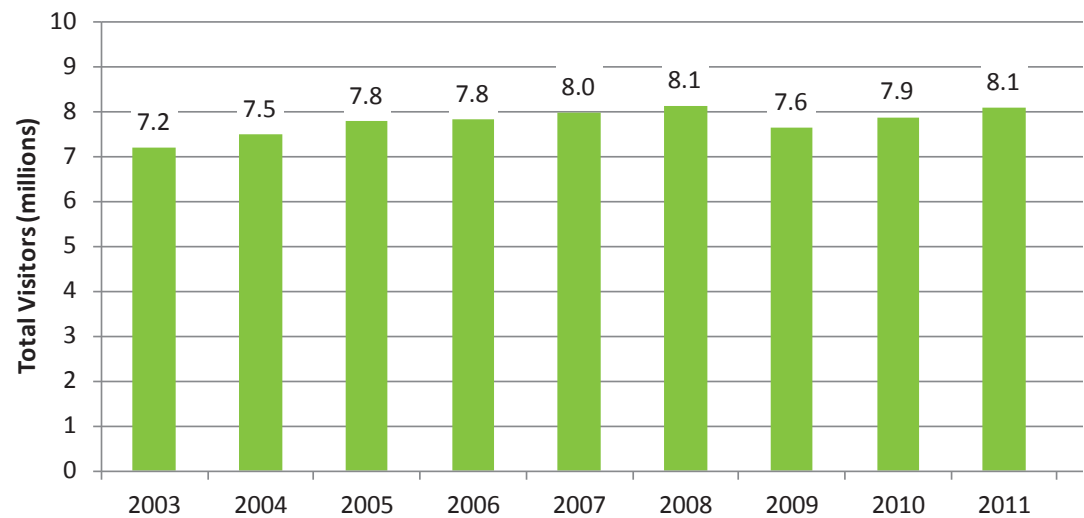
Total Visitors by Type, 2012



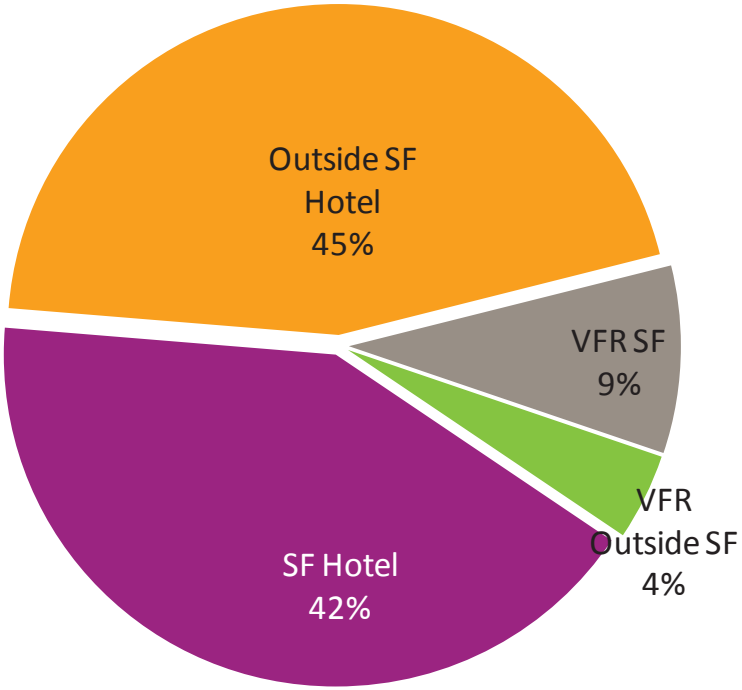
Review of Available Markets: Overnight Leisure Tourist Market

- There were an estimated 8.2 million overnight leisure visitors to San Francisco in 2012.
- Of the overnight leisure market, 45 percent stay in hotels outside of San Francisco, 42 percent in San Francisco hotels and 13 percent are VFR (visiting friends and relatives) visitors.

San Francisco Estimated Overnight Leisure Visitors (millions), 2001-2012

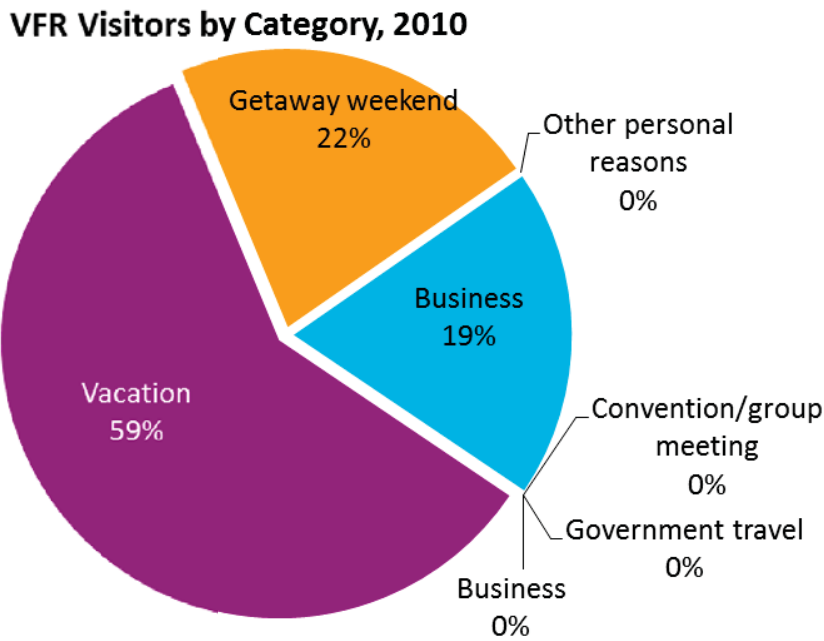
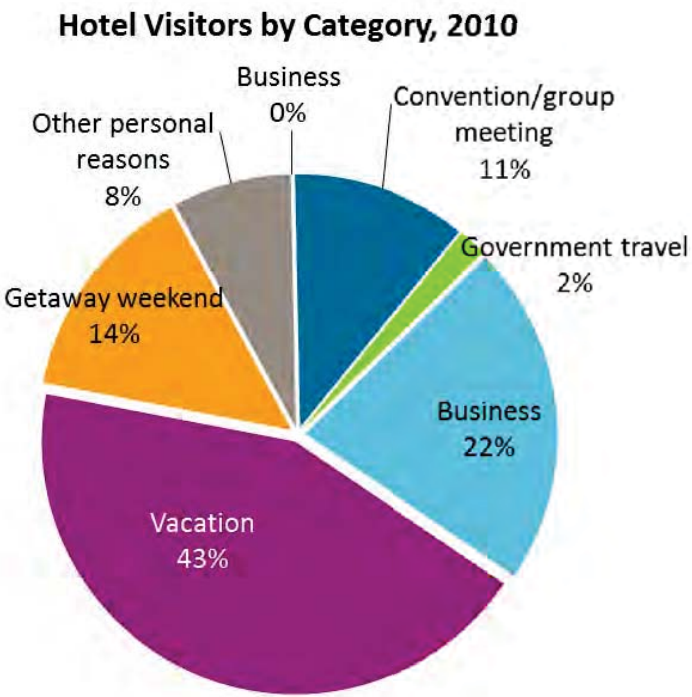


SF Overnight Visitors by Type, 2012



Review of Available Markets: Tourist Market Purpose of Visit

- The purpose of visit for hotel visitors is 65 percent leisure, 11 percent convention, and 24 percent business and government travel.
- Over 80 percent of the VFR market is on vacation or a getaway weekend.



Review of Available Markets : Tourist Market Visitor Profile

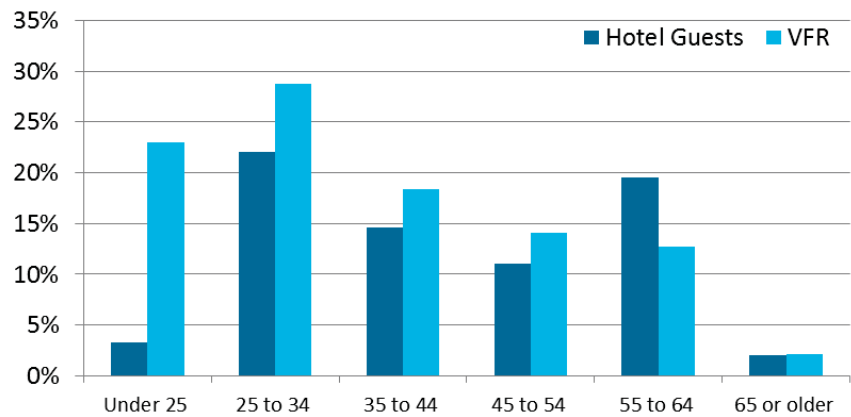
- VFR travelers stay an average of 5.6 nights and hotel guests an average of 3.5 nights.
- Less than 18 percent of all visitors travel with children.
- San Francisco hosts many repeat visitors, with first time visits accounting for less than a third of total for all types of travelers except international and day trippers.

Visitor Characteristics	Hotel Guests	VFR	Domestic	International	Day Trippers
Stayed in SF hotel	100%	11%	70%	100%	n/a
Total spending per person, per day	\$240.31	\$114.50	\$184.81	\$213.52	\$109.09
Average length of stay (nights)	3.5	5.6	3.6	5.5	0
% Traveling with children	17.2%	11.2%	17.4%	17.8%	15.6%
% Married or partnered	55.7%	40.1%	59.3%	60.7%	54.5%
First visit to SF	27.2%	23.6%	21.3%	62.0%	0.8%
Most important reasons for visiting San Francisco	Ambiance, Scenic Beauty, Cuisine	Friends, Ambiance, Scenic Beauty	Ambiance, Scenic Beauty, Friends	Ambiance, Scenic Beauty, Attractions	Museums, Shopping, Ambiance

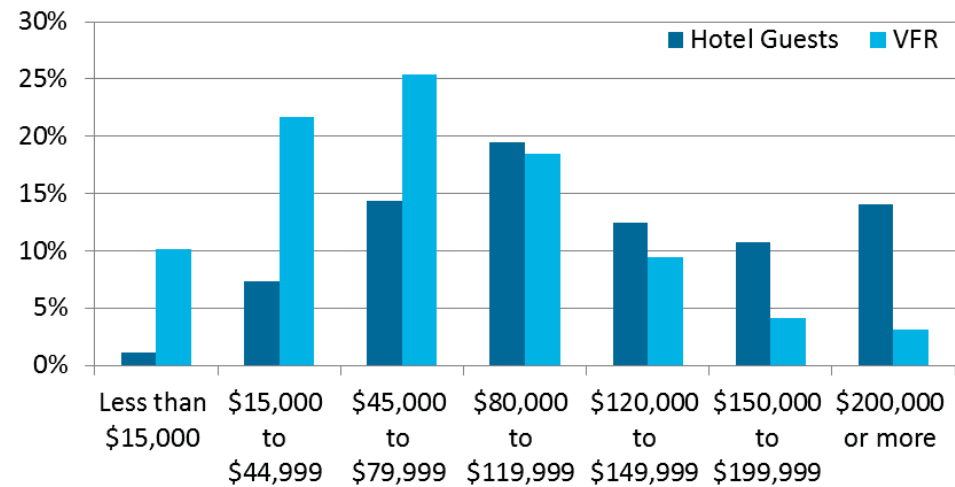
Review of Available Markets : Tourist Market Visitor Demographics

- Hotel guests have strong income levels, with the majority over \$80,000 in household income and 25 percent with household incomes over \$150,000.
- Young people under 25 are much more likely to stay with family and friends, as are those with lower incomes. Hotel guests are older with higher income levels.

Age Profile

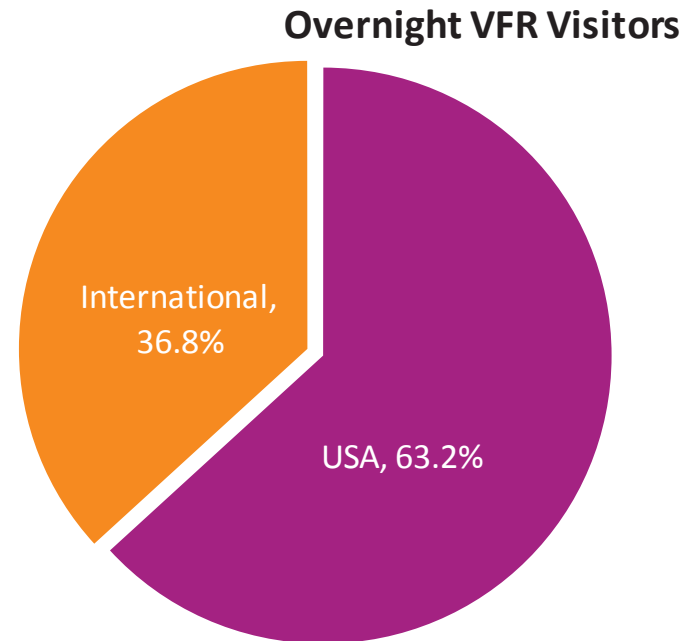
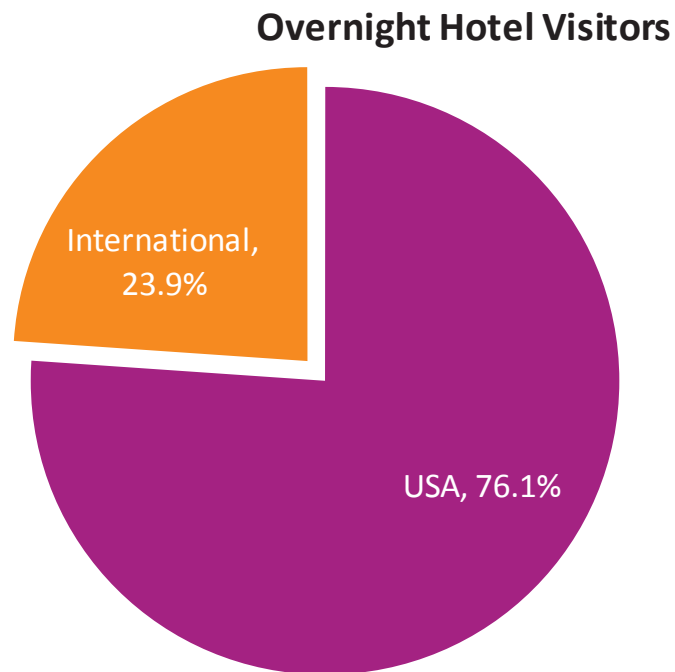


Income Profile



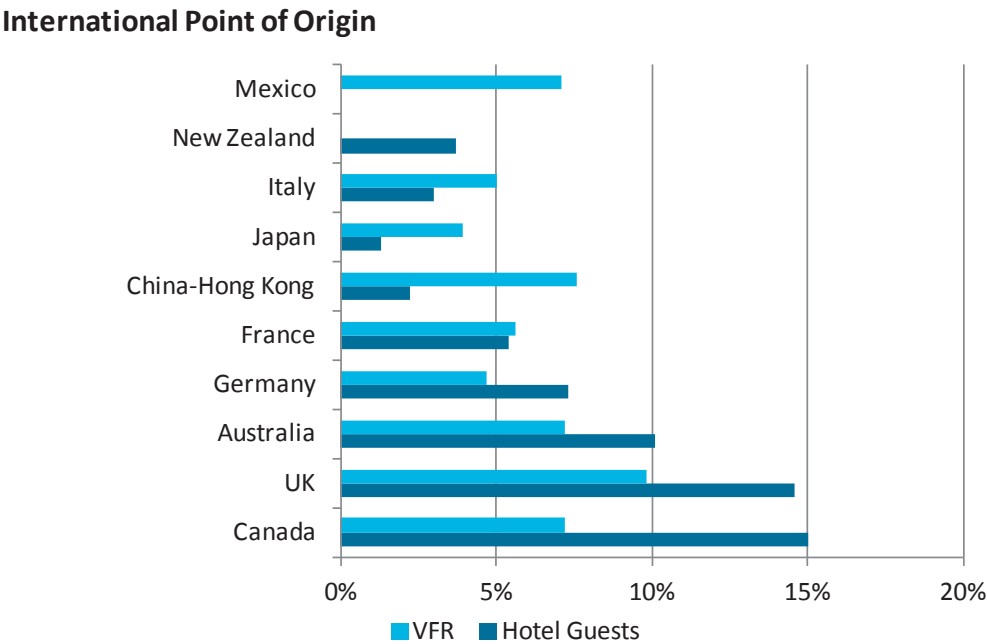
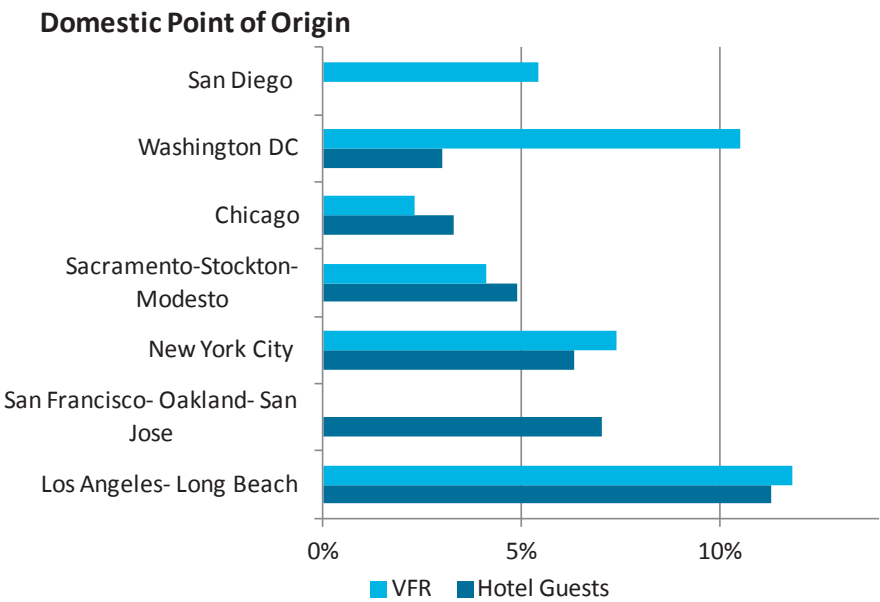
Review of Available Markets: Tourist Market Visitor Origin

- Hotel guests are approximately one-quarter international and three-quarters domestic.
- VFR visitors have a greater percentage of international visitors, with more than one-third from outside the US.



Review of Available Markets: Tourist Market Visitor Origin

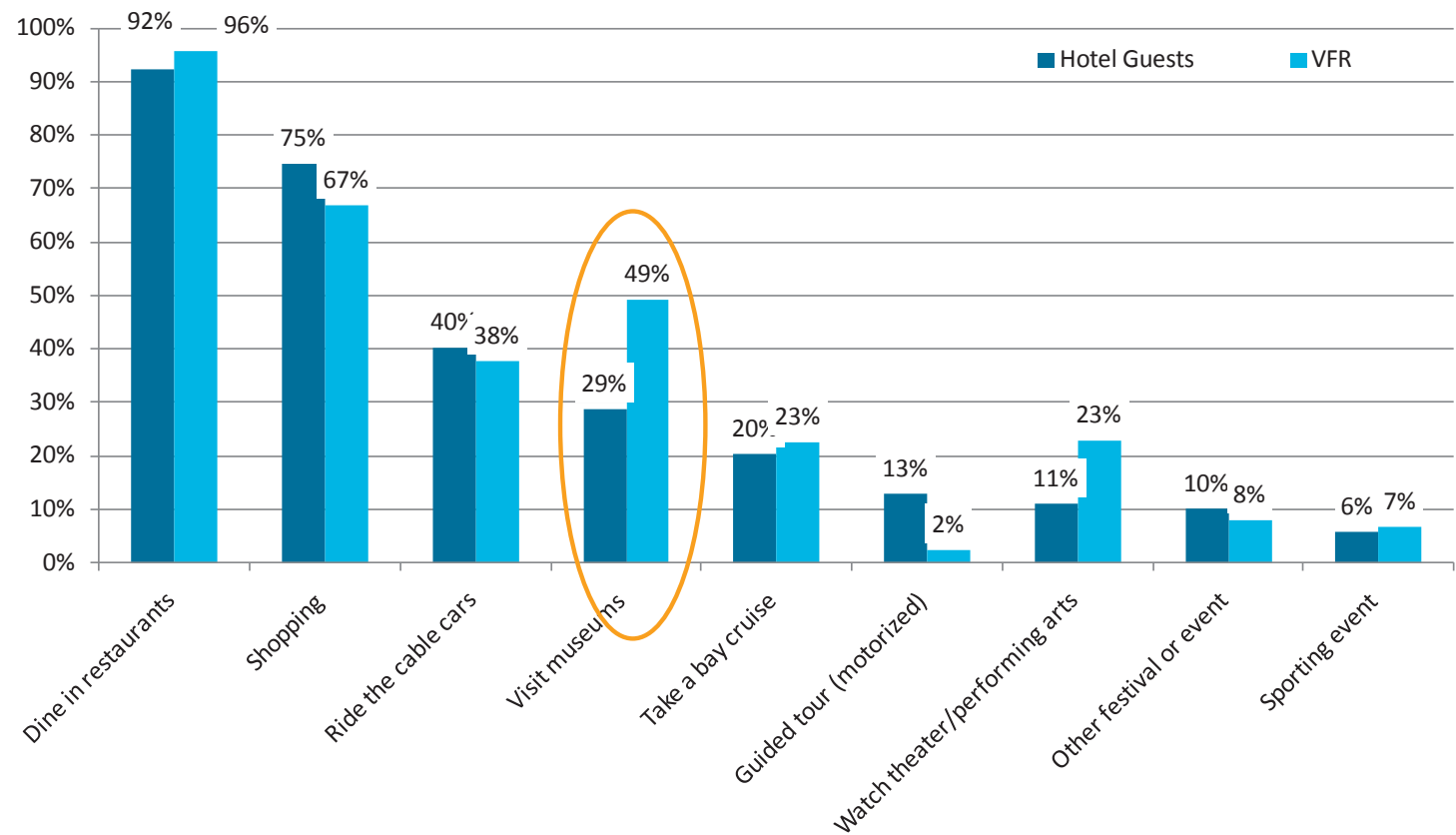
- Domestic guests are most likely to be from urban areas of California (Los Angeles, greater San Francisco, Sacramento, San Diego), and major United States markets, including Washington, D.C., Chicago, and New York City.
- International guests are mostly likely to be from countries neighboring the United States(Canada and Mexico) or from Western Europe (UK, Australia, Germany).



Review of Available Markets: Tourist Market Visitor Activity Profile

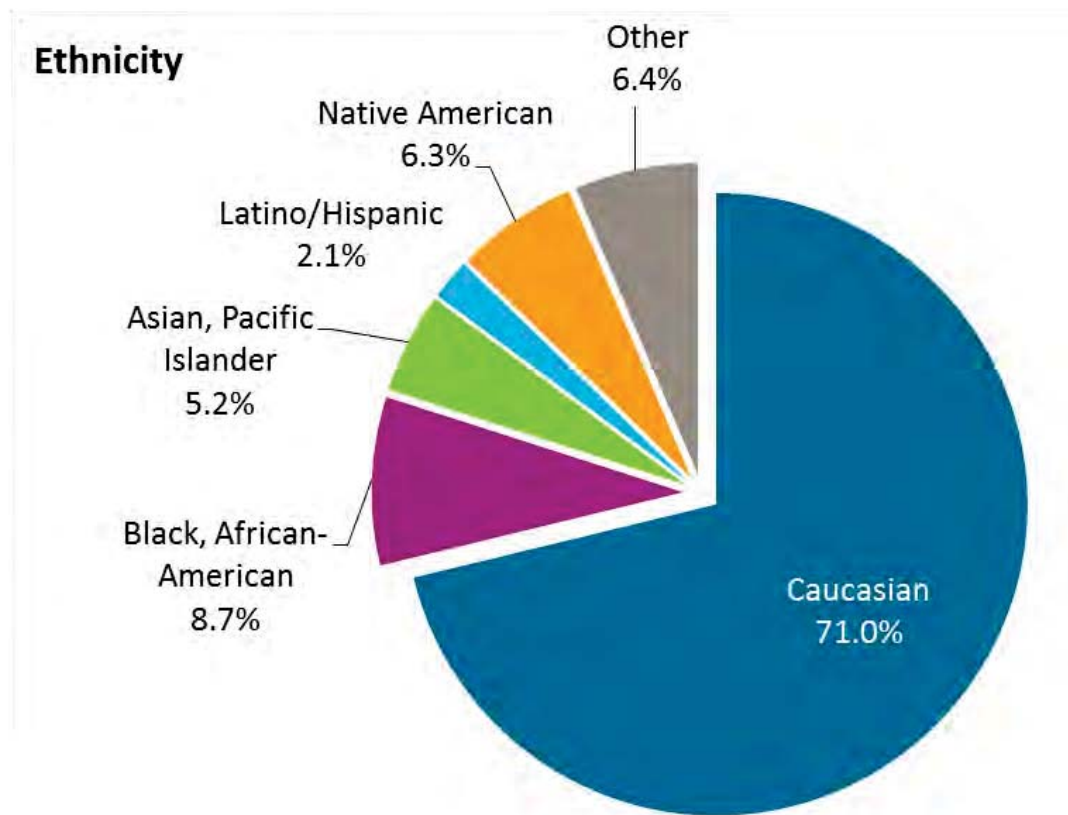
- The most popular activity of visitors is dining, followed by shopping.
- Almost half of hotel visitors report visiting museums.

Top Activities in San Francisco



Review of Available Markets: Tourist Market Race & Ethnicity Profile

- The majority of hotel guests (71%) are white, with other groups accounting for less than 9 percent each.
- There is no race and ethnicity data available for VFR visitors.



Summary of Available Markets

- AECOM quantified the size of each market segment available to the proposed Mexican Museum.
- We then projected market sizes to 2020, the assumed first stabilized year of operations assuming a museum opening in 2018.
- The total available market in 2020 (first stabilized operating year) is 16.7 million, with 7.1 million in the resident market and 9.6 million in the tourist market.

Summary of Available Markets	2010	2013	2020
Resident Market			
Primary (0-30 minutes)	2,659,240	2,713,646	2,880,000
Secondary (30-60 minutes)	<u>3,895,043</u>	<u>3,981,735</u>	<u>4,218,000</u>
Total Resident Market	6,554,283	6,695,380	7,098,000
Overnight Leisure Tourists	8,700,000	9,045,000	9,366,000
Total Available Markets	15,254,283	15,740,380	16,464,000

Source: ESRI, San Francisco Travel Association, AECOM

Review of Available Markets: Implications for Market and Financial Analysis

Resident Market

- The resident market has very large and stable with limited growth expected.
- There are more young professionals in San Francisco, with more families in the greater Bay Area.
- The resident market has very high education and income levels, two features highly correlated with museum attendance.
- There is a large and growing Hispanic population in the Bay Area. However, this market has lower education and income levels, which will be important considerations in developing programming, exhibit, and marketing strategies to attract and serve the Hispanic population.
- Population growth in the Hispanic market is projected to occur outside of San Francisco, which will also have implications for marketing and programming strategies.

Tourist Market

- San Francisco has an exceptionally large and high quality tourist market, with relatively long average length of stays and high income and education levels.
- Most visitors stay in hotels.
- A significant percent are from California.
- There are a high percent of repeat visitors, which tends to be favorable for specialty museums, as visitors have already seen the “must see” attractions.

Summary

- Overall, the market has very large and high quality resident and tourist markets.
- The overnight leisure tourist market is larger than the resident market.
- It will be important to pay attention to both the primary and secondary resident markets.
- The museum may have to develop specific marketing, public programming, education, and exhibit strategies to attract the Hispanic market.
- The visitor experience needs to have wide appeal and be able to attract both residents and tourists, the Hispanic and non-Hispanic market, young professionals, families, and the more traditional museum-going audience.

VI. Benchmarking of Comparable Facilities

- Based on AECOM's understanding of the programmatic scope for the Mexican Museum, we reviewed comparable facilities in the following categories:
 - Mexican, Hispanic, and/or Latino museums and cultural facilities
 - First Voice, culture and specialty art museums
 - Museums in the local competitive environment
- For each category, we have researched key attendance and operating characteristics and analyzed relevant ratios and benchmarks, including penetration rates, visitors per exhibit square foot, admission pricing, operating budget per square foot, etc.
- Summaries of key findings within each category are provided, along with detailed data tables.



Mexican / Hispanic /
Latino Museums &
Cultural Facilities



First Voice, Culture
& Specialty Art
Museums



Museums in the
Local Market

Benchmarking of Comparable Facilities

Hispanic/Latino Focus Museums

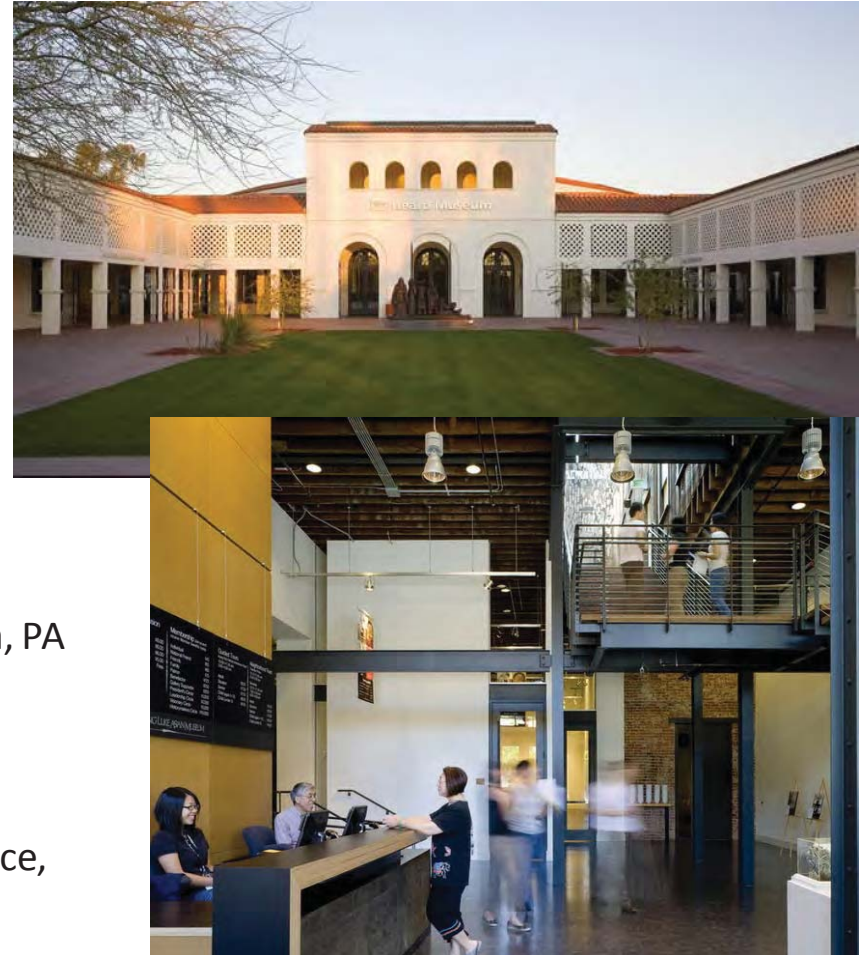
- Art Museum of the Americas, Washington, D.C.,
- Arte Américas: Casa de la Cultura, Fresno, CA
- El Museo del Barrio, New York, NY
- El Museo Latino, Omaha, NE
- Fondo del Sol, Washington, D.C.,
- Hispanic Museum of Nevada, Las Vegas, NV
- Latin American Art Museum, Miami, FL
- La Plaza de Cultura y Artes, Los Angeles, CA
- Mexic-Arte Museum, Austin, TX
- Museo De Las Americas, Denver, CO
- Museum of Latin American Art, Long Beach, CA
- National Hispanic Cultural Center, Albuquerque, NM
- National Museum of Mexican Art, Chicago, IL
- Taller Puertorriqueño, Philadelphia, PA
- The Guadalupe Cultural Arts Center, San Antonio, TX
- The Latino Museum of History, Art & Culture, Los Angeles, CA



Benchmarking of Comparable Facilities

First Voice/Cultural/Specialty Art Museums

- African American Museum, Dallas, TX
- Alaska Native Heritage Center, Anchorage, AK
- Amon Carter Museum of American Art, Fort Worth, TX
- Autry National Center, Los Angeles, CA
- Birmingham Civil Rights Institute, Birmingham, AL
- Eiteljorg Museum of American Indians and Western Art, Indianapolis, IA
- Heard Museum, Phoenix, AZ
- Institute of Texan Cultures, San Antonio, TX
- Japanese American National Museum, Los Angeles, CA
- Jewish Museum, New York, NY
- Museum of International Folk Art, Santa Fe, NM
- National Museum of American Jewish History, Philadelphia, PA
- Rubin Museum of Art: Art of the Himalayas, New York, NY
- Seattle Asian Art Museum, Seattle, WA
- Skirball Cultural Center, Los Angeles, CA
- Wing Luke Museum of the Asian Pacific American Experience, Seattle, WA



Benchmarking of Comparable Facilities

San Francisco Cultural Attractions

- Major Museums
 - California Academy of Sciences
 - de Young / Legion of Honor
 - Exploratorium
 - San Francisco Museum of Modern Art
- Specialty Museums
 - Asian Art Museum
 - Yerba Buena Center for the Arts
 - Oakland Museum of California
 - Contemporary Jewish Museum
 - Walt Disney Family Museum
 - Museum of the African Diaspora
 - Children's Creativity Museum
 - Mission Cultural Center for Latino Arts
 - Museum of Craft and Design
 - California Historical Society



Benchmarking of Comparable Facilities: Summary of Characteristics

Hispanic/Latino Focus

- All institutions in this category have attendance less than 250,000, with most well under 100,000.
- There are a wide range of facility types, including those focused on performing arts and events.
- Attendance for the larger, more successful museums is driven by events and programming/
- Admission rates, for those that charge admission, range from \$3 to \$9. Many of the museums in this category do not charge admission.
- The facilities generally have modest exhibit area, with less than 15,000 square feet, with the exception of the National Museum of Mexican Art in Chicago.
- The ratio of visitors to exhibit square feet is highly variable, ranging from 2 to 5.
- Resident market penetration rate, excluding outliers, average 1.3 percent.
- Tourist market penetration rates are very low, even in smaller markets, with an average of 0.3 percent.
- Operating budgets range from less than \$1 million to over \$5 million, with an average earned income ratio of 17 percent.

First Voice/ Cultural Specialty Art

- Attendance ranges from 50,000 to 200,000.
- Top line adult admission prices are between \$8 to \$24.95
- Average exhibit area is 25,000 square feet.
- The ratio of visitors to exhibit square feet ranges from 3 to 10, with an average of 5.4.
- The resident market penetration rate average is 2.1 percent.
- The tourist market penetration rate average is 2.3 percent.
- Operating budgets range from \$1million to over \$18 million and \$93 per gross square foot on average (with a very large range).
- The earned income ratio for this category is 25 percent on average, excluding outliers.

Benchmarking of Comparable Facilities: The Local Competitive Market

Local Market

- Most cities have “tiers” of museums based on attendance, with top tier museums representing the major art, science, and/or natural history museums, and specialty museums receiving less attendance.
- Top tier museums in San Francisco, which includes many of the major art and science museums, have annual attendance greater than 500,000.
- Specialty museums achieve attendance between 12,000 and 260,000.
- There is a wide range in exhibit area overall, with most specialty museums (excluding the Oakland Museum) ranging from less than 10,000 square feet to 40,000 square feet.
- Specialty museums achieve visitors per exhibit square foot ratios between 1 and 9.
- Resident market penetration rates among specialty museums range from 0.1 to 1.9 percent.
- Tourist market penetration rates for specialty museums, except the Asian Art Museum, range from 0.1 to 0.6 percent.
- Most institutions draw fairly evenly from resident and tourist markets.

Implications

- San Francisco has a very strong cultural attractions market with a large number of institutions. This can be positive, as a cluster of cultural attractions tends to attract tourists who are interested in visiting museums and other cultural facilities. However, it can also be challenging, as there are so many visitor attractions, and specifically cultural facilities, competing for tourist and resident market leisure time. There are cultural institutions, who despite being well-located, struggle to attract market share.
- There is particularly strong competition in the art museum category as SFMOMA will reopen with double their exhibit area in a state of the art expansion, and the de Young consistently attracts architecture- minded tourists in addition to general museum goers. The Mexican Museum will not be able to compete as a pure art museum; its opportunity is in the integration of culture, art, and history, as well as programming and education.
- There is a need to appeal to both residents and tourists. Most San Francisco museums rely on a healthy mix of visitors from the resident and tourist markets.

Benchmarking of Comparable Facilities: Hispanic / Latino Museums General Characteristics

Facility	Location	Annual Attendance	Admission Adult
Hispanic/Latino Focus			
El Museo del Barrio	New York	250,000	\$9.00
National Hispanic Cultural Center	Albuquerque	233,034	\$3.00
The Guadalupe Cultural Arts Center	San Antonio	200,000	Free /1
National Museum of Mexican Art	Chicago	168,000	Free
Museum of Latin American Art	Long Beach	55,000	\$9.00
Fondo del Sol	Washington, D.C.	50,000	Free
El Museo Latino	Omaha	50,000	\$5.00
Mexic-Arte Museum	Austin	50,000	\$5.00
Museo De Las Americas	Denver	37,000	\$5.00
Latino Cultural Center	Dallas	25,000	Free /2
Taller Puertorriqueño	Philadelphia	17,500	Free
Art Museum of the Americas	Washington, D.C.	11,550	Free
The Latino Museum of History, Art & Culture	Los Angeles	n/a	Free
Hispanic Museum of Nevada	Las Vegas	n/a	Free
La Plaza de Cultura y Artes	Los Angeles	n/a	Free
Arte Américas: Casa de la Cultura	Fresno	n/a	Free
Hispanic/Latino Focus Average		96,000	\$6.00
Hispanic/Latino Focus Median		50,000	\$5.00

Source: Individual Institutions, Official Museum Directory, AECOM

1/ Gallery admission free, theater events ticketed (gallery total attendance 5,000)

2/Site access is free, events ticketed

Benchmarking of Comparable Facilities: First Voice / Cultural / Specialty Art Museum General Characteristics

Facility	Location	Annual Attendance	Admission Adult
<u>First Voice/Cultural Specialty Art Museums</u>			
Skirball Cultural Center	Los Angeles	194,000	\$10.00
African American Museum	Dallas	160,800	Free
Heard Museum	Phoenix	200,000	\$18.00
Birmingham Civil Rights Institute	Birmingham	145,000	\$12.00
Rubin Museum of Art: Art of the Himalayas	New York	160,000	\$15.00
Autry National Center	Los Angeles	150,000	\$10.00
Jewish Museum	New York	150,000	\$15.00
Institute of Texan Cultures	San Antonio	134,449	\$8.00
National Museum of American Jewish History	Philadelphia	125,000	\$12.00
Eiteljorg Museum of American Indians and We	Indianapolis	113,447	\$10.00
Amon Carter Museum of American Art	Fort Worth	106,984	Free
Museum of International Folk Art	Santa Fe	93,000	\$9.00
Japanese American National Museum	Los Angeles	82,500	\$9.00
Seattle Asian Art Museum	Seattle	75,000	\$7.00
Alaska Native Heritage Center	Anchorage	65,000	\$24.95
Wing Luke Museum of the Asian Pacific Americ	Seattle	46,000	\$12.95
First Voice/Cultural Specialty Art Museum Average		125,074	\$12.35
First Voice/Cultural Specialty Art Museum Median		129,725	\$11.00

Source: Individual Institutions, Official Museum Directory, AECOM

Benchmarking of Comparable Facilities: Hispanic/Latino Focus Museums

Key Ratios

Facility	Location	Annual	Visitor Origin		Penetration Rates		Exhibit SF	Visitors per
		Attendance	Resident	Tourist	Resident	Tourist		Exhibit SF
Hispanic/Latino Focus								
El Museo del Barrio	New York	250,000	80%	20%	1.2%	0.2%	n/a	n/a
National Hispanic Cultural Center	Albuquerque	233,034	65%	35%	16.1%	1.7%	11,000	21.2
The Guadalupe Cultural Arts Center	San Antonio	200,000	75%	25%	6.7%	0.3%	3,500	n/a
National Museum of Mexican Art	Chicago	168,000	75%	25%	1.5%	0.3%	48,000	3.5
Museum of Latin American Art	Long Beach	55,000	80%	20%	0.3%	0.04%	12,000	4.6
Fondo del Sol	Washington, D.C.	50,000	80%	20%	0.6%	0.1%	n/a	n/a
El Museo Latino	Omaha	50,000	80%	20%	3.5%	n/a	n/a	n/a
Mexic-Arte Museum	Austin	50,000	80%	20%	2.0%	0.2%	n/a	n/a
Museo De Las Americas	Denver	37,000	90%	10%	1.0%	0.04%	1,400	26.4
Latino Cultural Center	Dallas	25,000	90%	10%	0.4%	0.01%	2,000	12.5
Taller Puertorriqueño	Philadelphia	17,500	90%	10%	0.3%	0.02%	500	n/a
Art Museum of the Americas	Washington, D.C.	11,550	50%	50%	2.5%	0.04%	5,000	2.3
The Latino Museum of History, Art & Culture	Los Angeles	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hispanic Museum of Nevada	Las Vegas	n/a	n/a	n/a	n/a	n/a	n/a	n/a
La Plaza de Cultura y Artes	Los Angeles	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hispanic/Latino Focus Average		96,000	78%	22%	3.0%	0.3%	6,000	20.3
Hispanic/Latino Focus Median		50,000	80%	20%	1.4%	0.1%	500	16.8

Source: Individual Institutions, Official Museum Directory, AECOM

Benchmarking of Comparable Facilities: First Voice / Cultural / Specialty Art Museum Key Ratios

Facility	Location	Annual	Visitor Origin		Penetration Rates		Exhibit SF	Visitors per
		Attendance	Resident	Tourist	Resident	Tourist		Exhibit SF
First Voice/Cultural Specialty Art Museums								
Heard Museum	Phoenix	200,000	80%	20%	3.9%	0.3%	48,000	4.2
Skirball Cultural Center	Los Angeles	194,000	90%	10%	1.2%	0.1%	20,000	9.7
African American Museum	Dallas	160,800	75%	25%	1.9%	0.2%	20,000	8.0
Birmingham Civil Rights Institute	Birmingham	145,000	40%	60%	4.1%	7.0%	19,000	7.6
Rubin Museum of Art: Art of the Himalayas	New York	160,000	87%	13%	0.8%	0.1%	20,000	8.0
Autry National Center	Los Angeles	150,000	90%	10%	0.9%	0.1%	56,000	2.7
Jewish Museum	New York	150,000	n/a	n/a	n/a	n/a	n/a	n/a
Institute of Texan Cultures	San Antonio	134,449	54%	46%	3.2%	0.4%	47,095	2.9
National Museum of American Jewish History	Philadelphia	125,000	60%	40%	1.2%	0.6%	25,000	5.0
Eiteljorg	Indianapolis	113,447	50%	50%	2.7%	0.7%	40,000	2.8
Amon Carter Museum of American Art	Fort Worth	106,984	56%	44%	1.0%	0.6%	34,850	3.1
Museum of International Folk Art	Santa Fe	93,000	25%	75%	3.4%	2.8%	24,000	3.9
Japanese American National Museum	Los Angeles	82,500	80%	20%	0.4%	0.1%	18,000	4.6
Seattle Asian Art Museum	Seattle	75,000	70%	30%	1.6%	0.3%	n/a	n/a
Alaska Native Heritage Center	Anchorage	65,000	25%	75%	4.7%	5.4%	6,000	10.8
Wing Luke	Seattle	46,000	65%	35%	0.9%	0.2%	25,000	1.8
First Voice/Cultural Specialty Art Museum Average		125,074	63%	37%	2.1%	1.3%	25,184	5.4
First Voice/Cultural Specialty Art Museum Median		129,725	65%	35%	1.6%	0.3%	22,000	4.4

Source: Individual Institutions, Official Museum Directory, AECOM

Benchmarking of Comparable Facilities: Financial Characteristics

Facility	Location	Annual Attendance	Operating Budget	Gross Square Feet (GSF)	Operating Budget per GSF	Earned Income	Earned Income Ratio
Hispanic/Latino Focus							
El Museo del Barrio	New York	250,000	\$5,300,000	n/a	n/a	n/a	n/a
National Hispanic Cultural Center	Albuquerque	233,034	\$2,800,000	170,000	\$16	n/a	n/a
The Guadalupe Cultural Arts Center	San Antonio	200,000	\$1,850,000	108,000	\$17	\$500,000	27%
National Museum of Mexican Art	Chicago	168,000	\$0	n/a	n/a	n/a	n/a
Museum of Latin American Art	Long Beach	55,000	\$4,349,305	n/a	n/a	\$445,605	10%
Fondo del Sol	Washington, D.C.	50,000	\$0	n/a	n/a	n/a	n/a
El Museo Latino	Omaha	50,000	\$370,606	n/a	n/a	\$71,816	19%
Mexic-Arte Museum	Austin	50,000	\$726,091	n/a	n/a	\$110,277	15%
Museo De Las Americas	Denver	37,000	\$450,334	2,800	\$161	\$90,067	20%
Latino Cultural Center	Dallas	25,000	\$626,000	27,000	\$23	\$18,780	3%
Taller Puertorriqueño	Philadelphia	17,500	\$850,000	9,000	\$94	\$187,000	22%
Art Museum of the Americas	Washington, D.C.	11,550	\$151,000	n/a	n/a	n/a	n/a
The Latino Museum of History, Art & Culture	Los Angeles	n/a	\$667,182	n/a	n/a	n/a	n/a
Hispanic Museum of Nevada	Las Vegas	n/a	n/a	n/a	n/a	n/a	n/a
La Plaza de Cultura y Artes	Los Angeles	n/a	n/a	n/a	n/a	n/a	n/a
First Voice/Cultural Specialty Art Museums							
Skirball Cultural Center	Los Angeles	194,000	\$18,300,000	100,000	\$183	\$5,897,400	32%
African American Museum	Dallas	160,800	\$1,057,081	38,000	\$28	\$120,824	11%
Heard Museum	Phoenix	200,000	\$9,841,794	130,000	\$76	\$4,676,823	48%
Birmingham Civil Rights Institute	Birmingham	145,000	\$2,100,000	57,000	\$37	\$800,254	33%
Rubin Museum of Art: Art of the Himalayas	New York	160,000	\$16,500,000	80,000	\$206	n/a	n/a
Autry National Center	Los Angeles	150,000	\$15,600,000	115,000	\$136	n/a	n/a
Jewish Museum	New York	150,000	\$15,059,841	n/a	n/a	\$1,508,316	10%
Institute of Texan Cultures	San Antonio	134,449	\$3,063,862	187,909	\$16	n/a	38%
National Museum of American Jewish History	Philadelphia	125,000	\$14,438,058	100,000	\$144	\$802,588	11%
Eiteljorg Museum of American Indians and Western Art	Indianapolis	113,447	\$9,316,022	125,000	\$75	\$978,504	11%
Amon Carter Museum of American Art	Fort Worth	106,984	\$11,000,000	108,000	\$102	\$680,282	6%
Museum of International Folk Art	Santa Fe	93,000	\$2,800,000	87,000	\$32	\$852,688	40%
Japanese American National Museum	Los Angeles	82,500	\$5,194,941	158,000	\$33	\$1,301,979	25%
Seattle Asian Art Museum	Seattle	75,000	n/a	n/a	n/a	n/a	n/a
Alaska Native Heritage Center	Anchorage	65,000	\$4,943,789	26,000	\$190	\$885,282	18%
Wing Luke Museum of the Asian Pacific American Experience	Seattle	46,000	\$2,300,000	60,000	\$38	\$517,500	23%
Hispanic/Latino Focus Average		96,000	\$1,395,000	63,000	\$0	\$203,000	0%
Hispanic/Latino Focus Median		50,000	\$667,182	27,000	\$23	\$110,277	19%
First Voice/Cultural Specialty Art Museum Average		125,074	\$8,767,693	97,994	\$93	\$1,585,203	23%
First Voice/Cultural Specialty Art Museum Median		129,725	\$9,316,022	100,000	\$75	\$868,985	23%

Source: Individual Institutions, Official Museum Directory, AECOM

Benchmarking of Comparable Facilities: Local Cultural Attractions

Local Cultural Institutions	Location	Attendance ¹	Adult Admission
<u>Top Tier Cultural Facilities</u>			
California Academy of Sciences	Golden Gate Park	1,400,000	\$29.95
de Young	Golden Gate Park	1,200,000	\$10.00
Exploratorium	Embarcadero	1,100,000	\$12.00
Legion of Honor	Lincoln Park	700,000	n/a
San Francisco Museum of Modern Art	Yerba Beuna	633,000	Closed
<u>Specialty Museums</u>			
Asian Art Museum	Civic Center	260,000	\$12.00
Yerba Buena Center for the Arts	Yerba Beuna	200,000	n/a
Oakland Museum of California	Oakland	135,000	\$15.00
Contemporary Jewish Museum	Yerba Beuna	110,000	\$12.00
Walt Disney Family Museum	Presidio	103,000	\$20.00
Museum of the African Diaspora	Yerba Beuna	70,000	\$10.00
Children's Creativity Museum		60,000	\$11.00
Mission Cultural Center for Latino Arts	Mission District	20,000	Free
Museum of Craft and Design	Dogpatch	14,000	\$8.00
California Historical Society	Yerba Beuna	12,000	\$5.00
Specialty Average		98,400	\$11.63
Specialty Median		86,500	\$11.50
Overall Average		401,100	\$14.00
Overall Median		135,000	\$12.00

1: Excludes rental and fundraising attendance

Source: Official Museum Directory, Individual Institutions, AECOM

Benchmarking of Comparable Facilities: Local Cultural Attractions

Local Cultural Institutions	Location	Attendance ¹	Visitor Origin		Penetration Rates		Visitors per	
			Resident	Tourist	Resident	Tourist	Exhibit SF	Exhibit SF
<u>Top Tier Cultural Facilities</u>								
California Academy of Sciences	Golden Gate Park	1,400,000	50%	50%	9.9%	7.7%	100,000	14.0
de Young	Golden Gate Park	1,200,000	48%	52%	8.1%	6.9%	96,200	12.5
Exploratorium	Embarcadero	1,100,000	70%	30%	10.8%	3.6%	n/a	n/a
Legion of Honor	Lincoln Park	700,000	50%	50%	4.9%	3.9%	n/a	n/a
San Francisco Museum of Modern Art	Yerba Beuna	632,519	50%	50%	4.5%	3.5%	69,200	9.1
<u>Specialty Museums</u>								
Asian Art Museum	Civic Center	260,000	52%	48%	1.9%	1.4%	40,000	6.5
Oakland Museum of California	Oakland	135,000	90%	10%	1.7%	0.1%	108,000	1.3
Contemporary Jewish Museum	Yerba Beuna	110,000	58%	42%	0.9%	0.5%	12,000	9.2
Walt Disney Family Museum	Presidio	103,000	50%	50%	0.7%	0.6%	22,975	4.5
Museum of the African Diaspora	Yerba Beuna	70,000	70%	30%	0.7%	0.2%	10,000	7.0
Children's Creativity Museum		60,000	60%	40%	0.5%	0.3%	n/a	n/a
Mission Cultural Center for Latino Arts	Mission District	20,000	60%	40%	0.2%	0.1%	n/a	n/a
Museum of Craft and Design	Dogpatch	14,000	50%	50%	0.1%	0.1%	4,000	3.5
California Historical Society	Yerba Beuna	12,000	60%	40%	0.1%	0.1%	n/a	n/a
Specialty Average		98,400	55%	35%	0.7%	0.3%	32,800	5.3
Specialty Median		86,500	59%	35%	0.7%	0.3%	17,500	5.5
Overall Average		401,100	55%	39%	3.0%	1.9%	51,400	7.5
Overall Median		135,000	52%	42%	3.0%	0.5%	40,000	7.0

1: Excludes rental and fundraising attendance

Source: Official Museum Directory, Individual Institutions, AECOM

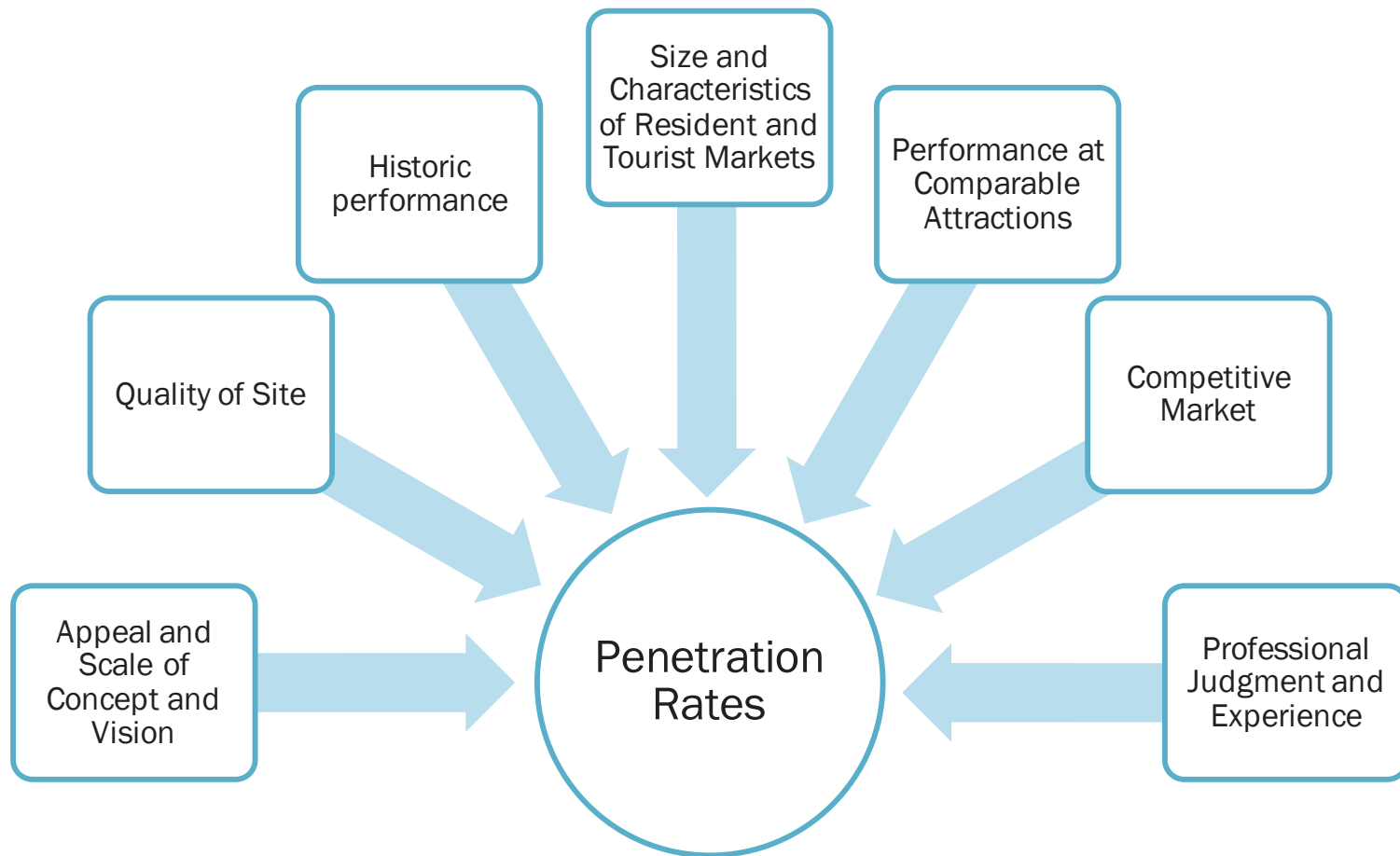
VII. Attendance Analysis: Overview and Approach

- Attendance to cultural facilities is a function of several factors including: the size and characteristics of resident and tourist markets, quality and scale of the cultural attraction, proximity and level of competition, pricing, market spending power, market acceptance / behavioral characteristics, level of investment, and a host of other factors.
- Market factors define the basis from which attendance potential is derived, while the scope of the cultural attraction determines the drawing power or market penetration. The scope and drawing power of a museum or other cultural facility is a function of numerous endogenous factors such as level of initial investment, capital reinvestment, programming, image and brand identity, as well as exogenous variables such as the competitive environment.
- Estimates of attendance at the proposed expanded Mexican Museum are based on the known market availability factors and the estimated potential of the proposed museum to capture the markets with respect to the factors discussed above.
- Market penetration measures the propensity of available market segments to visit an attraction and is generally defined as the ratio of attendees from a market to total market size. AECOM applied market penetration rates to the total population of each of the available market segments to estimate the attendance potential of the new Mexican Museum.



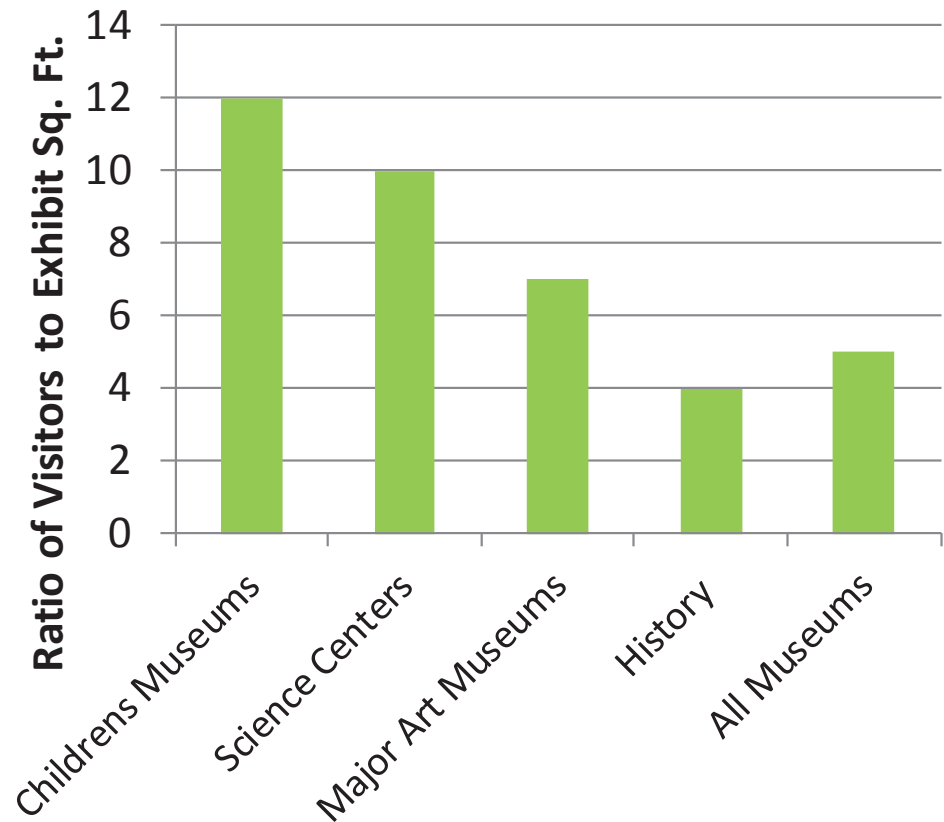
Attendance Analysis: Overview and Approach

- In order to determine reasonable penetration rates, AECOM considered several factors listed below.



Attendance Analysis: Overview and Approach

- We also consider other ratios and benchmarks in our analysis, including the ratio of visitors per exhibit square foot, which has been proven to be a fairly reliable metric for evaluating attendance at museums. We use it to check reasonableness of penetration rates and as one measure in the development of physical planning parameters.
- The average ratio of visitors to exhibit square feet for all museums is 5, but can be lower or much higher. Some high entertainment museums have ratios as high as 15 or 20, reflecting their ability to attract market share with less exhibit area. This ratio is affected by factors such as:
 - Attraction power
 - Quality of visitor experience and presence of signature experiences
 - Interactivity, digital content
 - Brand / marketing power
 - Physical size of exhibits (i.e. children's museum versus flight museum)
 - Programming



Attendance Analysis: Key Assumptions

- The attendance analysis for the Mexican is predicated upon the following factors that are in effect at the time of this writing. It is important to note that alterations to these factors may materially affect the facility's ability to attain attendance within the projected range. In this analysis, AECOM has assumed the following:
 - The program for the new museum and specific visitor experiences have yet to be fully defined, and therefore, all analysis is based upon a fairly high level understanding of the concept. As the visitor experience and program is defined, attendance potential could shift.
 - The museum will be developed according to the preliminary concept described previously in this report, both in physical program as well as in content and themes.
 - The visitor experience, including array of exhibit, program, and other offerings, will appeal to a broad audience, including both residents and tourists.
 - The project will be executed according to the high professional standards now envisioned, including a lively interpretation of the subject matter, successful technical execution of the exhibits, and evaluation during the exhibit design process to serviceability of exhibits from the visitor standpoint.
 - The exhibits will use new technologies to create a high quality, interactive, and immersive visitor experience. The museum will not be a static display of collection items, but will use items from the collection to tell compelling stories, and will integrate them with well-designed exhibits using multiple medias and technology.
 - The content of at least a portion of the exhibits will be changed often enough to encourage repeat visitation, and the museum will include a mix of traveling and changing exhibitions.
 - The museum will offer strong education and public programs that will appeal to different market segments.
 - The museum will have a robust marketing and promotion program with a budget within industry standards that will reach multiple market segments, including local residents, secondary market residents, tourists, families with young children, and school groups.
 - A reasonable price structure will be set in accordance with market standards.
 - The proposed museum will continue to be managed by professionals competent in museum administration and management.
 - The overall operating budget will be sufficient given the size, attendance, and program for the museum
 - The museum will open in 2018 and the first year of stabilized operations will occur in 2020

Attendance Analysis: Summary of Attendance Potential

- AECOM's projected market capture rates and attendance levels for the Mexican Museum are shown below. For each identified market segment, we have provided a likely range of market capture and attendance.
- As shown, we estimate that the Mexican Museum attendance in a stabilized operating year to be between 77,000 and 118,000, with a midpoint of 98,000.
- Museums typically experience an initial year surge in attendance as a result of a number of factors including opening year events and media coverage. This surge can be anywhere from 10 to 30 percent higher than stabilized year attendance. Typically, cultural attractions that draw primarily from the resident market or closer in regional tourist markets will experience a higher surge. We would expect initial year attendance for the Mexican Museum to be between 10 and 15 percent higher than a stabilized year, around will likely be between 10 percent and 15 percent higher than stabilized year operations, resulting in an initial year attendance of between 105,000 and 120,000.
- Given 19,000 square feet of exhibit area, the projected ratio of visitors to exhibit square feet is 5.2 in the mid-scenario.

Market Segment	2020	Penetration Rate			Attendance		
		Low	Mid	High	Low	Mid	High
Resident Market							
Primary (0-30 minutes)	2,880,000	0.8%	1.0%	1.3%	22,000	29,000	36,000
Secondary (30-60 minutes)	4,218,000	<u>0.4%</u>	<u>0.5%</u>	<u>0.6%</u>	<u>17,000</u>	<u>21,000</u>	<u>25,000</u>
Total Resident Market	7,098,000	0.5%	0.7%	0.9%	39,000	50,000	61,000
Overnight Leisure Tourists	9,554,000	0.4%	0.5%	0.6%	38,000	48,000	57,000
GRAND TOTAL	16,652,000	0.5%	0.6%	0.7%	77,000	98,000	118,000

Source: ESRI, San Francisco Travel Association, AECOM

VIII. Physical Planning Parameters : Design Day / Capacity Analysis

- In order to estimate the amount of exhibit area required to accommodate and attract the projected attendance, AECOM uses two approaches: one driven by capacity, and one driven by attraction power.
- Overbuilding will not generally result in higher attendance but can result in sub-optimal financial performance due to operating costs that are not supportable. Underbuilding can result in not achieving the projected attendance.
- **Capacity Approach- Design Day Analysis**
 - “Design day” or average high attendance day is used as a key determinant of capacity requirements needed to adequately handle expected crowd levels.
 - For all types of visitor attractions, it is neither necessary nor economically desirable to size facilities for absolute peak periods of on-site patronage, as some degree of crowding on special holidays or other major attendance times will be accepted by the visiting public.
 - However, the facility must comfortably accommodate peak crowd loads on a normal high day of attendance, or lasting negative effects on visitation performance will result.
 - Using industry standard assumptions calibrated for local San Francisco market conditions, AECOM estimates a design day requirement of between 12,000 and 18,000 square feet of exhibit area, using the design day capacity driven approach.

Capacity Analysis	Low	Mid	High
Estimated Annual Attendance	77,000	98,000	118,000
Peak Month Attendance (@ 17% of total)	13,090	16,660	20,060
Weekly Attendance in Peak Month (@ 22.5% of peak month)	2,945	3,749	4,514
Design Day Attendance (@ 22% of week)	648	825	993
Peak In-Museum Attendance (40% of design day)	259	330	397
Exhibit Sq. Ft. per Person	45	45	45
Minimum Exhibit Sq. Ft. Required	11,700	14,800	17,900

Source: AECOM

Physical Planning Parameters : Critical Mass / Attraction Power Approach

- **Critical Mass Approach**
 - This approach estimates the amount of exhibit content needed to achieve the projected penetration rates and attendance.
 - The approach relies on the ratio of visitors to exhibit square feet of comparable institutions and industry standards, along with AECOM’s assessment of the required ratio given the proposed concept.
 - Based upon our analysis, we estimate that between 16,000 and 25,000 square feet of exhibit area will be required to attract annual attendance of 98,000.
 - Given that the museum currently has around 19,000 square feet of exhibit area, which is fairly close to the required amount, we would recommend that the exhibit area be utilized as best as possible with active visitor areas that are immersive and engaging. Programming and changing exhibitions will also be very important to drawing attendance.

Critical Mass Analysis	Low	Mid	High
Estimated Mid-Scenario Annual Attendance	98,000	98,000	98,000
Ratio of Visitors to Exhibit Square Feet	6.0	5.0	4.0
Resulting Exhibit Square feet	16,300	19,600	24,500

Source: AECOM

IX. Financial Analysis

- AECOM prepared a draft financial model based on industry standards and benchmarks adjusted for local conditions and specific operating characteristics associated with the concept currently envisioned for the Mexican Museum.
- This analysis is for top level preliminary planning purposes only and not meant to be used for detailed business operations. Annual priorities for detailed budgeting are set on an annual basis by senior staff leadership and Board.
- Given that the visitor experience, exhibit concepts, and programming plan are under development, the financial analysis presented in this report represents a reasonable starting point for financial and business planning. The goal of the financial analysis is to determine likely earned revenues, a reasonable estimate for operating costs (and rational categories), and required contributed income from public and private sources (i.e. public, foundations, corporations, individuals, grants, fundraising events, etc.)
- The purpose is to assist the Board and senior staff leadership in evaluating the likely required contributed income on an annual basis.
- All projections are in 2015 dollars.
- Any changes to the concept presented in this report could affect the financial analysis.

Financial Analysis: Earned Revenue Assumptions

- The major categories of earned revenue for the Mexican Museum include:
 - Admissions revenue
 - Retail store sales
 - Memberships (this is sometimes considered contributed income, but we have quantified it here as earned revenue)
 - Public program fees and/or upcharges for premium experiences, tours, or services
 - External facility rental income
 - Lease revenue from restaurant rental spaces

Financial Analysis: Earned Revenue Assumptions

- **Admissions Revenue**

- Admissions revenue is a result of admission price and the admission “yield.”
- Admission Price - Based on our review of the local market, AECOM recommends an adult admission price of \$12 (in 2014 dollars).
- Admission Yield- This number is a ratio calculated by dividing the average admissions revenue per visitor by the full adult admission price. Most museums have a yield on adult admission price of between 45 and 65 percent. The yield on the admission is affected by factors such as nature of museum (whether they are more of a commercial cultural attraction or educational facility), composition of attendance (i.e. percent coming from school or other groups, tourists, etc.), demographics of the market and attendance, such as a large senior citizen population, and sometimes mission driven policy decisions of the museum, such as resident discounting through free zip-code days or other promotions.
- We estimate an admissions yield for the Mexican Museum of 60 percent. that would result in a yield of approximately 60 percent. We would expect the yield for the resident market to be significantly lower than for the tourist market, where there is much less discounting.

- **Membership Revenue** - AECOM assumes that a gift shop of approximately 2,000 square feet will be included, selling high quality merchandise created specifically for the Mexican Museum, including Mexican and Latin American arts and crafts and unique merchandise

Financial Analysis: Earned Revenue Assumptions

- **Retail Sales** – We view the retail store as an opportunity to become the “go to” destination for Mexican and Latin American specialty products. We assume that the museum will hire an experienced store manager who understands specialty retail.
 - Assuming high caliber store management and operations, we estimate that the Mexican Museum could achieve gross sales between \$6 and \$8 per capita, with a cost of goods sold of 50 percent.
 - Based on per capita sales at other specialty museums and historic performance of La Tienda, the existing Mexican Museum store, AECOM estimates that the Mexican Museum could achieve gross sales between \$6 and \$8 per capita, with a cost of goods sold of 50 percent. Based upon this estimate, the current store size of 1,600 square feet appears adequate.

Retail Analysis	Low	Mid	High
Total attendance	77,000	98,000	118,000
Total attendance per capita spending	\$6.00	\$7.00	\$8.00
Gross retail revenue	\$462,000	\$686,000	\$944,000
Retail Square feet	1,584	1,584	1,584
Resulting Sales per square foot	\$292	\$433	\$596

Source: AECOM

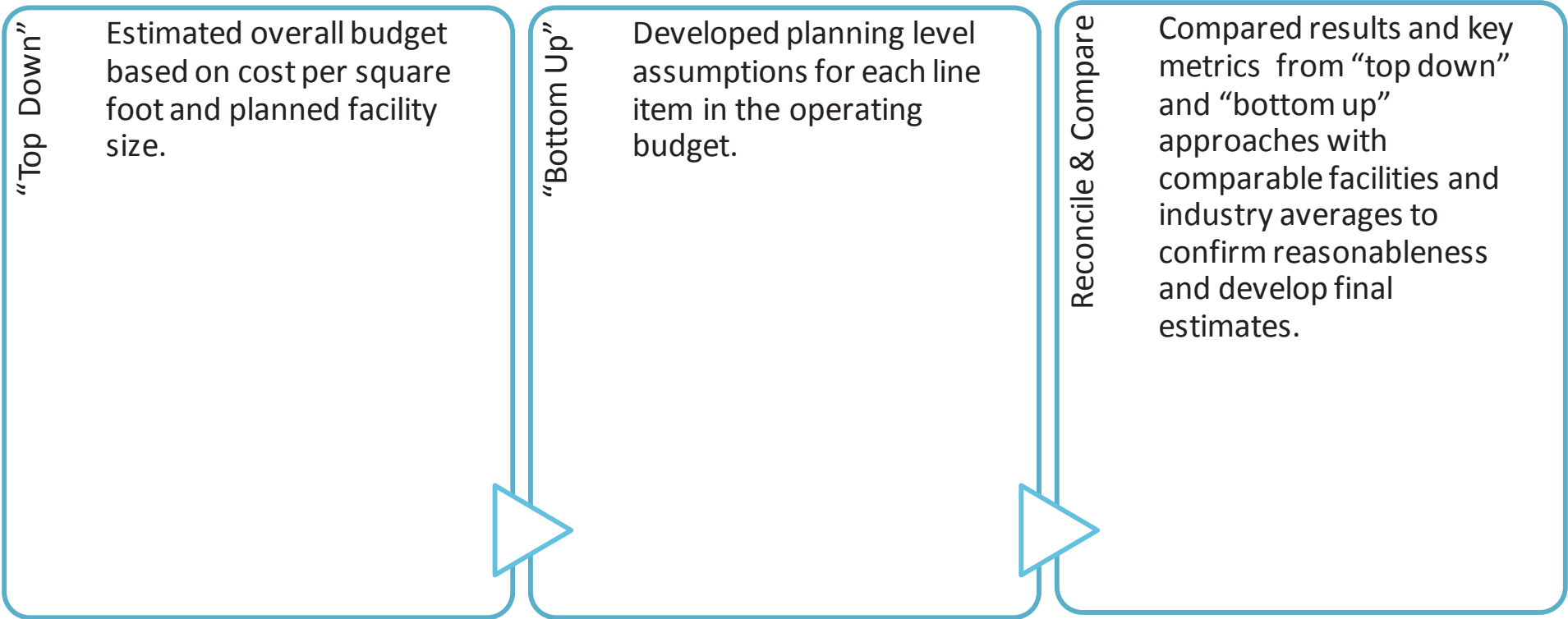
- **Programs/ Workshops/ Upcharges**
 - While there is not a programming strategy or plan yet for the museum, we assume that most programming will be fairly low cost or free, with the goal to cover costs as much as possible. We have assumed \$2 per capita for program related revenue and for upcharges for premium experiences. This is a gross amount, as program costs are in the operating budget.

Financial Analysis: Earned Revenue Assumptions

- **Facility Rental Income** - The event spaces are still being determined in the final space program for the museum. We conducted extensive research in the local San Francisco events market, and generally believe that there is strong potential assuming an appropriately sized facility.
 - The revenue potential for facility rentals depends upon the size of the space, the extent to which the space is dedicated event space that allows food and beverage and can be operated when the museum is open, and other factors such as marketing, catering policy, etc.
 - For purposes of analysis, until the facility program is confirmed, we have somewhat conservatively assumed approximately 70 to 80 events annually with an average rental income between \$3,000 and \$4,000 (net of additional pass-through fees), for a total of around \$300,000 annually. Note that there may very well be upside potential in this earned revenue category.
- **Restaurant Lease Revenue** – We believe that a standard real estate restaurant lease would provide the most revenue for the museum.
 - Given that the restaurant is not connected to the museum, and that the given the size of the museum, a full scale restaurant of this size is not likely warranted based upon museum visitation, it makes most sense to treat the restaurant space as a real estate use that will provide earned revenue on a consistent basis for the museum.
 - This is a very strong restaurant site. We interviewed several local real estate brokers and conducted research on recent restaurant lease deals in the area. Based upon the size of the space and typical rents, we would estimate between \$200,000 and \$250,000 annually, assuming that the museum can find an appropriate tenant, which ideally is a high volume, high quality restaurant that can serve business and convention clientele.
 - We do think that it makes sense to think strategically about restaurant theming or partnership opportunities (i.e. displaying objects or marketing materials for the museum, displays, food, etc.), but there is a chance that increasing criteria for the tenant may limit revenues.
 - We also think that a small coffee cart / stand or grab and go food options in the lobby may help retain visitors for a longer period of time.

Financial Analysis: Operating Budget Methodology

We used two approaches to estimate a reasonable operating budget by category for the Mexican Museum, shown below:



Financial Analysis: Operating Expenses

- **“Top Down” Approach** – We would advise planning for an operating budget of approximately \$80 per gross square foot. While there are some museums that operate on lower budgets, San Francisco is an extremely competitive labor market, and the attendance estimates we have shown reflect high quality, experienced staff. Other operating costs also tend to be higher in San Francisco than other areas, and with respect to visitor experience, San Francisco is a very competitive market with many attractions competing for people’s leisure time.
- **“Bottom Up” Approach** – Key assumptions for each operating budget category are shown below.
 - Payroll costs: Approximately 50 percent of total operating costs including salaries and benefits.
 - Administrative / Overhead: 5 percent of total budget, includes items such as insurance, legal, and other administrative costs.
 - Exhibitions / Education: Includes spending on traveling exhibition rental fees ,exhibit renewal expenses, and education programs.
 - Other programming: Estimated to be approximately 60 percent of earned revenue for programs.
 - Marketing / Promotion: 7 percent of total budget, which is the industry standard and appropriate given the geographic location of the Latino market, the need to reach both tourists and residents, and the cost of marketing in the San Francisco Bay Area.
 - Supplies and Services: 8 percent of total budget. In addition to basic supplies, this category includes contract labor for security and special projects.
 - Building Utilities: Assumes \$4 per gross indoor square foot estimate. This assumes that there are no extraordinary building utility requirements.
 - Maintenance & Janitorial: Estimated at \$8 per square foot, which assumes that there are some efficiencies due to the fact that the museum is part of a larger development.
 - Other: Approximately 1 percent of total expenses.

Financial Analysis: Hypothetical Staffing

- We estimate that the Mexican Museum will require between 30 and 40 full-time equivalent (FTE) staff to operate the museum.
- Below is a hypothetical chart that shows the categories and levels of staff, along with an estimate for payroll costs consistent with the financial analysis.
- Exact positions will be affected by the ultimate exhibit design and visitor experience.

FTE Staff by Category	Executive	Manager	Professional	Hourly	Total
Director	1	0	0	1	2
Finance / HR	1	1	1	1	4
Development	1	1	2	1	5
Marketing / PR	1	1	1	0	3
Exhibits	1	0	2	2	5
Education & Programs	0	1	1	2	4
Visitor Services	0	1	1	3	5
Building Maintenance	0	1	1	2	4
Technology	0	1		1	2
Retail	0	1	1	1	3
Total FTE	5	8	10	14	37

Calculation of Payroll Cost

Average Salary	\$90,000	\$70,000	\$55,000	\$35,000	n/a
Total Wages	\$450,000	\$560,000	\$550,000	\$490,000	\$2,050,000
Benefits	\$135,000	\$168,000	\$165,000	\$73,500	\$541,500
Total Payroll Cost	\$585,000	\$728,000	\$715,000	\$563,500	\$2,591,500

Financial Analysis: Summary

- **Earned Revenues** - Total earned revenues for Mexican Museum are estimated at \$1.79 million in a stabilized year (2014 dollars).
- **Operating Budget** - The total annual operating budget is estimated to be \$5.1 million, translating to a cost of \$80 per gross square foot. Approximately 50% of this cost is labor, which is reasonable given San Francisco economic conditions.
- **Earned Income Ratio** - The resulting earned income ratio is 35 percent, in-line with industry standards, local conditions, and the proposed concept.
- **Required Contributed Income** – The amount of contributed income from other sources, including the endowment, public subsidy, individual donors, corporate donations, foundation grants, and fundraisers is approximately \$3.3 million annually. Note that this does not include any endowment income resulting from the capital campaign or developer contribution.

Preliminary Financial	2020
<u>Revenue</u>	
Admissions Revenue	\$706,000
Membership	\$147,000
Gross Retail Sales	\$686,000
Retail Cost of Goods Sold	<u>(\$343,000)</u>
Net Retail Sales	\$343,000
Programs / Upcharges	\$196,000
Facility Rentals	\$200,000
Restaurant Lease Revenue	\$200,000
Total Revenue	\$1,792,000
<u>Operating Expenses</u>	
Payroll Costs	\$2,592,000
Administrative / Overhead	\$288,000
Exhibitions / Education	\$500,000
Other Programming	\$118,000
Marketing / Promotion	\$403,000
Supplies and Services	\$461,000
Building Utilities	\$256,000
Maintenance & Janitorial	\$384,000
Other	\$115,000
Total Operating Expenses	\$5,117,000
Operating Cost per SF	\$80
Amount of Contributed Income Required	(\$3,325,000)
% Earned Income	35%

Source: AECOM



Appendix A: Hispanic Market Museum Attendance Research

Trends in Hispanic Museum Attendance

- “Minorities” visit museums at a lower rate compared to other ethnicities.
- Growth of the Hispanic population will affect the long-term attendance projections of museums in the United States and is particularly relevant in California.
- Data is analyzed by race, but underlying factors contributing to lower attendance are likely more attributed to socioeconomic status.

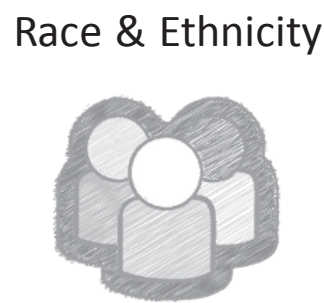
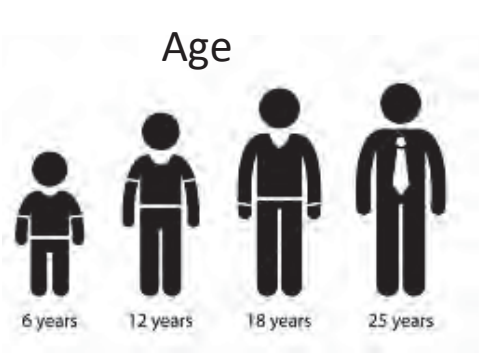
Minority Proportion of
Population, Past and
Future

Minority Proportion of
Museum Attendance,
Today



Source: “Demographic Transformation and the Future of Museums”, Center for the Future of Museums, an initiative of the American Association of Museums. Image source: Reach Advisors analysis of census and survey data.

Drivers of Museum Attendance



- According to: “Demographic Transformation and the Future of Museums”
 - 2010 publication by the Center for the Future of Museums (CFM)
 - American Association of Museums in collaboration with the Cultural Policy Center at the University of Chicago



- According to: National Bureau of Economic Research
 - Highly correlated with education and “cultural capital”



- According to: Survey of Public Participation in the Arts (SPPA)
 - 2012 publication by the National Endowment of the Arts



Museum Participation Rates by Age

- In the past few years the percent of younger people attending museums has decreased and the percentage of those 65 years and over has increased.
- Impact of the Millennial
 - Generational differences may be the overriding factor
 - Interviewees expressed desire for interactivity during museum visits
 - Millennials talk on the phone less and for a shorter time compared to older generations (Nielson)
 - Texting among 18- to 24-year olds is growing (Nielson)
- Museums can learn from game designers, as unlike the best games, museums often fail to provide visitors with clear instructions or the feeling of having successfully accomplished something

Percent of U.S. Adults Who Visited an Art Museum or Gallery, by Age: 2008 and 2012

	2008	2012
All Adults	22.7%	21.0%**
18-24	22.9%	18.3%**
25-34	24.3%	22.1%
35-44	25.7%	21.2%**
45-54	23.3%	21.9%
55-64	24.3%	22.4%
65-74	19.9%	22.5%
75 and over	10.5%	15.5%**

**change is statistically significant at the 95% confidence level

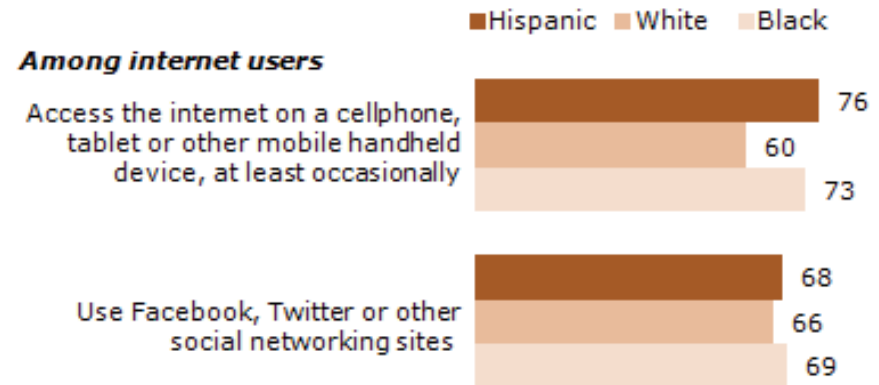
Source: SPPA

Impact of Race on Museum Attendance

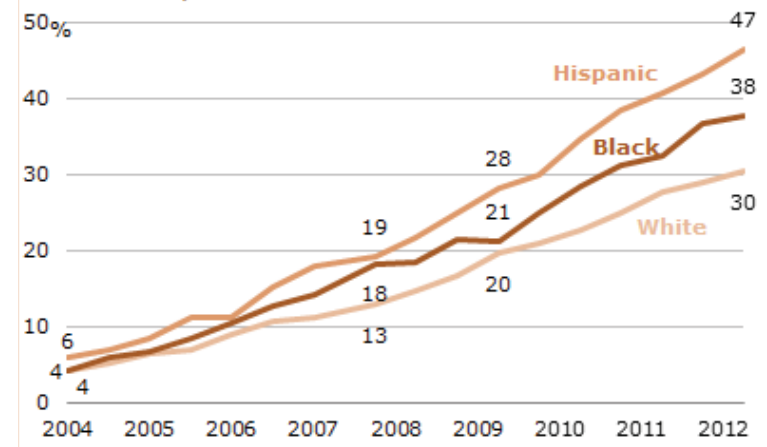
- Whites are over-represented in museum attendance at 79 percent of museum visitors as compared to 69 percent of total population in the United States.
- When asked what type of museum they are most likely to attend, top responses by race were:
 - 39 percent of Hispanic adults identified zoos & aquariums
 - 37 percent of White adults replied historic houses or site
 - 37 percent of Asian Americans adults said art museums
- Hispanic technology utilization is growing quickly: they are most likely to access the internet on a cellphone or similar device (rate is 87 percent for ages 18-29)
- Current trends in museum attendance are not necessarily indicative of future trends, as ethnic identity will be different for immigrants as compared to first and second generations.

Smartphone Ownership, Mobile Internet Use, and Social Networking Site Use, 2012

(% saying they ...)



Share of Adults who Reside in Cellphone-Only Households, 2004-2012



Note: Whites and blacks include only non-Hispanics. Hispanics are of any race.

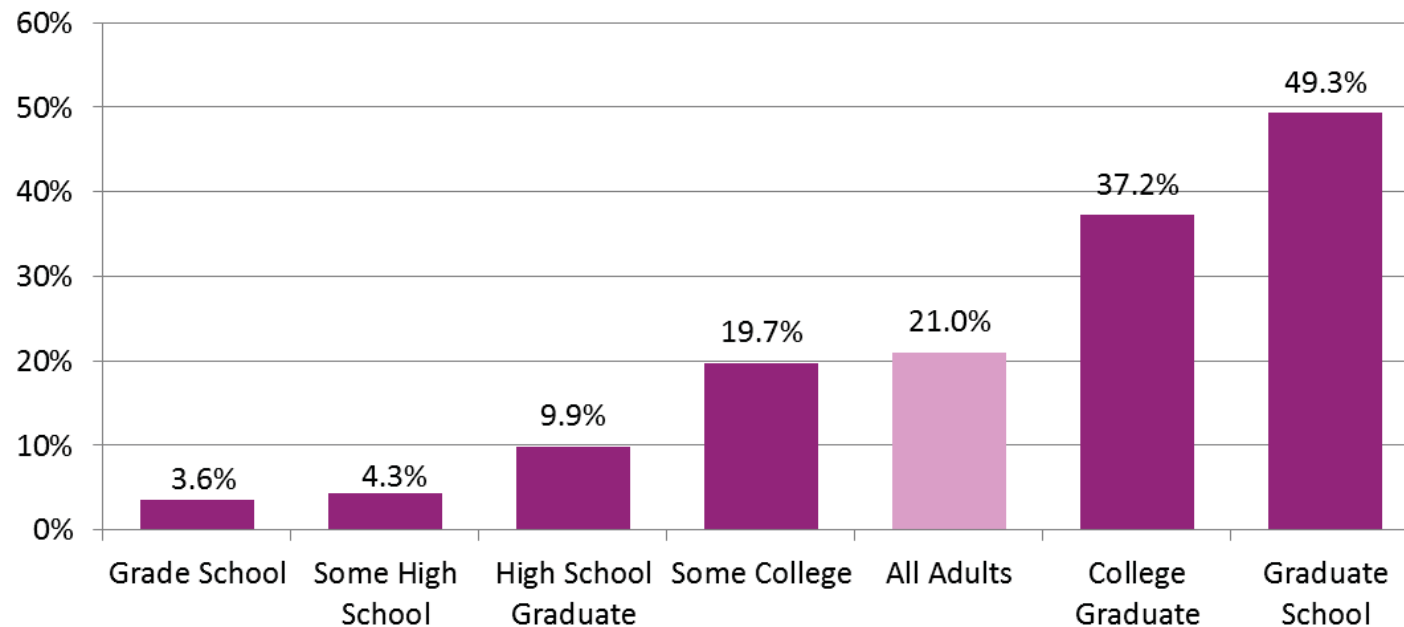
Source: National Center for Health Statistics, National Health Interview Survey

PEW RESEARCH CENTER

Impact of Education on Museum Attendance

- Major factor correlated with museum attendance is education
 - Low education levels correlate with lower museum attendance. This is likely a cultural barrier, as the perception of museums is as an elitist and/or upper-class institution.
 - Of all adults, 21 percent visited an art museum or gallery in 2012.
 - This is also due to differing “cultural capital”, or specifically the lack of specialized knowledge and cultivated aesthetic to understand and appreciate art forms in a specific way.

Percent of Adults who Visted an Art Museum or Gallery, 2012



Impact of Income on Museum Attendance

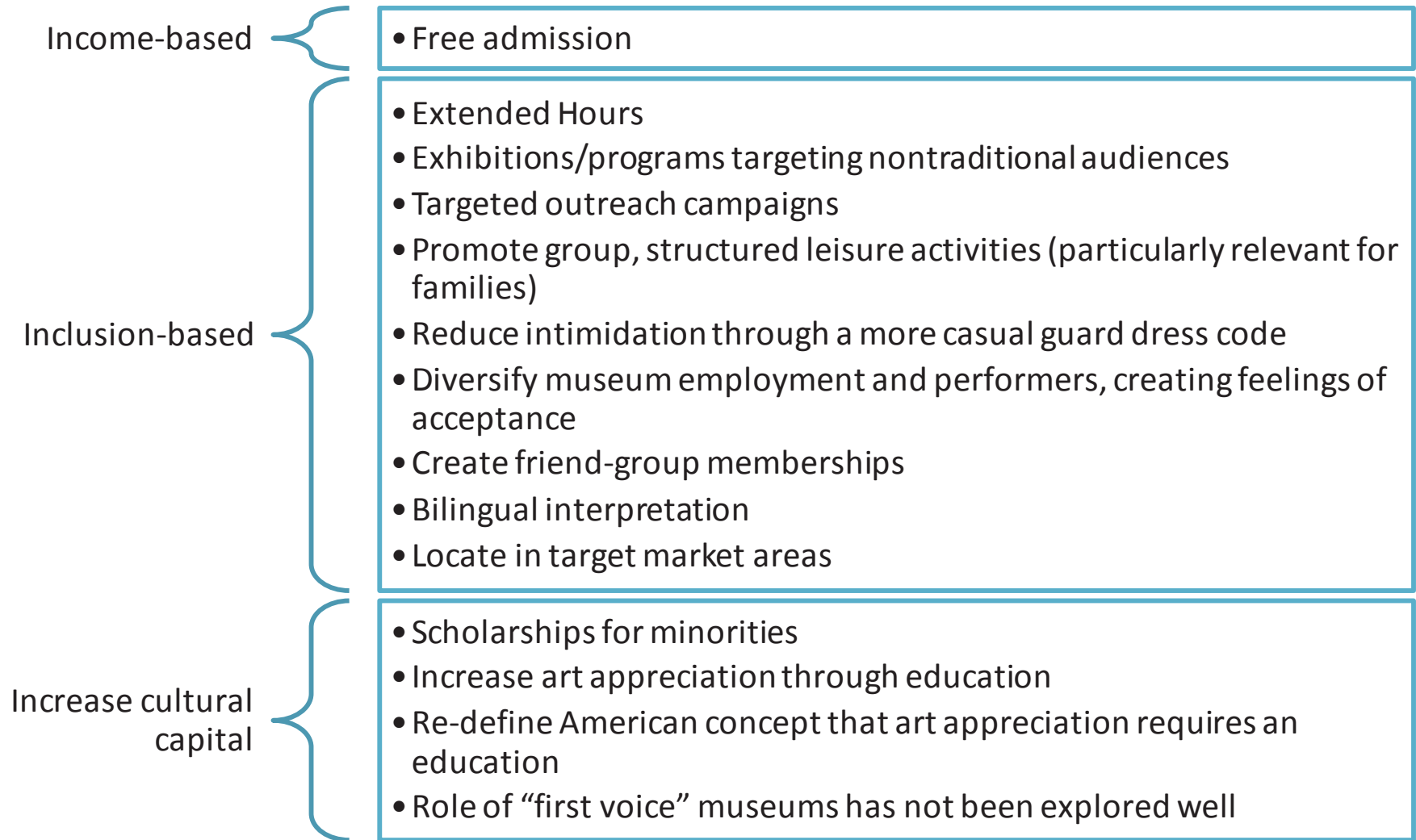
Reasons that low incomes inhibit museum attendance

- Lower amount of leisure time due to opportunity cost of time
- Direct costs including entrance fee, parking, and transportation to museum

Additional correlated factors

- Location & transportation options
- Lack of minority interest: few minority artists or not interested in exhibit topic
- Euro-centric tendencies and portrayal of “the Other” as exotic or primitive
- Little or no tradition of visiting museum in the family/greater culture
- Social networks: if your friends don’t go to museums, you don’t either

What strategies have been tried to increase Hispanic attendance at museums?



Case Study: Monterey Bay Aquarium

Hispanic visitors went from 8 percent in 1998 to 24 percent in 10 years

- First, identified two separate Hispanic audience segments
 - Latinos with above average household income
 - Newer immigrants, predominantly Spanish speaking
- Marketing group then targeted each group individually.
 - For the first group, a state-wide initiative promoted the Monterey Bay Aquarium as a destination
 - For the second group, worked to overcome negative perception of the museum through:
 - Spanish advertisement on television, radio, and in local newspapers
 - Discounts
 - Organized special events (“Dia del Nino,” “Fiesta del Mar”)
 - Promoting the aquarium’s annual Community Open House for Monterey County residents
 - Adding front-line staff members to assist first-time museum goers





ARTS &

ECONOMIC PROSPERITY 5

THE ECONOMIC IMPACT OF NONPROFIT ARTS & CULTURAL ORGANIZATIONS & THEIR AUDIENCES

Attachment 4



in San Francisco, CA

Arts and Economic Prosperity® 5 was conducted by Americans for the Arts, the nation's nonprofit organization for advancing the arts in America. Established in 1960, we are dedicated to representing and serving local communities and creating opportunities for every American to participate in and appreciate all forms of the arts.

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"Understanding and acknowledging the incredible economic impact of the nonprofit arts and culture, we must always remember their fundamental value. They foster beauty, creativity, originality, and vitality. The arts inspire us, sooth us, provoke us, involve us, and connect us. But they also create jobs and contribute to the economy."

— Robert L. Lynch
President and CEO
Americans for the Arts

The Arts Mean Business

By Robert L. Lynch, President and CEO, Americans for the Arts

In my travels, I meet business and government leaders who speak passionately about the value the arts bring to their communities—fueling creativity, beautifying downtowns, and providing joy. Many also share with me the challenge of balancing arts funding with the demands to support jobs and grow their economy. To these community leaders, **Arts & Economic Prosperity 5** offers a clear and welcome message: the arts are an investment that delivers both community well-being and economic vitality.

Arts & Economic Prosperity 5 (AEP5) is Americans for the Arts' fifth economic impact study of the nation's nonprofit arts and cultural organizations and their audiences. By every measure, the results are impressive. Nationally, the nonprofit arts industry generated \$166.3 billion of economic activity in 2015—\$63.8 billion in spending by arts and cultural organizations and an additional \$102.5 billion in event-related expenditures by their audiences. This activity supported 4.6 million jobs and generated \$27.5 billion in revenue to local, state, and federal governments (a yield well beyond their collective \$5 billion in arts allocations). AEP5 is the most comprehensive study of its kind ever conducted. It provides detailed economic impact findings on 341 study regions representing all 50 states and the District of Columbia. Data was gathered from 14,439 organizations and 212,691 arts event attendees, and our project economists customized input-output models for each and every study region to ensure reliable and actionable localized results.

When Americans for the Arts published its first economic impact study in 1994, it worked with 33 local communities. As evidence of the value of these studies, AEP5 has grown this local participation ten-fold. We also have witnessed a corresponding growth in the understanding of the economic value of the arts. The U.S. Bureau of Economic Analysis, for example, now publishes an annual *Arts & Cultural Production Satellite Account*, which extends beyond the nonprofit sector to include the full breadth of commercial and for-profit arts, education, and individual artists, and lists the sector as a \$730 billion industry (4.2 percent of the nation's GDP—a larger share of the economy than

transportation, tourism, agriculture, and construction). As another example, many state and local governments have established agencies to track and grow their creative economy.

What continues to set AEP5 apart from other studies is exactly why it is so useful: it uses localized research that not only focuses on arts organizations—but also incorporates the event-related spending by their audiences. When patrons attend an arts event, they may pay for parking, eat dinner at a restaurant, enjoy dessert after the show, and return home to pay the babysitter. The study found that the typical attendee spends \$31.47 per person, per event beyond the cost of admission. AEP5 also shows that one-third of attendees (34 percent) traveled from outside the county in which the arts event took place. Their event-related spending was more than twice that of their local counterparts (\$47.57 vs. \$23.44). What brought those visitors to town? Two-thirds (69 percent) indicated that the primary purpose for their visit was to attend that arts event. The message is clear: a vibrant arts community not only keeps residents and their discretionary spending close to home, it also attracts visitors who spend money and help local businesses thrive.

AEP5 demonstrates that the arts provide both cultural and economic benefits. No longer do community leaders need to feel that a choice must be made between arts funding and economic development. **Arts & Economic Prosperity 5** proves that they can choose both. Nationally as well as locally, the arts mean business.

“Even in a strong economy, some may perceive the arts as an unaffordable luxury. Fortunately, this rigorous report offers evidence that the nonprofit arts industry provides not just cultural benefits to our communities, but also makes significant positive economic contributions to the nation’s financial well-being regardless of the overall state of the economy. The arts as a driver of employment, vibrancy, tourism, and building a creative workforce is certainly something to applaud.”

— Jonathan Spector
President & CEO
The Conference Board

The Economic Impact of the Nonprofit Arts and Culture Industry in the City and County of San Francisco

Arts & Economic Prosperity 5 provides evidence that the nonprofit arts and culture sector is a significant industry in the City and County of San Francisco—one that generates \$1.45 billion in total economic activity. This spending—\$780.6 million by nonprofit arts and cultural organizations and an additional \$667.7 million in event-related spending by their audiences—supports 39,699 full-time equivalent jobs, generates \$1.0 billion in household income to local residents, and delivers \$131.1 million in local and state government revenue. This economic impact study sends a strong signal that when we support the arts, we not only enhance our quality of life, but we also invest in the City and County of San Francisco’s economic well-being.

This Arts & Economic Prosperity 5 study documents the economic impact of the nonprofit arts and culture sector in 341 study regions—113 cities, 115 counties, 81 multicounty or multicounty regions, 20 states, and 12 arts districts—representing all 50 U.S. states and the District of Columbia. The diverse study regions range in population (1,500 to four million) and type (rural to large urban). Economists customized input-output models to calculate specific and reliable findings for each study region. This study focuses solely on the economic impact of nonprofit arts and cultural organizations and event-related spending by their audiences. Spending by individual artists and the for-profit arts and culture sector (e.g., Broadway or the motion picture industry) are excluded from this study.

The geographic area analyzed in this unique report is defined as **the City and County of San Francisco, California**.

Defining Economic Impact

This proprietary study methodology uses four economic measures to define economic impact: full-time equivalent jobs, resident household income, and local and state government revenues.

Full-Time Equivalent (FTE) Jobs describes the total amount of labor employed. An FTE job can be one full-time employee, two half-time employees, etc. Economists measure FTE jobs, not the total number of employees, because it is a more accurate measure that accounts for part-time employment.

Resident Household Income (often called Personal Income) includes salaries, wages, and entrepreneurial income paid to residents. It is the money residents earn and use to pay for food, shelter, utilities, and other living expenses.

Revenue to Local and State Government includes revenue from local and state taxes (e.g., income, sales, lodging, real estate, personal property, and other local option taxes) as well as funds from license fees, utility fees, filing fees, and other similar sources. Local government revenue includes funds to governmental units such as city, county, township, and school districts, and other special districts.

**Economic Impact of Spending
by the Nonprofit Arts and Culture Industry
(Combined Spending by Both Organizations and Their Audiences)
in the City and County of San Francisco**

In communities coast-to-coast, from our smallest towns to our largest cities, America’s 100,000 nonprofit arts and cultural organizations make their communities more desirable places to live and work every day of the year.

The arts and culture provide inspiration and joy to residents, beautify public spaces, and strengthen the social fabric of our communities. Nonprofit arts and cultural organizations are also businesses. They employ people locally, purchase goods and services from other local businesses, and attract tourists. Event-related spending by arts audiences generates valuable revenue for local merchants such as restaurants, retail stores, parking garages, and hotels.

During fiscal year 2015, spending by both the City and County of San Francisco’s nonprofit arts and cultural organizations and their audiences totaled **\$1.45 billion**. The table below demonstrates the total economic impact of these expenditures.

TABLE 1: Total Economic Impact of the Nonprofit Arts and Culture Industry in the City and County of San Francisco (Combined Spending by Nonprofit Arts and Cultural Organizations <u>and</u> Their Audiences)			
	City and County of San Francisco	Median of Similar Study Regions Pop. = 500,000 to 999,999	National Median
Total Industry Expenditures	\$1,448,353,608	\$235,239,618	\$35,750,645
Full-Time Equivalent Jobs	39,699	6,789	1,131
Resident Household Income	\$1,006,718,000	\$155,244,000	\$23,154,000
Local Government Revenue	\$53,862,000	\$9,943,000	\$1,407,000
State Government Revenue	\$77,227,000	\$11,820,000	\$1,961,000

The Arts Improve the Economy ... and the Quality of our Personal Lives

- ✓ **82 percent** of Americans believe the arts & culture are important to local businesses and the economy
- ✓ **87 percent** of Americans believe the arts & culture are important to quality of life

Source: Americans for the Arts’ 2016 survey of 3,020 adults by Ipsos Public Affairs

“The success of my family’s business depends on finding and cultivating a creative and innovative workforce. I have witnessed firsthand the power of the arts in building these business skills. When we participate personally in the arts, we strengthen our ‘creativity muscles,’ which makes us not just a better ceramicist or chorus member, but a more creative worker—better able to identify challenges and innovative business solutions.”

— Christopher Forbes, Vice Chairman, Forbes, Inc.

Economic Impact: Total, Direct, Indirect, and Induced

How can a dollar be *respent*? Consider the example of a theater company that purchases a five-gallon bucket of paint from its local hardware store for \$100—a very simple transaction at the outset, but one that initiates a complex sequence of income and spending by both individuals and other businesses.

Following the paint purchase, the hardware store may use a portion of the \$100 to pay the sales clerk who sold the bucket of paint. The sales clerk then respend some of the money for groceries; the grocery store uses some of the money to pay its cashier; the cashier then spends some of the money for rent; and so on.

The hardware store also uses some of the \$100 to purchase goods and services from other businesses, such as the local utility company, and then to buy a new bucket of paint from the paint factory to restock its shelf. Those businesses, in turn, respend the money they earned from the hardware store to buy goods and services from still other local businesses, and so on.

Eventually, the last of the \$100 is spent outside of the community and no longer has a local economic impact. It is considered to have leaked out of the community.

The **total** economic impact describes this full economic effect, starting with the theater’s initial paint purchase and ending when the last of the \$100 leaks out of the community. It is composed of the **direct** economic impact (the effect of the initial expenditure by the theater), as well as the **indirect** and **induced** economic impacts, which are the effects of the subsequent rounds of spending by businesses and individuals, respectively.

Interestingly, a dollar ripples very differently through each community, which is why an input-output model was customized for the unique economy of San Francisco County.

Economic Impact of Spending by Nonprofit Arts and Cultural ORGANIZATIONS in the City and County of San Francisco

Nonprofit arts and culture organizations are active contributors to their business community. They are employers, producers, and consumers. They are members of the Chamber of Commerce as well as key partners in the marketing and promotion of their cities, regions, and states. **Spending by nonprofit arts and cultural organizations totaled \$780.6 million in the City and County of San Francisco during fiscal year 2015.** This spending is far-reaching: organizations pay employees, purchase supplies, contract for services, and acquire assets within their community. These actions, in turn, support jobs, generate household income, and generate revenue to local and state governments.

The City and County of San Francisco's nonprofit arts and cultural organizations provide rewarding employment for more than just administrators, artists, curators, choreographers, and musicians. They also employ financial staff, facility managers, and salespeople. In addition, the spending by these organizations directly supports a wide array of other occupations spanning many industries that provide their goods and services (e.g., accounting, construction, event planning, legal, logistics, printing, and technology).

Data were collected from 359 eligible nonprofit arts and cultural organizations that are located in the City and County of San Francisco. Each provided detailed budget information for fiscal year 2015 (e.g., labor, payments to local and nonlocal artists, operations, administration, programming, facilities, and capital expenditures/asset acquisition). The following table demonstrates the total economic impact of their aggregate spending.

TABLE 2: Total Economic Impact of Spending by Nonprofit Arts and Cultural ORGANIZATIONS in the City and County of San Francisco			
	City and County of San Francisco	Median of Similar Study Regions <i>Pop. = 500,000 to 999,999</i>	National Median
Total Organizational Expenditures	\$780,613,098	\$118,196,607	\$15,727,535
Full-Time Equivalent Jobs	23,160	3,889	608
Resident Household Income	\$659,077,000	\$102,452,000	\$11,441,500
Local Government Revenue	\$20,883,000	\$5,455,000	\$592,000
State Government Revenue	\$36,144,000	\$7,227,000	\$840,500

Economic Impact Beyond Dollars: Volunteerism

While arts volunteers may not have an economic impact as defined in this study, they clearly have an enormous impact by helping nonprofit arts and cultural organizations function as a viable industry. Arts & Economic Prosperity 5 reveals a significant contribution to nonprofit arts and cultural organizations as a result of volunteerism. **During 2015, a total of 29,991 volunteers donated a total of 1,151,576 hours to the City and County of San Francisco's participating nonprofit arts and cultural organizations. This represents a donation of time with an estimated aggregate value of \$27,131,131** (Independent Sector estimates the dollar value of the average 2015 volunteer hour to be \$23.56). Volunteers can include unpaid professional staff (e.g., executive and program staff, board/commission members), artistic volunteers (e.g., artists, choreographers, designers), clerical volunteers, and service volunteers (e.g., ticket takers, docents, ushers, gift shop volunteers).

The 359 participating organizations reported an average of 83.5 volunteers who volunteered an average of 38.4 hours during 2015, for a total of 3,207.7 hours per organization.

The Value of In-Kind Contributions to Arts Organizations

The organizations were asked about the sources and value of their in-kind support. In-kind contributions are non-cash donations such as materials (e.g., office supplies from a local retailer), facilities (e.g., office or performance space), and services (e.g., printing from a local printer). **The 359 participating nonprofit arts and cultural organizations in the City and County of San Francisco reported that they received in-kind contributions with an aggregate value of \$16,235,480 during fiscal year 2015.** These contributions can be received from a variety of sources including corporations, individuals, local and state arts agencies, and government agencies.

"Investments in arts and culture enhance the quality of life, the third-highest measurement businesses use when gauging development trends—behind skilled labor and highway accessibility but ahead of other factors such as corporate tax rates and incentives. These investments are breathing new life into our downtown areas, creating educational opportunities, and attracting businesses and highly skilled workers to Iowa. Today, nearly 6,000 arts organizations employ 23,000 people in Iowa, and that number jumps to 73,000 when all creative fields are counted. In all, that's about four percent of our workforce."

— Governor Kim Reynolds, Iowa

Economic Impact of Spending
by Nonprofit Arts and Cultural AUDIENCES
in the City and County of San Francisco

The nonprofit arts and culture industry, unlike most industries, leverages a significant amount of event-related spending by its audiences. For example, when patrons attend a cultural event, they may pay to park their car, purchase dinner at a restaurant, shop in nearby stores, eat dessert after the show, and pay a babysitter upon their return home. Attendees from out of town often spend the night in a hotel. This spending generates related commerce for local businesses such as restaurants, parking garages, retail stores, and hotels. Local businesses that cater to arts and culture audiences reap the rewards of this economic activity.

To measure the impact of spending by cultural audiences in the City and County of San Francisco, data were collected from 763 event attendees during 2016. Researchers used an audience-intercept methodology, a standard technique in which patrons are asked to complete a short survey about their event-related spending (while they are attending the event). In the City and County of San Francisco, cultural attendees spent an average of \$42.80 per person, per event as a direct result of their attendance at the event.

The 359 participating nonprofit arts and cultural organizations reported that the aggregate attendance to their events was 15.6 million during 2015. **Event-related spending by these attendees totaled \$667.7 million in the City and County of San Francisco during fiscal year 2015**, excluding the cost of event admission. The following table demonstrates the total economic impact of this spending.

TABLE 3: Total Economic Impact of Spending by Nonprofit Arts and Cultural AUDIENCES in the City and County of San Francisco (excluding the cost of event admission ¹)			
	City and County of San Francisco	Median of Similar Study Regions <i>Pop. 500,000 to 999,999</i>	National Median
Total Audience Expenditures	\$667,740,510	\$104,161,585	\$18,871,511
Full-Time Equivalent Jobs	16,539	3,322	430
Resident Household Income	\$347,641,000	\$58,425,000	\$8,402,500
Local Government Revenue	\$32,979,000	\$5,420,000	\$898,000
State Government Revenue	\$41,083,000	\$6,123,000	\$1,007,500

¹ Why exclude the cost of admission? The admissions paid by attendees are excluded from the audience analysis because those dollars are captured in the operating budgets of the participating nonprofit arts and cultural organizations and, in turn, are spent by the organizations. This methodology avoids “double-counting” those dollars in the study analysis.

Cultural Tourists Spend More

The 763 audience survey respondents were asked to provide the ZIP code of their primary residence, enabling researchers to determine which attendees were local residents (live within San Francisco County) and which were nonresidents (live outside San Francisco County). In the City and County of San Francisco, researchers estimate that 40.8 percent of the 15.6 million nonprofit arts attendees were residents; 59.2 percent were nonresidents.

Nonresident attendees spent an average of 125 percent more per person than local attendees (\$55.33 vs. \$24.59) as a result of their attendance to cultural events. As would be expected from a traveler, higher spending was typically found in the categories of lodging, meals, and transportation. When a community attracts cultural tourists, it harnesses significant economic rewards.

TABLE 4: Event-Related Spending by Arts and Culture Event Attendees Totaled \$667.7 million in the City and County of San Francisco (excluding the cost of event admission)			
	Residents	Nonresidents	All City and County of San Francisco Event Attendees
Total Attendance	6,367,150	9,238,610	15,605,760
Percent of Attendees	40.8%	59.2%	100%
Average Dollars Spent Per Attendee	\$24.59	\$55.33	\$42.80
Total Event-Related Expenditures	\$156,568,219	\$511,172,291	\$667,740,510

TABLE 5: Nonprofit Arts and Culture Event Attendees Spend an Average of \$42.80 Per Person in the City and County of San Francisco (excluding the cost of event admission)			
	Residents	Nonresidents	All City and County of San Francisco Event Attendees
Refreshments/Snacks During Event	\$4.77	\$6.61	\$5.86
Meals Before/After Event	\$12.14	\$20.43	\$17.05
Souvenirs and Gifts	\$1.87	\$3.65	\$2.92
Clothing and Accessories	\$1.32	\$2.47	\$2.00
Ground Transportation	\$3.67	\$8.65	\$6.62
Event-Related Child Care	\$0.22	\$0.55	\$0.42
Overnight Lodging (one night only)	\$0.60	\$12.44	\$7.62
Other	\$0.00	\$0.53	\$0.31
Total Per Person Spending	\$24.59	\$55.33	\$42.80

The Arts Drive Tourism

Each of the nonresident survey respondents (i.e., those who live outside San Francisco County) were asked about the purpose of their trip: **54.6 percent indicated that the primary purpose of their visit to the City and County of San Francisco was “specifically to attend this arts/cultural event.”** This finding demonstrates the power of the arts to attract visitors to the community.

The audience-intercept survey also asked nonresident attendees if they would have traveled somewhere else (instead of to the City and County of San Francisco) if the event where they were surveyed had not occurred: **51.0 percent of nonresident attendees would have “traveled to a different community to attend a similar cultural event.”**

Of the 59.2 percent of arts attendees who are nonresidents, 9.3 percent reported an overnight lodging expense. Not surprisingly, nonresident attendees with overnight expenses spent considerably more money per person during their visit to the City and County of San Francisco than did nonresident attendees without overnight lodging expenses (\$228.43 and \$37.60, respectively). For this analysis, only one night of lodging expenses is counted toward the audience expenditure, regardless of how many nights these cultural tourists actually stayed in the community. This conservative approach ensures that the audience-spending figures are not inflated by non-arts-related spending.

The Arts Retain Local Dollars

The survey also asked local resident attendees about what they would have done if the arts event that they were attending was not taking place: **39.5 percent of resident attendees said they would have “traveled to a different community to attend a similar cultural event.”**

The cultural tourism findings on this page demonstrate the economic impact of the nonprofit arts and culture industry in its truest sense. If a community fails to provide a variety of artistic and cultural experiences, not only will it fail to attract new dollars from cultural tourists, it will also lose the discretionary spending of its own residents who will travel elsewhere for a similar experience.

"As a banker, I have visited businesses in almost every city and town in my state. There is a visible difference in places with a vibrant arts community. I see people looking for places to park, stores staying open late, and restaurants packed with diners. The business day is extended and the cash registers are ringing!"

— Ken Fergeson, Chairman, NBC Oklahoma
Past President, American Bankers Association

Travel Party and Demographic Characteristics of Arts Attendees

The tables below list the audience-intercept survey findings related to travel party size as well as the age, educational attainment, and household income reported by the survey respondents.

TABLE 6: Travel Party and Demographic Characteristics of Arts Audiences in the City and County of San Francisco

	Residents	Nonresidents
Travel Party Size		
Average number of adults (18 years or older)	2.2	2.3
Average number of children (younger than 18)	0.2	0.2
Average travel party size	2.4	2.5
Trip Characteristics		
Average number of nights spent away from home as a result of arts event	0.1	0.6
Percentage with any nights spent away from home as a result of arts event	3.2%	22.8%
Percentage attending the arts event or facility (where they were surveyed) for the first time	32.5%	44.1%
Age of Cultural Attendees		
18-34	30.3%	31.4%
35-44	20.1%	15.5%
45-54	19.4%	16.6%
55-64	16.1%	18.2%
65 or Older	14.1%	18.4%
Educational Attainment of Cultural Attendees		
Less than high school	0.7%	0.7%
High school	7.2%	5.6%
2-year college/technical/associates degree	11.1%	13.0%
4-year college/bachelors degree	41.6%	41.1%
Masters degree	30.5%	29.2%
Doctoral degree	8.9%	10.3%
Annual Household Income of Cultural Attendees		
Less than \$40,000	20.2%	19.9%
\$40,000 to \$59,999	14.4%	17.8%
\$60,000 to \$79,999	17.1%	10.2%
\$80,000 to \$99,999	12.0%	11.4%
\$100,000 to \$119,999	11.6%	13.7%
\$120,000 or More	24.7%	27.0%
Civic Engagement of Cultural Attendees		
Percentage that voted in 2016 U.S. presidential election	90.8%	84.5%

“Mayors understand the connection between the arts industry and city revenues. Arts activity creates thousands of direct and indirect jobs and generates billions in government and business revenues. The arts also make our cities destinations for tourists, help attract and retain businesses, and play an important role in the economic revitalization of cities and the vibrancy of our neighborhoods.”

— Oklahoma City Mayor Mick Cornett
President, The United States Conference of Mayors

Conclusion

The nonprofit arts and culture sector is a \$1.45 billion industry in the City and County of San Francisco—one that supports 39,699 full-time equivalent jobs and generates \$131.1 million in local and state government revenue.

Nonprofit arts and cultural organizations are businesses in their own right. They spent \$780.6 million during fiscal year 2015 to employ people locally, purchase goods and services from local establishments, and attract tourists. They also leveraged a remarkable \$667.7 million in additional spending by cultural audiences—spending that pumps vital revenue into restaurants, hotels, retail stores, parking garages, and other local businesses.

This study puts to rest a misconception that communities support arts and culture at the expense of local economic development. In fact, communities that support the arts and culture are investing in an industry that supports jobs, generates government revenue, and is the cornerstone of tourism. This Arts & Economic Prosperity 5 study shows conclusively that **the arts mean business in the City and County of San Francisco!**

“A vital component to generating economic growth in our communities can be attributed to supporting and funding the arts. It is apparent that decreased support of the arts has negatively impacted some areas of our country. To compete and thrive in today’s workforce environment it is apparent that supporting the arts helps foster a more creative and innovative workforce that strengthens our economy.”

— Nevada Assemblywoman Maggie Carlton
Co-Chair, National Conference of State Legislatures
Labor & Economic Development Committee

The Arts & Economic Prosperity 5 Calculator

To make it easier to compare the economic impacts of different organizations within the City and County of San Francisco (or to calculate updated estimates in the immediate years ahead), the project researchers calculated the economic impact per \$100,000 of direct spending by nonprofit arts and cultural organizations and their audiences.

Economic Impact Per \$100,000 of Direct Spending by ORGANIZATIONS

For every \$100,000 in direct spending by a nonprofit arts and cultural organization in the City and County of San Francisco, there was the following total economic impact.

TABLE 7: Ratios of Economic Impact Per \$100,000 of Direct Spending by Nonprofit Arts and Cultural Organizations in the City and County of San Francisco			
	City and County of San Francisco	Median of Similar Study Regions <i>Pop. = 500,000 to 999,999</i>	National Median
Full-Time Equivalent Jobs	2.97	3.83	3.52
Resident Household Income	\$84,431	\$82,153	\$74,554
Local Government Revenue	\$2,675	\$4,450	\$3,563
State Government Revenue	\$4,630	\$5,525	\$4,891

An Example of How to Use the Organizational Spending Calculator Table (above):

An administrator from a nonprofit arts and cultural organization that has total expenditures of \$250,000 wants to determine the organization’s total economic impact on full-time equivalent (FTE) employment in the City and County of San Francisco. The administrator would:

1. Determine the amount spent by the nonprofit arts and cultural organization;
2. Divide the total expenditure by 100,000; and
3. Multiply that figure by the FTE employment ratio per \$100,000 for the City and County of San Francisco.

Thus, \$250,000 divided by 100,000 equals 2.5; 2.5 times 2.97 (from the top row of data on Table 1 above) equals a total of 7.4 full-time equivalent jobs supported (both directly and indirectly) within the City and County of San Francisco by that nonprofit arts and cultural organization. Using the same procedure, the estimate can be calculated for resident household income as well as for local and state government revenue.

Economic Impact Per \$100,000 of Direct Spending by AUDIENCES

The economic impact of event-related spending by arts audiences can also be derived for an individual organization or groups of organizations in the City and County of San Francisco.

The first step is to determine the total estimated event-related spending by attendees who are residents of San Francisco County. To derive this figure, first multiply the total attendance by the percentage of attendees that are residents. Then, multiply the result by the average per person event-related expenditure by resident attendees. The result is the total estimated event-related spending by resident attendees.

The second step is to do the same for nonresidents of San Francisco County. To derive this figure, first multiply the total attendance by the percentage of attendees that are nonresidents. Then, multiply the result by the average per person event-related expenditure by nonresident attendees. The result is the total estimated event-related spending by nonresident attendees.

Then, add the results from the first two steps together to calculate the total estimated event-related audience spending. Finally, the ratios of economic impact per \$100,000 in direct spending can then be used to determine the total economic impact of the total estimated audience spending.

TABLE 8: Audience Spending Ratios for the Arts & Economic Prosperity 5 Calculator in the City and County of San Francisco (excluding the cost of event admission)		
	Residents	Nonresidents
Percent of Attendees	40.8%	59.2%
Average Per Person Event-Related Expenditures	\$24.59	\$55.33

TABLE 9: Ratios of Economic Impact Per \$100,000 of Direct Spending by Nonprofit Arts and Culture <u>Audiences</u> in the City and County of San Francisco			
	City and County of San Francisco	Median of Similar Study Regions Pop. = 500,000 to 999,999	National Median
Full-Time Equivalent Jobs	2.48	2.71	2.46
Resident Household Income	\$52,062	\$56,022	\$52,101
Local Government Revenue	\$4,939	\$4,939	\$4,449
State Government Revenue	\$6,153	\$6,562	\$5,692

An Example of How to Use the Audience Spending Calculator Tables (on the preceding page):

An administrator wants to determine the total economic impact of the 25,000 total attendees to his/her organization's nonprofit arts and cultural events on full-time equivalent (FTE) employment in the City and County of San Francisco. The administrator would:

1. Multiply the total attendance by the percentage of attendees that are residents;
2. Multiply the result of step 1 by the average per person event-related expenditure for residents;
3. Multiply the total attendance by the percentage of attendees that are nonresidents;
4. Multiply the result of step 3 by the average per person event-related expenditure for nonresidents;
5. Sum the results of steps 2 and 4 to calculate the total estimated event-related audience spending;
6. Divide the resulting total estimated audience spending by 100,000; and
7. Multiply that figure by the FTE employment ratio per \$100,000 for the City and County of San Francisco.

Thus, 25,000 times 40.8% (from Table 8 on the preceding page) equals 10,200; 10,200 times \$24.59 (from Table 8) equals \$250,818; 25,000 times 59.2% (from Table 8) equals 14,800; 14,800 times \$55.33 equals \$818,884; \$250,818 plus \$818,884 equals \$1,069,702, \$1,069,702 divided by 100,000 equals 10.70; 10.70 times 2.48 (from the top row of data on Table 9 on the preceding page) equals a total of 26.5 full-time equivalent jobs supported (both directly and indirectly) within the City and County of San Francisco by that nonprofit arts and cultural organization. Using the same procedure, the estimate can be calculated for resident household income as well as for local and state government revenue.

Making Comparisons with Similar Study Regions

For the purpose of this analysis and unique report, **the geographic region being studied is defined as the City and County of San Francisco, California.** According to the most recent data available from the U.S. Census Bureau, the population of the City and County of San Francisco was estimated to be 852,469 during 2015. For comparison purposes, 458 pages of detailed data tables containing the study results for all 341 participating study regions are located in Appendix B of the National Statistical Report. The data tables are stratified by population, making it easy to compare the findings for the City and County of San Francisco to the findings for similarly populated study regions (as well as any other participating study regions that are considered valid comparison cohorts).

The National Summary Report and National Brochure are available both by download (free) and hardcopy (for purchase). The National Statistical Report (more than 500 pages in length) is available by download only. All documents and resources can be found at www.AmericansForTheArts.org/EconomicImpact.

“In Rhode Island, we know cultural excellence is crucial to economic development and the success of businesses large and small. Arts-related industries create jobs, attract investments, and enhance tourism—the economic impact of arts organizations is significant. The arts also play a role in promoting the health and welfare of our military members which makes our communities and our state stronger.”

— Rhode Island Lieutenant Governor Dan McKee
Chair, National Lt. Governors Association

About This Study

This Arts & Economic Prosperity 5 study was conducted by Americans for the Arts to document the economic impact of the nonprofit arts and culture industry in 341 communities and regions (113 cities, 115 counties, 81 multi-city or multi-county regions, 20 states, and 12 individual arts districts)—representing all 50 U.S. states and the District of Columbia.

The diverse local communities range in population (1,500 to four million) and type (rural to urban). The study focuses solely on nonprofit arts and cultural organizations and their audiences. The study excludes spending by individual artists and the for-profit arts and entertainment sector (e.g., Broadway or the motion picture industry). Detailed expenditure data were collected from 14,439 arts and culture organizations and 212,691 of their attendees. The project economists, from the Georgia Institute of Technology, customized input-output economic models for each participating study region to provide specific and reliable economic impact data about their nonprofit arts and culture industry: full-time equivalent jobs, household income, and local and state government revenue.

The 250 Local, Regional, and Statewide Study Partners

Americans for the Arts published a Call for Participants in 2015 seeking communities interested in participating in the Arts & Economic Prosperity 5 study. Of the more than 300 potential partners that expressed interest, 250 local, regional, and statewide organizations agreed to participate and complete four participation criteria: identify and code the universe of nonprofit arts and cultural organizations in their study region; assist researchers with the collection of detailed financial and attendance data from those organizations; conduct audience-intercept surveys at cultural events; and pay a modest cost-sharing fee (no community was refused participation for an

inability to pay). Thirty of the 250 partners included multiple study regions as part of their AEP5 participation (e.g., a county as well as a specific city located within the county). As a result, the 250 local, regional, and statewide organizations represent a total of 341 participating study regions.

The San Francisco Arts Commission responded to the 2015 Call for Participants, and agreed to complete the required participation criteria.

Surveys of Nonprofit Arts and Cultural ORGANIZATIONS

Each of the 250 study partners identified the universe of nonprofit arts and cultural organizations that are located in their region(s) using the Urban Institute's National Taxonomy of Exempt Entity (NTEE) coding system as a guideline. The NTEE system—developed by the National Center for Charitable Statistics at the Urban Institute—is a definitive classification system for nonprofit organizations recognized as tax exempt by the Internal Revenue Code. This system divides the entire universe of nonprofit organizations into 10 Major categories, including “Arts, Culture, and Humanities.” The Urban Institute reports that approximately 100,000 nonprofit arts and cultural organizations were registered with the IRS in 2015.

The following NTEE “Arts, Culture, and Humanities” subcategories were included in this study:

- A01 – Alliances and Advocacy
- A02 – Management and Technical Assistance
- A03 – Professional Societies and Associations
- A05 – Research Institutes and Public Policy Analysis
- A11 – Single Organization Support
- A12 – Fund Raising and Fund Distribution
- A19 – Support (not elsewhere classified)
- A20 – Arts and Culture (general)
- A23 – Cultural and Ethnic Awareness
- A24 – Folk Arts
- A25 – Arts Education
- A26 – Arts and Humanities Councils and Agencies
- A27 – Community Celebrations
- A30 – Media and Communications (general)
- A31 – Film and Video
- A32 – Television
- A33 – Printing and Publishing
- A34 – Radio
- A40 – Visual Arts (general)
- A50 – Museums (general)
- A51 – Art Museums
- A52 – Children’s Museums
- A53 – Folk Arts Museums
- A54 – History Museums
- A56 – Natural History and Natural Science Museums
- A57 – Science and Technology Museums
- A60 – Performing Arts (general)
- A61 – Performing Arts Centers
- A62 – Dance
- A63 – Ballet
- A65 – Theatre
- A68 – Music
- A69 – Symphony Orchestras
- A6A – Opera
- A6B – Singing and Choral Groups
- A6C – Bands and Ensembles
- A6E – Performing Arts Schools
- A70 – Humanities (general)
- A80 – Historical Organizations (general)
- A82 – Historical Societies and Historic Preservation
- A84 – Commemorative Events
- A90 – Arts Services (general)
- A99 – Arts, Culture, and Humanities (miscellaneous)

In addition to the organization types listed above, the study partners were encouraged to include other types of eligible organizations if they play a

substantial role in the cultural life of the community or if their primary purpose is to promote participation in, appreciation for, and understanding of the visual, performing, folk, literary arts, and/or media arts. These include government-owned and government-operated cultural facilities and institutions, municipal arts agencies and councils, private community arts organizations, unincorporated arts groups, living collections (such as zoos, aquariums, and botanical gardens), university presenters and cultural facilities, and arts programs that are embedded under the umbrella of a nonarts organization or facility (such as a community center or church). In short, if it displays the characteristics of a nonprofit arts and cultural organization, it is included. With rare exception, *for-profit businesses and individual artists are excluded from this study.*

To collect the required financial and attendance information from eligible organizations, researchers implemented a multipronged data collection process. Americans for the Arts partnered with DataArts to collect detailed budget and attendance information about each organization’s fiscal year that ended in 2015. DataArts’ Cultural Data Profile (CDP) is a unique system that enables arts and cultural organizations to enter financial, programmatic, and operational data into a standardized online form. To reduce the survey response burden on participating organizations, and because the CDP collects the detailed information required for this economic impact analysis, researchers used confidential CDP data as the primary organizational data collection mechanism for the Arts & Economic Prosperity 5 study. This primary data collection effort was supplemented with an abbreviated one-page paper version of the survey that was administered to organizations that did not respond to the CDP survey.

Nationally, information was collected from 14,439 eligible organizations about their fiscal year 2015 expenditures, event attendance, in-kind contributions, and volunteerism. Responding organizations had

budgets ranging from \$0 to \$785 million (Smithsonian Institution). Response rates for the 341 communities ranged from 9.5 percent to 100 percent and averaged 54.0 percent. It is important to note that each study region's results are based solely on the actual survey data collected. No estimates have been made to account for nonparticipating eligible organizations. Therefore, the less-than-100 percent response rates suggest an understatement of the economic impact findings in most of the individual study regions.

In the City and County of San Francisco, 359 of the 559 eligible nonprofit arts and cultural organizations identified by the San Francisco Arts Commission participated in this study—a participation rate of 64.2 percent

Surveys of Nonprofit Arts and Cultural AUDIENCES

Audience-intercept surveying, a common and accepted research method, was conducted in all 341 of the study regions to measure event-related spending by nonprofit arts and culture audiences. Patrons were asked to complete a short survey while attending an event. Nationally, a total of 212,691 attendees completed a valid survey. The randomly selected respondents provided itemized expenditure data on attendance-related activities such as meals, retail shopping (e.g., gifts and souvenirs), local transportation, and lodging. Data were collected throughout 2016 (to account for seasonality) as well as at a broad range of both paid and free events (a night at the opera will typically yield more audience spending than a weekend children's theater production or a free community music festival, for example). The survey respondents provided information about the entire party with whom they were attending the event. With an overall average travel party size of 2.56 people, these data actually represent the spending patterns of more than 544,489 cultural attendees.

In the City and County of San Francisco, a total of 763 valid audience-intercept surveys were collected from attendees to arts and cultural performances, events, and exhibits during 2016.

Economic Analysis

A common theory of community growth is that an area must export goods and services if it is to prosper economically. This theory is called economic-base theory, and it depends on dividing the economy into two sectors: the export sector and the local sector. Exporters, such as automobile manufacturers, hotels, and department stores, obtain income from customers outside of the community. This "export income" then enters the local economy in the form of salaries, purchases of materials, dividends, and so forth, and becomes income to residents. Much of it is respent locally; some, however, is spent for goods imported from outside of the community. The dollars respent locally have an economic impact as they continue to circulate through the local economy. This theory applies to arts organizations as well as to other producers.

Studying Economic Impact Using Input-Output Analysis

To derive the most reliable economic impact data, input-output analysis is used to measure the impact of expenditures by nonprofit arts and cultural organizations and their audiences. This is a highly-regarded type of economic analysis that has been the basis for two Nobel Prizes. The models are systems of mathematical equations that combine statistical methods and economic theory in an area of study called econometrics. They trace how many times a dollar is respent within the local economy before it leaks out, and it quantifies the economic impact of each round of spending. This form of economic analysis is well suited for this study because it can be customized specifically to each study region.

To complete the analysis for the City and County of San Francisco, project economists customized

an input-output model based on the local dollar flow among 533 finely detailed industries within the unique economy of San Francisco County.

This was accomplished by using detailed data on employment, incomes, and government revenues provided by the U.S. Department of Commerce (County Business Patterns, the Regional Economic Information System, and the Survey of State and Local Finance), local tax data (sales taxes, property taxes, and miscellaneous local option taxes), as well as the survey data from the responding nonprofit arts and cultural organizations and their audiences.

The Input-Output Process

The input-output model is based on a table of 533 finely detailed industries showing local sales and purchases. The local and state economy of each community is researched so the table can be customized for each community. The basic purchase patterns for local industries are derived from a similar table for the U.S. economy for 2012 (the latest detailed data available from the U.S. Department of Commerce). The table is first reduced to reflect the unique size and industry mix of the local economy, based on data from County Business Patterns and the Regional Economic Information System of the U.S. Department of Commerce. It is then adjusted so that only transactions with local businesses are recorded in the inter-industry part of the table. This technique compares supply and demand and estimates the additional imports or exports required to make total supply equal total demand. The resulting table shows the detailed sales and purchase patterns of the local industries. The 533-industry table is then aggregated to reflect the general activities of 32 industries plus local households, creating a total of 33 industries. To trace changes in the economy, each column is converted to show the direct requirements per dollar of gross output for each sector. This direct-requirements table represents the “recipe” for producing the output of each industry.

The economic impact figures for Arts & Economic Prosperity 5 were computed using what is called an “iterative” procedure. This process uses the sum of a power series to approximate the solution to the economic model. This is what the process looks like in matrix algebra:

$$T = IX + AX + A^2X + A^3X + \dots + A^nX.$$

T is the solution, a column vector of changes in each industry’s outputs caused by the changes represented in the column vector X. A is the 33 by 33 direct-requirements matrix. This equation is used to trace the direct expenditures attributable to nonprofit arts organizations and their audiences. A multiplier effect table is produced that displays the results of this equation. The total column is T. The initial expenditure to be traced is IX (I is the identity matrix, which is operationally equivalent to the number 1 in ordinary algebra). Round 1 is AX, the result of multiplying the matrix A by the vector X (the outputs required of each supplier to produce the goods and services purchased in the initial change under study). Round 2 is A²X, which is the result of multiplying the matrix A by Round 1 (it answers the same question applied to Round 1: “What are the outputs required of each supplier to produce the goods and services purchased in Round 1 of this chain of events?”). Each of columns 1 through 12 in the multiplier effects table represents one of the elements in the continuing but diminishing chain of expenditures on the right side of the equation. Their sum, T, represents the total production required in the local economy in response to arts activities.

Calculation of the total impact of the nonprofit arts on the outputs of other industries (T) can now be converted to impacts on the final incomes to residents by multiplying the outputs produced by the ratios of household income to output and employment to output. Thus, the employment impact of changes in outputs due to arts expenditures is calculated by multiplying elements in the column of total outputs

by the ratio of employment to output for the 32 industries in the region. Changes in household incomes, local government revenues, and state government revenues due to nonprofit arts expenditures are similarly transformed. The same process is also used to show the direct impact on incomes and revenues associated with the column of direct local expenditures.

A comprehensive description of the methodology used to complete the national study is available at www.AmericansForTheArts.org/EconomicImpact.

"Americans for the Arts' Arts and Economic Prosperity 5 study is an invaluable tool for Guilford County and counties across the nation. The data it has collected and analyzed provide an unparalleled understanding of the influence of the arts on the economy, locally and nationally. It is vital that we continue to measure the impact of the arts on our economy to show our constituents and the nation its value. We are grateful for the work Americans for the Arts does to help us show what an important asset the arts are in the areas of education and health, both physical and mental, and as an economic driver."

— Kay Cashion, Commissioner, Guilford County, N.C.
Chair, National Association of Counties Arts & Culture Commission

Frequently Used Terms

Cultural Tourism

Travel directed toward experiencing the arts, heritage, and special character of a place.

Direct Economic Impact

A measure of the economic effect of the initial expenditure within a community. For example, when the symphony pays its players, each musician's salary, the associated government taxes, and full-time equivalent employment status represent the direct economic impact.

Direct Expenditures

The first round of expenditures in the economic cycle. A paycheck from the symphony to the violin player and a ballet company's purchase of dance shoes are examples of direct expenditures.

Econometrics

The process of using statistical methods and economic theory to develop a system of mathematical equations that measures the flow of dollars between local industries. The input-output model developed for this study is an example of an econometric model.

Econometrician

An economist who designs, builds, and maintains econometric models.

Full-Time Equivalent (FTE) Jobs

A term that describes the total amount of labor employed. Economists measure FTE jobs—not the total number of employees—because it is a more accurate measure of total employment. It is a manager's discretion to hire one full-time employee, two half-time employees, four quarter-time employees, etc. Almost always, more people are affected than are reflected in the number of FTE jobs reported due to the abundance of part-time employment, especially in the nonprofit arts and culture industry.

Indirect and Induced Economic Impact

This study measures the economic impact of the arts using a methodology that enables economists to track how many times a dollar is respent within the local economy, and thus to measure the economic impact generated by each round of spending. When a theater company purchases paint from the local hardware store, there is a measurable economic effect of that initial expenditure within a community. However, the economic benefits typically do not end there, because the hardware store uses some of its income to pay the clerk that sold the paint, as well as to pay its electric bill and to re-stock the shelves. The indirect and induced economic impacts are the effects of the subsequent rounds of spending by businesses and individuals, respectively. (See the example on Page 5 of this report.)

Input-Output Analysis

A system of mathematical equations that combines statistical methods and economic theory in an area of economic study called econometrics. Economists use this model (occasionally called an inter-industry model) to measure how many times a dollar is respent in, or “ripples” through, a community before it “leaks out” of the local economy by being spent non-locally (see Leakage below). The model is based on a matrix that tracks the dollar flow among 533 finely detailed industries in each community. It allows researchers to determine the economic impact of local spending by nonprofit arts and cultural organizations on jobs, household income, and government revenue.

Leakage

The money that community members spend outside of the local economy. This non-local spending has no economic impact within the community. A ballet company purchasing shoes from a non-local manufacturer is an example of leakage. If the shoe company were local, the expenditure would remain within the community and create another round of spending by the shoe company.

Multiplier (often called Economic Activity Multiplier)

An estimate of the number of times that a dollar changes hands within the community before it leaks out of the community (for example, the theater pays the actor, the actor spends money at the grocery store, the grocery store pays its cashier, and so on). This estimate is quantified as one number by which all expenditures are multiplied. For example, if the arts are a \$10 million industry and a multiplier of three is used, then it is estimated that these arts organizations have a total economic impact of \$30 million. The convenience of a multiplier is that it is one simple number; its shortcoming, however, is its reliability. Users rarely note that the multiplier is developed by making gross estimates of the industries within the local economy with no allowance for differences in the characteristics of those industries, usually resulting in an overestimation of the economic impact. In contrast, the input-output model employed in Arts & Economic Prosperity 5 is a type of economic analysis tailored specifically to each community and, as such, provides more reliable and specific economic impact results.

Resident Household Income (often called Personal Income)

The salaries, wages, and entrepreneurial income residents earn and use to pay for food, mortgages, and other living expenses. It is important to note that resident household income is not just salary. When a business receives money, for example, the owner usually takes a percentage of the profit, resulting in income for the owner.

Revenue to Local and State Government

Local and state government revenue is not derived exclusively from income, property, sales, and other taxes. It also includes license fees, utility fees, user fees, and filing fees. Local government revenue includes funds to city and county government, schools, and special districts.

Frequently Asked Questions

How were the 341 participating communities and regions selected?

In 2015, Americans for the Arts published a Call for Participants for communities interested in participating in the Arts & Economic Prosperity 5 study. Of the more than 300 participants that expressed interest, 250 agreed to participate and complete four participation criteria: (1) identify and code the universe of nonprofit arts and cultural organizations in their study region; (2) assist researchers with the collection of detailed financial and attendance data from those organizations; (3) conduct audience-intercept surveys at cultural events; and (4) pay a modest cost-sharing fee (no community was refused participation for an inability to pay). Thirty of the 250 partners included multiple regions as part of their participation (e.g., a county as well as a city located within the county); as a result, the 250 local, regional, and statewide partners represent a total of 341 participating study regions.

How were the eligible nonprofit arts organizations in each community selected?

Local partners attempted to identify their universe of nonprofit arts and cultural organizations using the Urban Institute's National Taxonomy of Exempt Entity (NTEE) codes as a guideline. Eligible organizations included those whose primary purpose is to promote appreciation for and understanding of the visual, performing, folk, and media arts. Government-owned and government-operated cultural facilities and institutions, municipal arts agencies and councils, private community arts organizations, unincorporated arts groups, living collections (such as zoos, aquariums, and botanical gardens), university presenters and cultural facilities, and arts programs that are embedded under the umbrella of a non-arts organization or facility (such as a hospital or church) also were included if they play a substantial role in the cultural life of the community. For-profit businesses and individual artists are excluded from this study.

What type of economic analysis was done to determine the study results?

An input-output economic analysis was customized for each of the participating study regions to determine the economic impact its nonprofit arts and cultural organizations and arts audiences. Americans for the Arts, which conducted the research, worked with highly regarded economists to design the input-output models.

What other information was collected in addition to the arts surveys?

In addition to detailed expenditure data provided by the surveyed organizations and cultural attendees, researchers and economists collected extensive wage, labor, tax, and commerce data provided by the U.S. Department of Commerce (County Business Patterns, the Regional Economic Information System, and the Survey of State and Local Finance), as well as local and state tax data for use in the input-output analyses.

Why doesn't this study use a multiplier?

When many people hear about an economic impact study, they expect the result to be quantified in what is often called a multiplier or an economic activity multiplier. The economic activity multiplier is an estimate of the number of times a dollar changes hands within the community (e.g., a theater pays its actor, the actor spends money at the grocery store, the grocery store pays the cashier, and so on). It is quantified as one number by which expenditures are multiplied. The convenience of the multiplier is that it is one simple number. Users rarely note, however, that the multiplier is developed by making gross estimates of the industries within the local economy

and does not allow for differences in the characteristics of those industries. Using an economic activity multiplier usually results in an overestimation of the economic impact and therefore lacks reliability.

Why are the admissions expenses excluded from the analysis of audience spending?

Researchers assume that any admissions dollars paid by event attendees are typically collected as revenue for the organization that is presenting the event. The organization then spends those dollars. The admissions paid by audiences are excluded because those dollars are captured in the operating budgets of the participating nonprofit arts and cultural organizations. This methodology avoids “double-counting” those dollars in the analysis.

How is the economic impact of arts and culture organizations different from other industries?

Any time money changes hands there is a measurable economic impact. Social service organizations, libraries, and all entities that spend money have an economic impact. What makes the economic impact of arts and culture organizations unique is that, unlike most other industries, they induce large amounts of related spending by their audiences. For example, when patrons attend a performing arts event, they may purchase dinner at a restaurant, eat dessert after the show, and return home and pay the baby-sitter. These expenditures have a positive and measurable impact on the economy.

Will my local legislators believe these results?

Yes, this study makes a strong argument to legislators, but you may need to provide them with some extra help. It will be up to the user of this report to educate the public about economic impact studies in general and the results of this study in particular. The user may need to explain (1) the study methodology used; (2) that economists created an input-output model for each community and region in the study; and (3) the difference between input-output analysis and a multiplier. The good news is that as the number of economic impact studies completed by arts organizations and other special interest areas increases, so does the sophistication of community leaders whose influence these studies are meant to affect. Today, most decision makers want to know what methodology is being used and how and where the data were gathered.

You can be confident that the input-output analysis used in this study is a highly-regarded model in the field of economics (the basis of two Nobel Prizes in economics). However, as in any professional field, there is disagreement about procedures, jargon, and the best way to determine results. Ask 12 artists to define art and you may get 12 answers; expect the same of economists. You may meet an economist who believes that these studies should be done differently (for example, a cost-benefit analysis of the arts).

How can a community not participating in the Arts and Economic Prosperity 5 study apply these results?

Because of the variety of communities studied and the rigor with which the Arts & Economic Prosperity 5 study was conducted, nonprofit arts and cultural organizations located in communities that were not part of the study can estimate their local economic impact. Estimates can be derived by using the Arts & Economic Prosperity 5 Calculator (found at www.AmericansForTheArts.org/EconomicImpact). Additionally, users will find sample PowerPoint presentations, press releases, Op-Ed, and other strategies for proper application of their estimated economic impact data.

Acknowledgments

Americans for the Arts expresses its gratitude to the many people and organizations who made *Arts & Economic Prosperity 5: The Economic Impact of Nonprofit Arts and Cultural Organizations and Their Audiences in the City and County of San Francisco* possible and assisted in its development, coordination, and production. A study of this size cannot be completed without the collaboration of many partnering organizations.

Generous funding for this project was provided by the San Francisco Arts Commission, which also served as the local project partner and as such was responsible for the local implementation and data collection requirements of this customized analysis for the City and County of San Francisco.

Special thanks to the John D. and Catherine T. MacArthur Foundation, the Barr Foundation, and The Ruth Lilly Fund of Americans for the Arts for their financial support of the national implementation of Arts & Economic Prosperity 5.

Finally, each of our 250 local, regional, and statewide research partners contributed time and/or financial support toward the completion of this national study. We thank each and every one of them for committing the time and resources necessary to achieve success. A study of this magnitude is a total organizational effort; appreciation is extended to the entire board and staff of Americans for the Arts. The research department responsible for producing this study includes Randy Cohen, Ben Davidson, Isaac Fitzsimons, and Graciela Kahn.

The City and County of San Francisco's Participating Nonprofit Arts and Cultural Organizations

This study could not have been completed without the cooperation of the 359 nonprofit arts and cultural organizations in the City and County of San Francisco, listed below, that provided detailed financial and event attendance information about their organization.

1 Brush Initiative; 3Rd I South Asian Independent Film; 42Nd Street Moon; 509 Cultural Center; 826 Valencia; Aaacc; Abada-Capoeira San Francisco; Abd Productions / Anne Bluethenthal & Dancers; Acción Latina; Acecc; African Advocacy Network; African And African American Performing Arts Coalition; African-American Shakespeare; Afrosolo Theatre Company; Alliance For California Traditional Arts; Alonzo King Lines Ballet; American Bach Soloists; American Conservatory Theater; American Indian Film Institute; American Institute Of Graphic Arts - San Francisco Chapter; Amy Seiwert's Imagery; Arab Cultural And Community Center; Arab Film Festival; Artists Guild Of San Francisco; Artists' Television Access; Artseed; Artspace; Asian American Women Artists Association; Asian Art Museum Foundation; Asian Improv Arts; Asian Pacific Islander Cultural Center; Asociacion Mayab; Aunt Lute Foundation DbA Aunt Lute Books; Bats Improv; Bay Area American Indian Two-Spirits; Bay Area Omni Foundation For The Performing Arts; Bay Area Rainbow Symphony; Bay Area Women in Film and Media; Bay Bridged; Bayview Hunters Point Center For Arts And Technology; Bayview Opera House; Beat Within; Berlin & Beyond; Bernal Heights Outdoor Cinema; Bindlestiff Studio; Bird & Beckett Cultural Legacy Project; Blue Bear School Of Music; Book Club Of California; Boxcar Theatre; Boys & Girls Clubs Of San Francisco; Brava For Women In The Arts; Burning Man Project (San Francisco); California Dragon Boat Association; California Historical Society; California Lawyers For The Arts (San Francisco); California Poets In The Schools; Californians For The Arts; Caminos Flamencos; Campo Santo; Canyon Cinema Foundation; Capacitor Performance; Carnaval San Francisco; Carolina

Lugo & Carole Acuna Ballet Flamenco; Cartoon Art Museum; Castro Street Fair; Cca Wattis Institute For Contemporary Arts; Cca-Sf Public Programs; Center For Asian American Media; Center For New Music; Center For The Art Of Translation; Central Market Arts; Cesar Chavez Holiday Breakfast, Parade And Festival; Chamber Music San Francisco; Chhandam Chitresh Das Dance Company; Children After School Arts (Casa); Children's Creativity Museum; Children's Theatre Association Of San Francisco; Chinese Cultural Productions; Chinese Culture Foundation Of San Francisco; Chinese For Affirmative Action; Chinese Historical Society Of America; Chinese New Year Parade; Chinese Progressive Association; Chinese Whispers; Chrysalis Studio; Cinco De Mayo; Circo Zero; Circuit Network; Circus Bella; Circus Center; City Arts & Lectures; Columbus Day Celebration; Comedy Celebration Day; Comite Mexicano De San Francisco; Commonwealth Club Of California; Community Arts Stabilization Trust; Community Music Center; Contemporary Jewish Museum; Counterpulse; Creative Canopy; Creative Labor; Creativity Explored Gallery Program; Croatian Cultural Center of SF; Crowded Fire Theater Company; Cubacaribe; Cultural Conservancy; Custom Made Theatre Company; Cutting Ball Theater; Cypress Performing Arts Association; Dance Anywhere®; Dance Brigade; Dance Kaiso; Dancers' Group; Dancing Earth Creations; Dawsondancesf; Deborah Slater Dance Theater; Del Sol Performing Arts Organization; Diasporic Vietnamese Artists Network; Divafest; Duniya Dance And Drum Company; Earplay; Eldergivers; Embodiment Project; Emerging Arts Professionals San Francisco / Bay Area; Encore Theatre Company; Epiphany Productions Sonic Dance Theater; Eth-Noh-Tec; Eureka Theatre; Exhibit Envoy; Exitheatre; Exploratorium; Eye Zen Presents; Fact/Sf; Fei Tian Academy Of The Arts California; Fifth Stream Music; Filipino-American Development Foundation; First Exposures; First Voice; Flyaway Productions; Fogg Theatre; Foggy City Dancers; Folsom Street Events; Foolsfury Theater; Footloose Dance Company; For-Site Foundation; Fort Mason Center; Foundry/Alex Ketley; Frameline; Free History Project Inc; Fresh Meat Productions; Frozen Film Festival; Funsch Dance Experience; Galeria Studio 24; Garrett Moulton Productions; Gay, Lesbian, Bisexual, Transgender Historical Society; Genryu Arts; Ghiberti Foundation; Golden Gate Men's Chorus; Golden Gate Performing Arts; Golden Thread Productions; Gray Area Foundation For The Arts; Hope Mohr Dance; Hospitality House Community Arts Program; Humanities West; Hyphen; Ictus; Idiot String; Idris Ackamoor & Cultural Odyssey; Imagine Bus Project; Independent Arts & Media; Independent Television Service; Instituto Familiar De La Raza; International Art Museum Of America; Intersection For The Arts; Irish Pipers Band Of San Francisco; Irish-American Crossroads Festival; Jccsf Arts & Ideas; Jccsf Goldman Center; Jerry Day; Jess Curtis/Gravity; Joe Goode Performance Group; Katharine Hawthorne; Kearny Street Workshop; Kinetech Arts; Kronos Performing Arts Association; Kulintang Arts; La Alternativa; La Pocha Nostra; Lab; Lamplighters Music Theatre; Larkin Street Youth Services; Leap...Imagination In Learning; Left Coast Chamber Ensemble; Lenora Lee Dance; Lesbian/Gay Chorus Of San Francisco; Levydance; Lieder Alive!; Likha-Pilipino Folk Ensemble; Liss Fain Dance; Litquake; Living Dream Arts; Lobster Theater Project; Loco Bloco; Long Now Foundation; Magic Theatre; Magnificat; Margaret Jenkins Dance Company; Marines' Memorial Theatre; Marsh, A Breeding Ground For New Performance; Mediate Art Group; Melody Of China; Metro Theatre Center Foundation; Mexican Museum; Mfdpsf; Mission Cultural Center For Latino Arts; Mixed Bag Productions; Morrison Artists Series; Motion Institute; Moving Beyond Productions; Museo Italoamericano; Museum Of Joy; Museum Of Performance + Design; Museum Of The African Diaspora; Musical Traditions Inc; Na Lei Hulu I Ka Wekiu Hula Halau; Nagata Dance; National Japanese American Historical Society; Navarrete X Kajiya Dance Theater; New Century Chamber Orchestra; New Conservatory Theatre Center; Nexmap; Nhonmachi Street Fair; Ninth Street Media Consortium; Noe Valley Chamber Music; Noontime Concerts; Northern California Music & Art Culture Center; Odc Theater; Odc/Dance; Ohlone Profiles Project; Old First Concerts; Opera Parallèle; Other Minds; Ox.; People In Plazas; Performing Arts Workshop; Philharmonia Baroque Orchestra; Phoenix Arts Association Theatre; Photoalliance; Playground; Pocket Opera; Portola Family Connection Center; Post:Ballet; Precita Eyes Muralists

Association; Presidiodancetheatre; Push Dance Company; Queer Cultural Center; Queer Rebel Productions; Queer Women Of Color Media Arts Project - Qwocmap; Quiet Lightning; Radar Productions; Rawdance; Red Poppy Art House; Resound Ensemble; Robert Moses Kin; Root Division; Rova:Arts; Roxie Theater; Ruby's Clay Studio and Gallery; Russian Festival Of San Francisco; Safehouse For The Performing Arts; Sakura Matsuri; San Francisco Architectural Heritage; San Francisco Art Institute; San Francisco Arts Commission; San Francisco Bach Choir; San Francisco Ballet; San Francisco Boys Chorus; San Francisco Center For The Book; San Francisco Chamber Orchestra; San Francisco Chanticleer; San Francisco Choral Artists; San Francisco Choral Society; San Francisco Cinematheque; San Francisco Conservatory Of Music; San Francisco Contemporary Music Players; San Francisco Dance Film Festival; San Francisco Dyke March; San Francisco Film Society; San Francisco Friends Of Chamber Music; San Francisco Girls Chorus; San Francisco Green Film Festival; San Francisco Gu-Zheng Music Society; San Francisco Hip Hop Dancefest; San Francisco Independent Film Festival; San Francisco International Arts Festival; San Francisco Jewish Film Festival; San Francisco Juneteenth; San Francisco Lesbian Gay Bisexual Transgender Pride Celebration Committee; San Francisco Lesbian/Gay Freedom Band; San Francisco Live Arts; San Francisco Museum Of Modern Art; San Francisco Opera Association; San Francisco Opera Guild; San Francisco Performances; San Francisco Playhouse; San Francisco Shakespeare Festival; San Francisco State University / Poetry Center; San Francisco Symphony; San Francisco Transgender Film Festival; San Francisco Youth Theatre; Scott Wells & Dancers; Sew Productions Lorraine Hansberry Theatre; Sf Autumn Moon Festival; Sf Camerawork; Sf Juneteenth; Sf World Music; Sfjazz; Sfsound; Sfsud/Kalw Public Radio; Shadowlight Productions; Sharp & Fine; Shipyard Trust For The Arts; Silent Film Festival; Sixth Street Photography Workshop; Smuin Ballets-Sf; Society For Art Publications Of The Americas; Somarts Cultural Center; Southern Exposure; Stagewrite; Stern Grove Festival Association; Still Here Productions; Streetside Stories; Switchboard Music; Tableau Stations / Isak Immanuel; Teaching Artist Support Collaborative Of California; Teaching Artists Guild; Theatre Bay Area; Theatre Flamenco; Theatre Of Yugen; Theatre Rhinoceros; Three Girls Theatre Company; Topsy-Turvy Queer Circus; Trans March; United Irish Societies Of San Francisco; Urban Jazz Dance; Village Project; Voices Of Music Inc; Volti; Voz Sin Tinta; We Players; Women's Audio Mission; World Arts West; Yerba Buena Arts & Events; Yerba Buena Center For The Arts; Young Audiences Of Northern California; Young Women's Choral Projects; Youth Art Exchange/Tides Center; Youth Speaks; and Z Space Studio.

The City and County of San Francisco's Participating Cultural Event Attendees

Additionally, this study could not have been completed without the cooperation of the 763 arts and cultural audience members who generously took the time to complete the audience-intercept survey while attending a performance, event, or exhibit within the City and County of San Francisco during calendar year 2016.



AMERICANS FOR THE ARTS IS THE NATION'S LEADING NONPROFIT ORGANIZATION FOR ADVANCING THE ARTS IN AMERICA. ESTABLISHED IN 1960, WE ARE DEDICATED TO REPRESENTING AND SERVING LOCAL COMMUNITIES AND CREATING OPPORTUNITIES FOR EVERY AMERICAN TO PARTICIPATE IN AND APPRECIATE ALL FORMS OF THE ARTS.



The following national organizations partner with Americans for the Arts to help public- and private-sector leaders understand the economic and social benefits that the arts bring to their communities, states, and the nation.

Cover: Andrew Shurtleff Photography

(Clockwise from Top) Concert for Miami, Knight Concert Hall, Miami-Dade, FL.; Photos from the Broward 100 'InsideOut' campaign "Creatives Making a Difference in Hollywood". Presented by the Community Redevelopment Agency of Hollywood and supported by the Downtown Hollywood Mural Project and the Art and Cultural Center of Hollywood, FL. Photo by Jill Weisberg; The Pool, El Paso Museums & Cultural Affairs Department, TX. Photo by Jen Lewin.; Dancer at outdoor performance. Fulton County Arts Council, GA. Photo by CGC Studios.

