

Economic Impact of the Regional Performing Arts Center

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Executive Summary

As plans for Philadelphia's new \$245 million performing arts center move forward, the region's arts organizations and audiences look forward to the cultural impact that such a project will have. Known as RPAC—the Regional Performing Arts Center—the project is anticipated to function as a “showplace” for the region's arts community and increase overall performance capacity.

In addition to these benefits, RPAC is expected to provide an economic boost to Philadelphia and Pennsylvania. First, the construction of the new performing arts facility will mean a temporary increase in spending and jobs as construction materials are purchased and workers are hired. Once the new facility is up and running, the performances there and at the Academy of Music (RPAC's other venue) will mean ongoing economic activity, a portion of which is expected to represent an increase over current levels of activity.

To understand all phases of the economic benefits associated with RPAC, the RPAC organization asked the Pennsylvania Economy League (PEL) to estimate 1) the one-time economic impact of building the new performing arts facility at Broad and Spruce Streets; and 2) the ongoing total economic activity and the new economic activity supported by the performances expected to take place in a typical year at RPAC's venues. All projections of attendance and ticket revenues for these performances were provided to PEL by RPAC. The top-level findings of PEL's analysis, based on RPAC's attendance and revenue projections, are:

The **construction** of the new performing arts center is expected to result in:

- a total spending impact in Pennsylvania of \$325 million
- an employment impact of nearly 4,800 jobs, more than half of which will be temporary construction jobs, with the remainder spread throughout the state's economy
- \$9.7 million in income and sales tax revenues for Pennsylvania
- \$5.1 million in wage and sales tax revenues for the City of Philadelphia

The **total economic activity associated with the performances** at RPAC (which includes performances at both the new building and the existing Academy of Music) is anticipated to support:

- \$153 million in spending statewide each year
- almost 3,000 jobs throughout Pennsylvania's economy
- \$4.6 million in Pennsylvania income and sales tax revenues annually
- \$4.9 million in City wage, sales, parking, hotel, amusement, and gross receipts tax revenues annually

A portion of RPAC's total economic activity will be new to the state's and city's economy, in the form of Broadway shows, contemporary music shows, the Impresario program, and additional revenues at existing performing arts organizations. As a subset of total activity, this **new activity associated with performances** is expected to represent:

- \$73 million in annual spending statewide, or nearly half of total activity
- more than 1,350 jobs throughout Pennsylvania's economy
- \$2.4 million in Pennsylvania income and sales tax revenues annually
- \$3.1 million in City wage, sales, parking, hotel, amusement, and gross receipts tax revenues annually

Clearly, RPAC will bring significant economic benefits to the city and state. These will come first as the new facility is built, and afterward from the ongoing benefits associated with the many performances and events to be held at RPAC's venues.

I. The Economic Impact of Construction

Summary of Findings

- The construction of the new performing arts center is expected to generate \$325 million in spending across the Commonwealth of Pennsylvania, including \$157 million in personal income.
- Over the three years of the construction project, it is anticipated that nearly 4,800 jobs will be supported throughout the state's economy. Of these, approximately 2,650 will be in the construction industry and directly-related services. The remaining jobs will result from purchases of construction materials and supplies, as well as spending of wages earned.
- The construction project is expected to generate \$9.7 million in Pennsylvania sales and income tax revenues over the course of the project, and \$5.1 million in City of Philadelphia wage and sales tax revenues.

Key Definitions

The analysis of the construction project's economic impact is based on the following definitions and assumptions:

The total budget. Based on the RPAC organization's current estimates, the construction budget for the new structure is approximately \$245 million: \$155 million in hard costs and \$90 million in soft costs. Hard costs include all construction materials and supplies, as well as the labor associated with the actual construction of the building. Soft costs are primarily construction-related services, such as management, architecture, consulting, and debt service on the financing.

The study area. Throughout the analysis, the geographic study area for which economic impact and economic activity are measured is the Commonwealth of Pennsylvania.

Only "local" spending counts. The measure of economic impact is limited to "local" spending, i.e., expenditures within our defined study area, the Commonwealth of Pennsylvania. Examples of construction spending done *outside* the state would include hiring a contractor or subcontractor located outside of Pennsylvania, or paying the salary of a construction worker who lives in New Jersey. This "outside" spending is not counted since it has no effect on the state's economy.

Based on current bidders for contracts and subcontracts, PEL estimates that about 75 percent of the hard costs (primarily construction materials, supplies, and labor) will be purchased in-state. Likewise, about 75 percent of the soft costs (principally related services like architecture, legal, real estate, and consulting services) are also expected to be purchased in Pennsylvania.

Direct + Indirect: the "multiplier effect." The total economic impact of the construction project is the sum of the direct effects and the indirect effects. The first round of spending in the process—for example, hiring the subcontractor who will pour the concrete—is known as the direct effect. This is followed by several rounds of spending which encompass the indirect effects, as our concrete subcontractor purchases cement, truck fuel, and other supplies in-state. Those firms likewise make in-state purchases of goods and services, and the cycle continues for several rounds until all of the direct expenditure eventually leaks out of the state's economy. The wages paid by the subcontractor also counts as a direct effect; the subsequent in-state spending these employees do with their wages counts

toward indirect effects. All of these rounds of spending that ripple through the state's economy can be measured with what are commonly known as multipliers.¹

Taxable versus non-taxable. In calculating the tax revenues generated by the construction project, state and city sales taxes on purchases of construction materials and supplies comprised a substantial portion of the total. Most of the hard cost purchases are considered taxable by the Commonwealth of Pennsylvania, even though the project is being paid for by RPAC, a tax-exempt organization. The only tax-exempt hard costs are those items not considered to be a part of the permanent structure, including furniture, theater equipment, and a few miscellaneous items. In all, 87 percent of the hard costs are counted as taxable. Because the soft costs are primarily services, none of these are taxable under Pennsylvania's sales tax regulations.

Timetable for construction. The construction project is expected to take place over three years, 1999 to 2001. For simplicity, PEL assumes that all impacts will be in current dollars.

Detailed Findings: Spending, Employment, and Tax Revenues

Spending

The total budget for the construction of the new performing arts facility is currently \$245 million. After factoring out the land acquisition cost of \$19 million, the amount of total spending is \$226 million.² Based on the location of contract bidders for each of the construction components, PEL estimates that approximately 75 percent of this spending will be done in Pennsylvania. The total direct spending of the project is therefore \$169 million, of which \$115 million is hard costs and \$53 million is soft costs.

The "industrial and commercial construction" sector in Pennsylvania has a spending multiplier of just under two. When applied to the direct spending of \$169 million, the total spending statewide is \$325 million. This includes both purchases of intermediate goods in the production process and consumer spending from wages earned. Two other concepts examined here are personal income and employee compensation. Personal income encompasses wages earned as well as income from all other sources, such as investments. Employee compensation is a subset of personal income, consisting of all wages paid to employees (equivalent to wages earned). The direct impact on personal income is \$100 million, with a total impact of \$157 million. The direct impact on employee compensation is \$77.6 million, with a total impact of \$127.7 million (see Figure 1).

Figure 1
Spending, Personal Income, and Employee Compensation Impacts of RPAC Construction
(millions of current dollars)

	Direct	+	Indirect	=	Total	Multiplier
Spending	\$169.0	+	\$156.1	=	\$325.1	1.92
Personal Income	\$99.5	+	\$57.9	=	\$157.4	1.58
Employee Compensation	\$77.6	+	\$50.1	=	\$127.7	1.65

¹ The IMPLAN economic impact model was used to generate multipliers specific to the economy of Pennsylvania.

² Because the spending associated with acquiring land does not enter the economy, it is not counted toward economic impact.

Employment

Of course, the dollars that will be spent on the construction project will support a significant number of jobs in Philadelphia and across Pennsylvania. The direct employment impact is 2,655 jobs, all of which are in the construction sector or in construction-related services and administration. The indirect employment impact is 2,109 jobs, which are distributed across many sectors of the economy. The total employment impact is therefore 4,764 jobs (see Figure 2). It should be noted, however, that because the construction project is temporary, these jobs are not permanent.

Figure 2
Employment Impacts of RPAC Construction
(number of jobs)

	Direct	+	Indirect	=	Total	Multiplier
Employment	2,655	+	2,109	=	4,764	1.79

Tax Revenues

The direct and indirect spending associated with the construction project will generate a variety of tax revenues for the City of Philadelphia and for the Commonwealth of Pennsylvania. The tax revenues that PEL can estimate with some level of precision are sales and personal income taxes for the Commonwealth of Pennsylvania and sales and wage taxes for the City of Philadelphia. The income and wage tax revenues are calculated using the levels of personal income and employee compensation generated by the \$325 million in spending across the state. Combined with a series of assumptions about the residency of employees and the share of income that goes toward taxable purchases, it is possible to estimate the wage-induced consumer spending portion of sales tax revenues.³

The other component of sales tax revenue originates from the purchases of construction materials and supplies in the first round of construction spending. The amount of taxable construction purchases is determined by taking the taxable portion of in-state purchases of supplies and materials. It is expected that about \$115 million (75 percent of the project's total hard costs) will be spent in Pennsylvania in the first round of construction spending.⁴ About half of this amount (\$57.5 million) will go toward actual purchases of supplies and materials, with the remainder allocated for labor costs and profit.⁵ Of the \$57.5 million to be spent on Pennsylvania supplies and materials, just over \$50 million is taxable at the state's 6 percent tax rate.⁶ This yields approximately \$3 million in sales tax revenues for the state.

A similar methodology is used for City of Philadelphia sales tax revenues on purchases of construction materials and supplies. However, only about one-third of construction spending is expected to take place in the city, whereupon it becomes subject to the city's one percent sales tax. Of the \$25.7 million to be spent on construction supplies and materials in the city, about \$20 million is taxable, yielding just over \$200,000 in city sales tax revenues. Note that subsequent rounds of construction spending do not yield any significant sales tax revenues because the supplies and materials being purchased are largely intermediate in form, and are therefore not taxable under Pennsylvania sales tax regulations.

³ The PA income tax rate is 2.8% and the PA sales tax rate is 6%. The City sales tax rate is 1%, and the City wage tax rate is 4.6% for residents and 4.05% for non-residents (based on the average of projected wage tax rates from 1999 to 2001, according to the City's five-year plan).

⁴ The project's soft costs consist primarily of services which are not taxable.

⁵ Based on discussions with RPAC's construction manager.

⁶ The only non-taxable components are those items which are not considered to become a part of the permanent structure, primarily furniture and theater equipment.

In total, PEL estimates that the construction project will generate a one-time tax revenue impact of nearly \$9.7 million for Pennsylvania and just over \$5.1 million for the City of Philadelphia. Figure 3 provides a breakdown of these tax revenues.

Figure 3
Total Tax Revenues Generated by RPAC Construction
 (millions of current dollars)

Type of Tax	Tax Revenue
PA income tax	\$4.41
PA sales tax from construction purchases	\$3.02
PA sales tax from consumer spending	\$2.24
Total PA revenue	\$9.67
City of Phila. wage tax	\$4.75
City of Phila. sales tax from construction purchases	\$0.20
City of Phila. sales tax from consumer spending	\$0.16
Total City of Phila. revenue	\$5.11

II. Economic Activity Supported by RPAC Performances

Summary of Findings

Total Economic Activity

- Annually, performances at the new performance facility and the Academy of Music (collectively referred to as "RPAC") are expected to support almost \$154 million in spending across the Commonwealth of Pennsylvania.
- From an employment perspective, these performances are anticipated to support nearly 3,000 jobs statewide. The majority of these jobs will be in the arts and hospitality sectors. The remainder will be in a variety of services and manufacturing sectors because the spending will circulate throughout the economy.
- The \$154 million in total economic activity from RPAC performances is expected to generate \$4.6 million annually in Pennsylvania income and sales tax revenues as well as nearly \$4.9 million annually in City of Philadelphia wage, sales, hotel, parking, amusement, and gross receipts tax revenues.

New Economic Activity

- A portion of RPAC's total economic activity will be new to the City and the Commonwealth, in the form of Broadway shows, contemporary music shows, the Impresario program, and additional revenues at existing performing arts organizations. As a subset of total activity, this new activity represents approximately 47 percent of total spending, or \$73 million.
- RPAC's new economic activity is anticipated to support 1,354 jobs (this is a subset of the total jobs supported). These jobs will be spread throughout the economy, with some of the jobs in the arts sector, and a substantial number in hospitality establishments like restaurants and hotels.
- The \$73 million in new economic activity is expected to generate \$2.4 million annually in Pennsylvania income and sales tax revenues (of the \$4.6 million from total activity) as well as \$3.1 million annually in City of Philadelphia wage, sales, hotel, parking, amusement, and gross receipts tax revenues (of the \$4.9 million from total activity).

Key Definitions

The analysis of the economic activity associated with RPAC's performances is built upon the following definitions and assumptions:

RPAC is actually two separate buildings. It is important to understand that the economic activity measured in this analysis encompasses performances at both the to-be-constructed RPAC facility *and* the existing Academy of Music. Throughout this section, the term "RPAC" refers to both buildings—the planned structure and the Academy of Music—which have three performance venues between them: the Academy, the Concert Hall, and the Recital Theatre.

Projected attendance and ticket revenues. PEL did not project the attendance or ticket revenues for this economic activity analysis. All projections were supplied by RPAC, and average ticket prices are

based on current ticket prices at existing organizations or, in the case of touring organizations and programs not yet in existence, on RPAC organization estimates. Figure 4 lists the details of projected performances and attendance.

Figure 4
RPAC Projected Annual Performances and Attendance, by Venue

Venue	# of Performances	Total Attendance
Academy of Music	324	667,000
Concert Hall	228	440,000
Recital Theatre	427	196,000
RPAC Total	979	1,303,000

Source: Regional Performing Arts Center; figures are rounded. Total number of performances is true to date. Allocations between venues may change when operational plans are completed.

What types of spending are included. As defined in this portion of the analysis, RPAC's economic activity includes:

1. *Expenditures by arts organizations* equivalent to the ticket revenues from all events and performances to be held at any of the RPAC venues. For touring shows, only the presenting organization's share of the ticket revenues is counted—this share is estimated at 35 percent.⁷ The remainder of touring ticket revenues cannot be counted since it goes to the touring organization and thereby leaves the local economy.
2. *Spending by RPAC audience members* outside of the RPAC venues, at restaurants, hotels, and parking lots in the vicinity (known as "ancillary spending")
3. *Spending by out-of-town RPAC guest artists* at local restaurants and hotels while staying in Philadelphia

Direct + Indirect: the "multiplier effect." The three types of spending counted in this portion of the analysis—organization, audience, and guest artist—represent the "direct" economic activity supported by RPAC. The *total* economic activity, however, is the direct activity *plus* indirect activity. Indirect activity occurs in the subsequent rounds of spending stimulated by the initial spending: for example, an arts organization makes a direct expenditure (the initial spending) on commercial printing services for its programs, causing the printer to then make indirect expenditures on paper, ink, wages, etc. Likewise for the direct expenditures that arts organizations pay to their employees in the form of wages; the subsequent spending these employees do with their wages counts toward indirect activity. These rounds of spending that ripple through the local economy can be measured with what are commonly known as multipliers.⁸

The study area. Throughout the entire report, the geographic study area for which economic impact and economic activity are measured is the Commonwealth of Pennsylvania.

Only "local" spending counts. The measure of economic activity is limited to "local" spending, i.e., expenditures within Pennsylvania. Though the share of "local" spending varies by organization, most

⁷ Based on data from the Annenberg Center and the Merriam Theater (presenting organizations in the region).

⁸ The IMPLAN economic impact model was used to generate multipliers specific to the economy of Pennsylvania.

organizations make between 75 percent and 95 percent of their total expenditures within the state.⁹ A hypothetical example of spending *outside* the state is when an arts company hires a New York City ad agency or pays the salary of an employee who lives in New Jersey. This "outside" spending is not counted since it has no effect on the state's economy. All audience and guest artist spending is, by definition, done within the state.

New activity vs. existing activity. A portion of total economic activity associated with RPAC will be new to the state in the form of Broadway shows, contemporary music shows, and Impresario programming. In addition, existing organizations have the potential to increase their revenues from current levels because the new RPAC venue will allow for more performances and increased seating capacity. For example, the Opera Company intends to expand its season from four productions to five and add more performances per production.

PEL estimates that all of this new activity accounts for approximately 47 percent of total economic activity.¹⁰ The remaining 53 percent of total activity is not new to the state, because many of the expected RPAC performances are by organizations that currently perform in the state and therefore already generate revenues and spending in the state's economy. Because the distinction between total and new activity is central to understanding how much RPAC will add to the state's economy, PEL calculated both total and new economic activity for this analysis. The results are presented in tables throughout the document.

Detailed Findings: Spending, Employment, and Tax Revenues

Spending—Total Activity

Total spending activity encompasses spending by arts organizations as well as ancillary spending by audience members and guest artists. The direct organization spending is derived from projected ticket revenues, which are determined by multiplying projected RPAC attendance by ticket prices for the various events. After adjusting for the portion spent within the state, the total direct activity associated with arts organization spending is calculated at \$30.7 million (see Figure 5A).

The other component of spending—audience ancillary expenditures and guest artist expenditures—is also derived from performance ticket revenues. Audience spending is assumed to be equivalent to 75 percent of ticket expenditures.¹¹ For example, a couple that spends \$60 for a pair of tickets can, on average, be expected to spend \$45 on dinner and parking as a direct result of their attending the performance. The level of guest artist expenditures is assumed to be 25 percent of the income they receive from Philadelphia engagements.¹² Audience spending accounts for most of this component, totaling \$38.6 million in direct activity while guest artist expenditures account for \$3.5 million.

⁹ Based on a PEL survey of the Philadelphia region's arts and culture organizations. Organization-specific local spending shares were used for most RPAC performing arts organizations; proxies were used in the few cases where specific data was not available.

¹⁰ The economic activity associated with new programming is calculated using an economic impact model of projected ticket revenues for these programs. The economic activity of additional revenues of existing programs are calculated using an economic impact model of the difference between projected revenues of these organizations and their current revenues.

¹¹ Based on several studies in Philadelphia and other regions where audience surveys were conducted.

¹² Based on PEL survey data and discussions with Center City performance venues that host guest artists.

The total amount of direct economic activity supported by performances at RPAC is therefore \$72.8 million in a typical year. Through the multiplier effect—more than two in this case—additional economic activity is generated throughout the state's economy, resulting in total annual economic activity of \$153.5 million.

Figure 5A
Total Spending Activity Supported by RPAC Performances
(millions of current dollars per year)

	Direct	+	Indirect	=	Total	Multiplier
Arts Organization Spending	\$30.7	+	\$36.9	=	\$67.6	2.20
Audience/Guest Artist Spending	\$42.1	+	\$43.8	=	\$85.9	2.04
Total Spending	\$72.8	+	\$80.7	=	\$153.5	2.11

Spending—New Activity

As a subset of total spending, new spending represents economic activity that RPAC adds to the state as a result of new programs (Broadway shows, contemporary music shows, and Impresario programming) and increased revenues of existing arts organizations. The amount of direct organizational spending and direct audience/guest artist spending is \$34.8 million; with a multiplier effect of 2.09, the overall new spending activity supported by RPAC is \$72.7 million (see Figure 5B). This means that almost half (47 percent) of total spending activity will be new to the state.

Note that audience/guest artist spending makes up a larger share of new activity (67 percent) than of total activity (56 percent). The reason is that new activities, i.e., new performances, are primarily touring shows which result in large audience ancillary spending due to the performances' relatively high ticket prices. The Broadway shows are a good example—with an average ticket price of \$50, direct audience ancillary spending is expected to average \$37.50 per person. The result is a significant amount of expenditures at restaurants, hotels, and parking facilities. The implication is that the new activity supported by RPAC has a greater proportional impact on spending at restaurants, hotels, and parking facilities than does total activity, and a lesser proportional impact on expenditures by arts organizations.

Figure 5B
New Spending Activity Supported by RPAC Performances
(millions of current dollars per year)

	Direct	+	Indirect	=	Total	Multiplier
Arts Organization Spending	\$11.0	+	\$13.2	=	\$24.2	2.20
Audience/Guest Artist Spending	\$23.8	+	\$24.7	=	\$48.5	2.04
Total Spending	\$34.8	+	\$37.9	=	\$72.7	2.09

Employment—Total Activity

Another way to look at economic activity is through the number of jobs supported by the spending that is taking place. The number of jobs supported by direct arts organization spending is 686; these consist entirely of jobs at RPAC-related arts organizations. The number of jobs supported by direct

audience/guest artist spending is 1,141; these consist of jobs at restaurants, hotels, and parking facilities. The indirect activity results in an additional 1,132 jobs, which are spread across many sectors in the state's economy. The total number of jobs supported by performances at RPAC is therefore 2,959 (see Figure 6A).

Figure 6A
Total Employment Supported by RPAC Performances
(number of jobs)

	Direct	+	Indirect	=	Total	Multiplier
Jobs Supported by Arts Organization Spending	686	+	583	=	1,269	1.85
Jobs Supported by Audience/Guest Artist Spending	1,141	+	549	=	1,690	1.48
Total Jobs Supported	1,827	+	1,132	=	2,959	1.62

Employment—New Activity

As a subset of total employment, new employment denotes those jobs supported by new RPAC activity. The number of direct jobs resulting from new activity is 859; with a multiplier effect of 1.58, the overall number of jobs supported by new activity at RPAC is 1,354 (see Figure 6B). This means that nearly half (46 percent) of the jobs supported by RPAC's total activity will be new to the state. Figure 6C shows the distribution of these jobs by economic sector—a wide range of sectors will benefit from the new activity associated with RPAC performances.

Figure 6B
New Employment Supported by RPAC Performances
(number of jobs)

	Direct	+	Indirect	=	Total	Multiplier
Jobs Supported by Arts Organization Spending	216	+	184	=	400	1.85
Jobs Supported by Audience/Guest Artist Spending	643	+	311	=	954	1.48
Total Jobs Supported	859	+	495	=	1,354	1.58

Figure 6C
New Employment Supported by RPAC Performances, by Sector
(number of jobs)

Sector	Jobs
Restaurants and bars	530
Arts & culture	243
Hotels	94
Other services	90
Retail	71
Parking facilities	62
Business services	56
Health care	46
Finance, insurance, real estate	41
Manufacturing	32
Accounting, consulting, management services	27
Wholesale trade	24
Construction	17
Transportation services	13
Agriculture	8
Total	1,354

Tax Revenues—Total Activity

The final component of the analysis looks at the amount of tax revenue generated by the \$154 million in economic activity associated with RPAC performances. The tax revenues that PEL can estimate with some level of precision are sales and personal income taxes for the Commonwealth of Pennsylvania and sales, wage, parking, hotel, amusement, and gross receipts taxes for the City of Philadelphia. These are calculated using the levels of personal income and employee compensation generated by the total spending. Combined with a series of assumptions about the residency of employees and the share of income that goes toward taxable purchases, it is possible to estimate total tax revenue.¹³

PEL estimates that RPAC performances will generate \$4.6 million annually in sales and income tax revenues for the Commonwealth of Pennsylvania and nearly \$4.9 million annually in sales, wage, hotel, parking, amusement, and gross receipts tax revenues for the City of Philadelphia (see Figure 7A). Note that 1) corporate income tax revenues generated by the economic activity are not quantified here because of the difficulty associated with calculating this; and 2) although additional property tax revenues could result from a property value increase in the vicinity of the new performing arts facility, this is not included in the analysis because it too is very difficult to quantify.

Figure 7A
Total Tax Revenues Generated by RPAC Performances
(millions of current dollars per year)

Type of Tax	Tax Revenue
PA income tax	\$1.59
PA sales tax from audience rest. & hotel spending	\$2.17
PA sales tax from general wage spending	\$0.86
Total PA revenue	\$4.62
City of Phila. wage tax	\$2.15
City of Phila. sales tax from audience spending	\$0.36
City of Phila. sales tax from general wage spending	\$0.08
City of Phila. parking tax	\$0.89
City of Phila. hotel tax	\$0.34
City of Phila. amusement tax	\$0.94
City of Phila. gross receipts tax	\$0.11
Total City of Phila. revenue	\$4.87

Tax Revenues—New Activity

As a subset of total tax revenues, new tax revenues represent those taxes collected as a result of the \$73 million in new activity supported by RPAC. This results in nearly \$2.4 million annually in sales and income tax revenues for the Commonwealth of Pennsylvania and more than \$3.1 million annually in

¹³ The PA income tax rate is 2.8% and the PA sales tax rate is 6%. The City sales tax rate is 1%, and the City wage tax rate is 4.56% for residents and 3.97% for non-residents (based on the City's projected rate for 2001, when RPAC is scheduled to open). The City parking tax rate is 15%, hotel tax rate is 6% after factoring out the 7% sales tax portion (which is already included in the sales tax calculation), amusement tax rate is 5% on admissions to for-profit events, and gross receipts tax rate is .2525% (based on the City's projected rate in 2001).

sales, wage, parking, hotel, amusement, and gross receipts tax revenues for the City of Philadelphia (see Figure 7B). This means that more than half (52 percent) of Pennsylvania tax revenues generated by total RPAC activity represents new revenues to the Commonwealth. Likewise, 63 percent of City tax revenues generated by total RPAC activity represents new revenues to the City.

Figure 7B
New Tax Revenues Generated by RPAC Performances
 (millions of current dollars per year)

Type of Tax	Tax Revenue
PA income tax	\$0.74
PA sales tax from audience rest. & hotel spending	\$1.24
PA sales tax from general wage spending	\$0.40
Total PA revenue	\$2.38
City of Phila. wage tax	\$1.15
City of Phila. sales tax from audience spending	\$0.21
City of Phila. sales tax from general wage spending	\$0.04
City of Phila. parking tax	\$0.48
City of Phila. hotel tax	\$0.23
City of Phila. amusement tax	\$0.94
City of Phila. gross receipts tax	\$0.06
Total City of Phila. revenue	\$3.11

III. Additional Economic Development Benefits

The previous sections described the direct and indirect economic impacts associated with the construction, operations, and activities of the Regional Performing Arts Center. In addition to these relatively easy-to-quantify impacts, the Center is likely to have additional benefits to the City of Philadelphia, to Center City, and to its immediate neighborhood.

Throughout the nation, communities have realized demonstrable benefits to their communities as a result of the construction or renovation of major arts facilities in their downtowns. These centers have served as anchors of burgeoning communities, spurring the development and upgrading of restaurant and retail districts, new residential construction, and the development of new business districts and facilities. While it is difficult to directly trace these developments to the construction of new facilities, the confluence of factors in so many cities makes it difficult to ignore the benefits these major projects bring to their communities.

The most obvious and recognized example is the nation's premiere performing arts complex, Lincoln Center, on New York's West Side. The development of the Lincoln Center complex in the early 1960's stabilized and revitalized the West Side communities that were in danger of slipping into a cycle of decay. The Lincoln Center complex, which brought together a wide variety of performing arts organizations and events into a master-planned community of arts facilities, is believed to have spurred new residential construction in the form of high-rise luxury apartments and condominiums, revitalized the area's retail community, and supported the renovation and refurbishment of older residential properties. A number of studies conducted on behalf of the Center have shown that the combination of new construction and renovation has resulted in property value growth in the Lincoln Center area exceeding those of the rest of Manhattan. Lincoln Center defines this portion of Manhattan, contributing to a sense of excitement and energy that is transferred to the businesses, properties, and neighborhoods that surround the complex.

Throughout the rest of the nation, cities are using their major cultural facilities as the centerpieces of urban revitalization and development strategies. In Denver, Cleveland, and Pittsburgh, the creation of defined, master-planned and managed cultural districts have been cited as keys to the survival and rebirths of portions of their downtown cores. Retail, hotel, and office developments have become the neighbors of cultural districts that were developed on the periphery of the primary business districts, expanding (or regenerating) the base of business activities.

Closer to home, the city of Newark, New Jersey is beginning to realize additional benefits from the development of the New Jersey Performing Arts Center (NJPAC) on the Newark waterfront. In its recently completed first season of operations, NJPAC exceeded initial attendance projections by over 20%, with a total attendance of over 500,000. In addition, NJPAC is cited as being a significant contributor to the return of real estate activity to the city, with potential major downtown investments and corporate relocations being linked to the enhanced downtown presence brought about by the Center.

In Philadelphia, the development of the Avenue of the Arts, with the Regional Performing Arts Center as its crowning centerpiece, promises similar spin-off benefits. It is important to remember that this project is not happening in isolation. The RPAC will be leveraging previous and future investments in Avenue streetscapes, new theatres and hotels, the Convention Center, and the burgeoning restaurants of South Broad and Walnut into a thriving neighborhood teeming with excitement and energy. The addition of the RPAC is likely to accelerate the market for apartment and hotel renovations and conversions (such as the recently announced purchase of the Drake apartments on Spruce St.), investment in office and retail

renovations and development, and the attraction of new residents to the revitalized neighborhood. As a result, the economic benefits of the Avenue of the Arts and the RPAC project will have a lasting impact on the development of Center City, the City of Philadelphia, and the entire region.

IV. Conclusion

This analysis seeks to account for the each of the various types of economic benefits that RPAC is expected to bring to Philadelphia and Pennsylvania in coming years. The construction of the new performance facility from late 1998 to 2001 will have a sizable one-time economic impact as construction materials and supplies are purchased, construction-related services are contracted, and construction workers are hired. As these initial impacts ripple throughout the economy, the city and state will enjoy a broad-based economic boost.

By 2001, the fully-operational RPAC is expected to support a significant amount of ongoing economic activity through the performances and events taking place at the new facility and the Academy of Music. The dollars and jobs supported will circulate well beyond the arts and hospitality sectors, benefiting a wide range of manufacturing and services sectors across the Commonwealth. Furthermore, nearly half of RPAC's total activity will represent new dollars in the economy because of the new performances that RPAC is expected to attract and the ability of existing arts organizations to offer more performances or increase their seating capacity. In general, the construction of the performing arts center and the cultural activities that RPAC will host represent not just a benefit to Philadelphia's cultural asset base, but also to the economies of the City and the Commonwealth.

Finally, the RPAC will provide additional economic development benefits to the city and region by helping to stimulate and leverage real estate and corporate investments along the Avenue of the Arts and in Center City. Throughout the country, new performing arts facilities have helped to revitalize central cities and their cultural districts. The Regional Performing Arts Center has the promise to serve as an anchor for such a district in Philadelphia.