



THE CITY OF SAN DIEGO REPORT TO THE CITY COUNCIL

DATE ISSUED: September 25, 2012 REPORT NO: 12-120

ATTENTION: Economic Development & Strategies Committee

SUBJECT: Commission for Arts and Culture Penny for the Arts Five-Year Blueprint

REQUESTED ACTION:

Approve recommendations outlined in this report.

EXECUTIVE SUMMARY:

Funding for the San Diego Commission for Arts and Culture (Commission) contributes significantly to the City of San Diego's (City's) economic growth through returns on investment in the areas of economic development, job growth, cultural tourism, attraction and retention of businesses, and the renovation and creation of valuable art and civic assets. Arts and culture are the "soul" of our City and they support our quality of life, benefit diverse communities and neighborhoods and make our City vibrant. Increasing the Commission's funding by approving the recommendations presented herein comprising the Penny for the Arts Five-Year Blueprint (Blueprint) will greatly increase the positive impact that the Commission's myriad programs have on the financial well-being of the City.

RECOMMENDATIONS:

1. **Restore Funding to the OSP and CCSD Allocations Programs:** Restore Organizational Support Program (OSP) and Creative Communities San Diego (CCSD) to FY 2002 funding levels with an emphasis on non-profit organizations' financial stability and organizational development to sustain and increase high quality, innovative exhibitions and performances as well as festivals, neighborhood arts programs and education and outreach programs that meaningfully serve San Diego's diverse audiences, and in particular underserved communities and youth.
2. **Contribute Annual Allocations to the Public Art Fund:** Contribute annual allocations to the Public Art Fund for 1) the community-based creation of new public artworks for each neighborhood in San Diego; 2) activities which improve public access to, and experience with, the City's public art collection, and 3) activities related to preserving the value and integrity of each artwork.

3. **Re-establish the Arts and Culture Festival Revolving Fund:** Re-establish the Arts and Culture Festival Revolving Fund with an immediate focus on the 2015 Centennial Celebration of Balboa Park (Centennial Celebration); including festival planning and administration, providing direct support to exhibitions and performances, and for future major arts and culture festivals.
4. **Support Special Projects and Initiatives:** Support special projects and initiatives including allocating funds for restoration and improvements of valuable cultural facilities (Building Capital Grants Fund) and marketing programs that position San Diego as an international cultural tourism destination.

Implementing each of the above recommendations comprising the Blueprint will also bolster the capacity of the Commission to initiate programs that deepen public/private partnerships and strengthen collaborations among arts and culture organizations.

BACKGROUND:

The Commission is the City's officially-designated local arts agency, established in 1988 to serve in an advisory capacity to the Mayor and City Council on promoting, encouraging and increasing support for the region's artistic and cultural assets, integrating arts and culture into community life and showcasing San Diego as an international cultural tourist destination. The Commission and its programs are guided by SDMC 26.0701 et seq., City Council Policy 100-03 and City Council Policy 900-11.

Funded through the Transient Occupancy Tax (TOT), the Commission administers the City's Public Art Program, Allocations Programs and Arts and Culture Festival Revolving Fund. Over the years, it was the Mayor/City Council's intent to dedicate one cent of the 10.5% of TOT (or 9.52%) to ensure appropriate growth in arts funding - thus the call for "A Penny for the Arts" (Penny). By FY 2002, arts and culture funding exceeded the Penny goal at over \$10.8 million. For FY 2013, funding levels are projected to be about a half-penny of TOT revenue or approximately \$7.9 million. In FY 2012, the City Council requested that the Commission conduct community outreach and gain stakeholder input on developing a three to five year plan to reach the Penny goal. In response to stakeholder input, this report proposes a series of prioritized recommendations and a Blueprint with a five-year funding scenario.

Over the years, Mayors, City Councilmembers, Arts and Culture Commissioners and arts and culture advocates have espoused numerous arguments for supporting arts and culture in the City. The argument that has traditionally received the most widespread support is economic impact. This argument demonstrates that the City's investment in arts and culture results in a series of income-generating outcomes for the City: increased expenditures by the funded organizations, increased number of jobs supported by arts and culture organizations, increased spending by cultural tourists, increased arts-related spending (dinners out, parking, babysitters, etc.) by arts and culture audiences, and economic development in neighborhoods where arts and culture organizations reside. This report presents evidence to support these claims. In addition to the economic arguments, arts and culture advocates also point out that the arts are valuable tools

used by teachers to strengthen teaching and learning in all subjects, for bringing diverse communities together, for working with persons with physical and mental disabilities, for providing safe, creative and educational opportunities for teens, for working with troubled youth and for providing stimulating and rewarding activities for seniors.

These messages have been enthusiastically supported by Mayor Sanders in countless forums from his State of the City addresses and press conferences to local and national arts summits. Under his leadership, the arts and culture community has survived and thrived. Not only have our Tony Award-winning theaters continued to receive national accolades, our Symphony celebrated 100 triumphant years, our museums hosted numerous blockbuster shows and our neighborhoods came alive with festivals and public art. In addition, new venues and arts centers continue to grow, including the North Embarcadero Visionary Plan, a new theater in North Park and at the Old Globe, a new arts and culture destination at the former Naval Training Center and a flourishing arts district at Market Creek, to name just a few examples. Mayor Sanders' leadership has provided a foundation for fiscal stability. As an example, major efforts are underway to produce a successful Centennial Celebration and the groundwork has been laid for San Diego to become a city renowned for its innovative and vibrant artistic and cultural life.

Now with the economy recovering and tourism growing, the Commission recommends a five-year phase-in of a budget that would bring arts and culture funding to the "Penny" that advocates and policymakers alike have been working toward for decades. If given the financial resources, the Commission would endeavor to implement the recommendations outlined in this report.

Three recent reports demonstrate the positive economic impact of arts and culture in San Diego.

1. The Commission's *2011 Economic and Community Impact Report* demonstrated a significant return on the City's investment and provides evidence that arts and cultural organizations are instrumental in making San Diego a vibrant city. The major findings from that report are summarized in Table 1.

Table 1: Economic impact of the City's Organizational Support Program (OSP)

Number of organizations	68
Funding from the City	\$5.8 million
Total earned revenue	\$107 million
Total contributed revenue	\$95 million
Total expenditures	\$170 million
Expenditures on salaries and other workers	\$98 million
Size of workforce	6,000
Size of volunteer force	11,600 (including 1,120 board members)
Paid admissions	2.7 million
Free admissions	3.65 million
Number of out-of-town visitors	2 million
Economic impact of cultural tourists	\$561 per trip, as opposed to \$235 per trip for the average tourist

Data compiled by staff at the City of San Diego Commission for Arts and Culture and the California Cultural Data Project, 2011.

2. *Arts & Economic Prosperity IV*, the most comprehensive economic impact study of the nonprofit arts and culture industry ever conducted in the United States by Americans for the Arts, the nation's leading nonprofit organization for advancing the arts and arts education, reported the overall economic impact of the nonprofit arts and culture industry in the City. Data was collected from 120 eligible nonprofits arts and culture organizations in San Diego including the 68 organizations funded by the Commission's OSP. In addition to spending by organizations, this report also examined spending by its audiences (excluding the cost of admission). As a result of attending a cultural event, attendees often eat dinner in local restaurants, pay for parking, buy gifts and souvenirs, and pay a babysitter. What's more, attendees from out of town often stay overnight in a local hotel. These findings are summarized in Table 2.

Table 2: Economic impact of nonprofit arts and culture organizations and audiences in the City

Number of organizations	120
Total expenditures by businesses	\$238 million
Total expenditures by audiences	\$341 million
Total expenditures (businesses plus audiences)	\$579 million
Full time equivalent jobs supported by businesses	9,844
Full time equivalent jobs supported by audiences	7,973
Total full time equivalent jobs supported by businesses plus audiences	17,817
Attendance	7.8 million

Americans for the Arts, Arts and Economic Prosperity IV, 2011.

3. The *2012 Creative Industries: Business & Employment in the Arts Report* using data from Dun & Bradstreet, widely acknowledged as a comprehensive and trusted source for business information in the United States, offers a research-based approach to understanding the scope and importance of the arts to the nation's economy. While most economic impact studies of the arts have focused on the nonprofit sector (such as Tables 1 and 2 above), Creative Industries is the first national study that encompasses both the nonprofit and for-profit arts industries. Table 3 summarizes this report's findings.

Table 3: The top 15 cities in the nation for arts-related businesses and jobs

	City	# of Arts-Related Businesses		City	# of Arts-Related Jobs
1	New York, NY	33,173		New York, NY	238,127
2	Los Angeles, CA	24,072		Los Angeles, CA	113,607
3	Chicago, IL	8,454		Chicago, IL	53,603
4	Houston, TX	7,944		Philadelphia, PA	41,146
5	San Francisco, CA	6,186		San Francisco, CA	32,413
6	Dallas, TX	6,184		Dallas, TX	32,362
7	Seattle, WA	5,765		Houston, TX	29,514
8	San Diego, CA	5,574		Washington, DC	26,537
9	Phoenix, AZ	4,503		San Diego, CA	26,286
10	Austin, TX	4,345		Seattle, WA	23,367
11	Philadelphia, PA	3,854		Atlanta, GA	22,826
12	Portland, OR	3,705		Boston, MA	20,889
13	San Antonio, TX	3,630		Phoenix, AZ	17,265
14	Denver, CO	3,613		Denver, CO	16,585
15	Atlanta, GA	3,573		Austin, TX	16,180

Americans for the Arts, Creative Industries Report, 2012.

- In addition to their economic benefits, arts and culture are also effective tools for teaching and learning across the curriculum. In an effort to help teachers, schools and community organizations use the arts to improve learning outcomes for youth and to strengthen their communities, organizations funded through the Commission's OSP provide arts education and arts exposure activities in every City Council District. Table 4 summarizes the extent of these "outreach" programs.

Table 4: The extent to which the OSP served constituents in City Council Districts (FY11)

	Outreach to K-12 Schools		Outreach to Community Organizations		Inreach (K-12 schools and Community organizations)	
Council District	Number of visits	Number of contacts	Number of visits	Number of contacts	Number of visits	Number of contacts
1	145	26,676	176	102,595	403	23,737
2	131	17,675	205	49,223	744	60,297
3	113	18,494	136	50,603	377	27,895
4	139	24,441	30	6,143	246	18,832
5	65	15,855	54	5,227	223	15,394
6	127	23,823	127	23,825	867	19,849
7	84	10,695	40	19,246	481	11,858
8	77	14,233	30	6,905	252	18,406
Totals	881	151,892	798	263,767	3,593	196,268

Data compiled by Commission staff, 2011.

These studies support allocating TOT to a vibrant arts and culture community and fully implementing City Council Policy 100-03, which provides (among other things) for the funding and support of arts and culture priorities.

Summary of Relevant Portions of Council Policy 100-03:

1. The purpose of TOT is to advance the City's economic health by promoting the City of San Diego as a visitor destination in the national and international marketplace; supporting programs that increase hotel occupancy and attract industry, resulting in the generation of TOT and other revenue; developing, enhancing, and maintaining visitor-related facilities; and supporting the City's cultural amenities and natural attractions.
2. Four cents of the 10.5% TOT used for the purpose of promoting the City is the primary source of arts funding.
3. Eligible programs that relate to arts and culture funding fall into several major categories, one of which is:
 - c. Arts, Culture and Community Festivals - To enhance the economy and contribute to San Diego's reputation as a cultural destination by nurturing and maintaining art and culture institutions of national and international reputation; by supporting programs and projects that provide access to excellence in culture and the arts for residents and visitors; and by funding programs and events which enrich the lives of the people of San Diego and build healthy, vital neighborhoods.

RECOMMENDATIONS TO IMPLEMENT THE BLUEPRINT:

By adopting and moving forward with the Blueprint, the City will help ensure its continued growth as a world class arts and culture destination; a place where residents of all ages and backgrounds can appreciate and share their cultures and enjoy a quality of life second to no other city in America.

1. Restore Funding to the OSP and CCSD Allocations Programs

Through an open, transparent and competitive process, the Commission annually contracts for services with San Diego nonprofit arts and culture organizations. Organizations can choose to apply for funding in one of two Allocations Programs. Funding for both programs comes from TOT revenues earmarked as Special Promotional Program in the City's Proposed Budget:

- A. The OSP provides operational support to San Diego's nonprofit arts and culture organizations. For FY 2013, the Commission's OSP will administer funding to 77 arts, culture, history and science organizations (an increase from 75 organizations in FY 2012) for reimbursement of personnel and operating expenses. The OSP fosters the vitality and stability of San Diego's prominent and established arts organizations and cultural institutions. This funding also enables arts and culture organizations to promote San Diego as a cultural destination. At the same time, funding is used to create an environment which attracts and nurtures new and emerging arts and culture

organizations. Funding in this category allows diverse organizations to stabilize and advance toward institutional status, as well as provide arts education programs and outreach to underserved communities. The proposed five-year Penny for the Arts Blueprint restores OSP to the FY 2002 funding level.

- B. The CCSD program provides project-specific support to a variety of San Diego's nonprofit organizations. For FY 2013, the Commission's CCSD program will administer funding to 44 non-profit organizations (an increase from 32 organizations in FY 2012) for reimbursement of expenses for projects that support access and participation in arts and culture and are tailored to the needs of San Diego's diverse communities. Eligible projects increase opportunities for San Diego residents and visitors to create, learn about, enjoy and participate in cultural experiences. These projects enrich the lives of the people of San Diego and build healthy, safe, vital neighborhoods. CCSD projects include, but are not limited to, annual celebrations that attract tourists to San Diego such as neighborhood festivals and parades, public art, "happenings," and a broad range of other activities and events that enable diverse populations to engage in quality arts and culture experiences together. Restoring CCSD funding to the FY 2002 level will enable the Commission to contract for more arts services in underserved neighborhoods, as well as increase support to arts and culture activities for youth in afterschool programs, and provide additional inreach activities in schools and community centers.

2. Contribute Annual Allocations to the Public Art Fund

The Commission seeks to provide meaningful aesthetic and cultural experiences for San Diego's residents and visitors through many forms of public art. One vehicle the Commission utilizes to achieve this goal is annual funding allocations to the Commission's Public Art Fund, which may be used for 1) activities that improve public access to and experience with the City's public art collection (Collection), 2) activities related to preserving the value and integrity of each artwork contained in the Collection, and 3) the community-based creation of new public artworks for each neighborhood in San Diego.

The City's Public Art Program is guided by the principles and recommendations contained in the General Plan, the 2004 Public Art Master Plan and Council Policy 900-11. The Collection is over 100 years old and contains more than 700 artworks. Over 100 of those artworks were commissioned in connection with the City's public works projects and are sited throughout all of San Diego's council districts.

3. Re-establish an Arts and Culture Festival Revolving Fund

The Blueprint proposes that the Arts and Culture Festival Revolving Fund (Revolving Fund), which was first created with the Commission's budget between 1988 and 1990, be fully reestablished by FY 2017. One event that would specifically benefit from the reestablishment of the Revolving Fund is the Centennial Celebration, which will commemorate the 100th anniversary of the 1915 Panama – California Exposition and for which planning is well underway. In retrospect, the original event in 1915 could be considered a "world's fair" due to its scope and lasting heritage. While the primary venue of that event was the fledgling Balboa

Park, the overriding theme was a celebration of progress, prosperity and opportunity as represented by the completion and opening of the Panama Canal with San Diego as the first U.S. port-of-call for northbound maritime trade. The scope of the Centennial Celebration is still to be determined, but as a milestone event in the City's history, it represents once again, an opportunity to focus the eyes of the state, the nation and perhaps the world on San Diego.

It is recommended that the reinstitution of the Revolving Fund begin in FY 2013; a sort of "front-loading" to allow the Commission to provide support to 2015 Celebration Inc. with its planning and administration needs, as well as to help underwrite responses to a Request for Proposal (RFP) that was submitted to current Commission contractors. Forty-two such contractors responded to the RFP prior to the September 7, 2012 deadline, proposing arts and culture projects and festival activities throughout San Diego and in Balboa Park in 2014 and 2015. The total estimated cost to implement these projects and festival activities exceeds \$20 million, \$2 million of which has been requested from the Commission in the contractors' responses to the RFP.

Following the Centennial Celebration, funding from the Revolving Fund will be earmarked for other future large scale arts and culture projects and festivals in support of activities such as the San Diego Zoo's 100th anniversary celebration in 2016 (2016 Celebration). As with Balboa Park and its Centennial Celebration, the 2016 Celebration will honor another jewel of the City that draws cultural tourists from all over the world year after year.

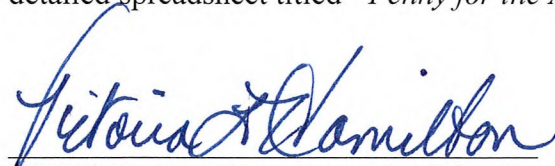
4. Support Special Projects and Initiatives

- A. Develop a mechanism to implement a funding program to support capital improvement and restoration needs of cultural facilities throughout the City (Building Capital Grants Fund). The Building Capital Grants Fund will address deferred maintenance needs and much needed physical improvements to cultural facilities such as the Civic Theatre, Balboa Park facilities related to the newly established Balboa Park Conservancy, the NTC Arts and Culture District buildings and the North Park Theatre, to name a few.
- B. Invest in Cultural Tourism Marketing initiatives and partnerships such as the *Fall for the Arts* campaign, ConVis marketing programs and new inter-agency collaborations targeting cultural tourists throughout the world. This year, the *Fall for the Arts* campaign is a month-long spotlight on the many vibrant arts and cultural activities throughout the region in conjunction with National Arts and Humanities Month. Special programs, discounts, incentives and activities will be offered throughout the region during the entire month providing countless opportunities to experience the arts in San Diego. Local arts and culture organizations will present hundreds of free and very-low-cost events to ensure that residents and visitors can get more "bang for their buck." Developing cultural tourism programs also meets the goals of the City's General Plan.

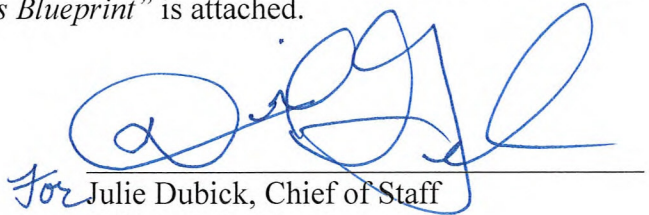
5. Required Annual Report

A key aspect of the Blueprint will be a level of accountability provided via a required annual report from the Commission. Each such annual report will include an update of total TOT funds received by the Commission, how those funds were utilized across the stated funds and goals delineated in the Blueprint, and a detailed summary of the impact (both economic and non-economic) resulting from the programs, projects and festivals initiated and/or supported by the Commission.

In conclusion, the Commission seeks City Council approval for the Blueprint, which will gradually restore arts and culture funding to FY 2002 funding levels by FY 2017. With the increased funding of the Blueprint, existing programs and funds such as the Organizational Support Program, Creative Communities San Diego, the Public Art Fund and the Commission's administrative budget will be bolstered, and new programs and funds such as a reestablished Arts and Culture Festival Revolving Fund, a Building Capital Grants Fund and Cultural Tourism Marketing initiatives will greatly expand the good work of which the Commission is capable. A detailed spreadsheet titled "*Penny for the Arts Blueprint*" is attached.



Victoria L. Hamilton, Executive Director
Commission for Arts and Culture



For Julie Dubick, Chief of Staff
Office of the Mayor

COMMUNITY PARTICIPATION AND OUTREACH:

Stakeholder Meetings:

- Three Commission meetings
- Four Commission Committee meetings
- Balboa Park Cultural Partnership
- Cultural Leaders Group
- NTC Foundation
- San Diego Regional Arts and Culture Coalition

ATTACHMENTS:

- Penny for the Arts Blueprint Spreadsheet
- History of Arts and Culture Funding Since 2002
- Stakeholders Attendance
- Municipal Code Chapter02/Ch02Art06Division07.pdf
- Council Policy 100-03
- Council Policy 100-09
- Council Policy 900-11