

The Economic Impact of the Creative Sector in Austin – 2012 UPDATE



Study Purpose

- Study updates TXP analysis of music (2001); film (2004); multiple sector updates (2005) and subsequent gaming analysis (2006)

Economic Impact Assessment

- Baseline for this study moved to 2005 and then 2010 to provide a consistent basis of comparison
- To the extent possible, data from “official” third-party sources used (BLS, IRS 990 forms)
- Tourism is done “top-down,” rather than “bottom-up”

Findings/Recommendations

- Focus groups convened around subject areas
 - film/gaming/music/not-for-profits
 - Supplemented with individual stakeholder conversations
- Economic development orientation to study to supplement work already done by City

Economic Impact Results

- In 2010, the creative sector = \$4.35 billion in output (about 1/3 more than in 2005), \$2.0 billion in value-added, \$1 billion in labor compensation, over \$71 million in City tax revenues, and almost 49,000 permanent jobs. The creative sector (as measured by jobs) rose by about 25% over the past five years, vs. 10% for the local economy as a whole.
- Gaming and digital media experienced the most rapid growth, with tourism continuing to show the largest overall impact.

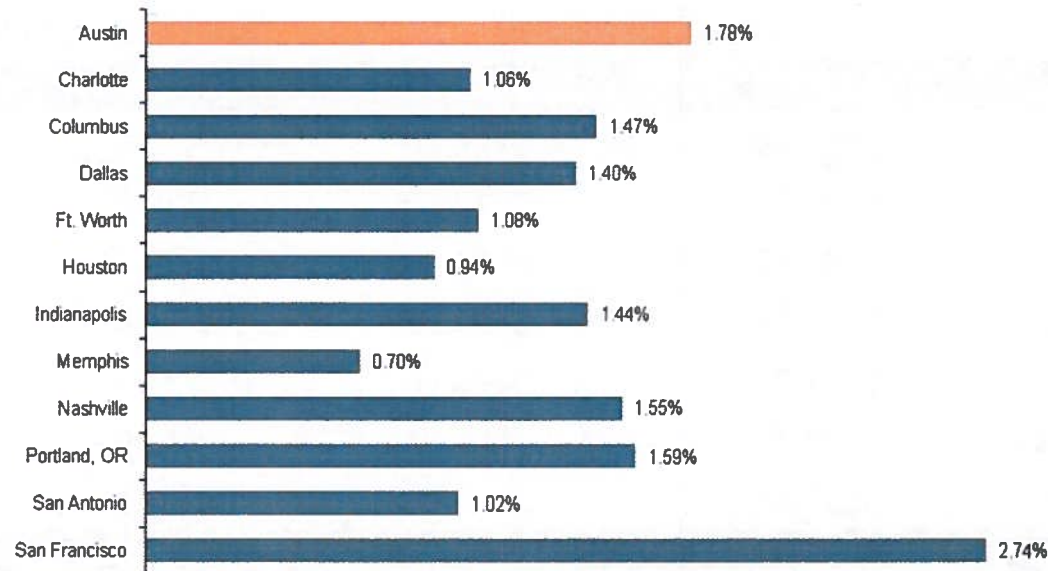
	Total Output (\$Millions)		Total Employment	
	2005	2010	2005	2010
Music	\$582.49	\$856.10	5,414	7,957
Film	\$295.64	\$282.70	2,873	2,748
Gaming	\$387.95	\$990.74	2,848	7,274
Not-for-Profit	\$479.68	\$497.67	8,444	8,781
Visual Arts	\$217.25	\$283.80	2,948	3,851
Tourism/Music	\$727.75	\$806.25	9,199	10,191
Tourism/Other	\$567.35	\$634.61	7,171	8,021
Total Annual	\$3,258.11	\$4,351.88	38,897	48,822

Finding #1

More than ever, creativity is Austin's comparative advantage.

- Austin and the Bay Area are the leaders in arts-related occupations (with Portland and Nashville close behind)
- Positive correlation between arts/cultural intensity and overall economic performance in recent years.

Arts, etc. Occupations' Share of Total MSA Employment (2010)



Finding #2

Individual segments of the creative sector have waxed and waned in recent years.

- Gaming, for example, has grown sharply
 - forecasts from original study almost exact
- Range of funding challenges have caused not-for-profits collectively to remain more or less flat over the past ten years
- Competition from other states has put pressure on film, especially on feature film activity.
- Cultural tourism accounts for about a third of the economic impact (and more than half the City tax revenue generated) of overall creative sector impact.
- Tourism depends on network of entertainment offerings, clubs, restaurants, shopping and other activities that rely strongly on locals for their business base.

Finding #3

In the film world, Texas is suffering from an incentive disadvantage compared to our peer states of OK, NM, and LA

An industry veteran provided assistance in looking at the numbers on an apples-to-apples basis, using an \$8 million film budget (which typically yields about \$5 million in local spending for labor, materials, and services) as the standard net incentive. The bottom line incentive comparison is as follows.

State Film Incentives (\$8 Million Budget)

State	State Incentive Offered	Results
Texas	15% rebate (with sales tax waiver)	\$750,000
Oklahoma	35% rebate on in-state expenditures	\$823,812
New Mexico	25% rebate (subtracting sales tax outlays)	\$1,064,239
Louisiana	30% rebate on in-state expenditures (sales tax /tax credit)	\$1,100,000

Finding #4

Content and experience/performance are the new classifications.

- Economic impact results and segment reports reflect traditional categorizations used in previous analyses.
- Theme throughout is that these categorizations no longer really make sense. Creativity is best viewed as an inter-connected whole, rather than in these traditional “silos.”
- Appropriate distinction appears to be:
 - Content (creative output that can be stored digitally), and
 - Experience/Performance (live interaction between the audience and creator)
- Under this rubric, gaming, film, and recorded music are content, while live music and much of the arts world (both visual and not-for-profit) would fall under experience/performance.

Finding #5

Business models are in flux

- “How are we going to make money in the future?” a consistent theme heard across all segments of the creative community
- Sense that business models (especially for content) are in flux
 - business plan predicated on the subscription or console model (to use examples from the gaming world) may be DOA
- Bifurcation across the creative space
 - very large organizations are trying to play it safe with extension of content that has a proven track record (especially evident in the film world)
 - technology enables micro-level efforts that are more experimental.
- From a regional economy point-of-view, the impact may be largest in-between – maximum job creation from mid-size firms

Finding #6

Brand identity is extremely important

- Information technology influences creative space
 - product development
 - marketing
 - financing/business models
 - overall value proposition and customer experience
- Social media example (Facebook and Twitter)
- Rise of social media is something of a double-edged sword.
 - barriers to entry have been lowered substantially
 - the “noise” volume has gone way up, making differentiation very challenging
- Fluidity makes forecasting tough, but one thing appears clear – brand identity is extremely important

Recommendation #1

The City should explore sources of funding to support the increasing importance of infrastructure and facilities.

- There are a range of implications for City policy, both in terms of funding priorities and operations, in viewing the creative sector as more of an integrated whole
- Funding for creative infrastructure (particularly for facilities, but also including loan guarantees, marketing, business development, etc.) could assume a larger role
- As business models and organizational structures continue to evolve, resources that provide foundational support to the sector as a whole are likely to be efficient, especially to the extent that they can leverage additional private-sector or philanthropic funding

Recommendation #2

Support should be provided for an economic development effort that bridges intellectual capital (content) and financing.

- Monetization of content (see Finding #5 and #6) one of the most substantial challenges
- A large stumbling block has been the gap between the creators of intellectual capital and those who might provide financing, either debt or equity based
- External organization (probably outside the City) that understands both sides, and can help each work to resolve the issues that prevent deals from happening
- This has elements of an incubator, but with a sharper focus on deal-making and finance

Recommendation #3

Mobility planning must connect to the creative tourism sector.

- Brand Austin widely embraced across the world
- Success creates issues, as the community came close to gridlock several times this past year
- Specific expertise has been engaged (SXSW engaging consultant re crowds and working closely with the City) and creative solutions are under consideration (e.g., way-finding using lasers in the sky)
- Additional adjustments will be needed to maintain the capacity to sustain and grow creative tourism

Recommendation #4

The regulatory environment (especially in the central city) has to accommodate the needs of the entertainment industry.

- The basic infrastructure of venues remains at-risk.
 - Lots of factors are in this equation; not the least of which is the regulatory environment facing live music,
- Urbanist approach to central-city redevelopment runs head-on into sound ordinances, parking issues, etc.
- The temptation is to identify iconic music venues and put policy in place that prohibits changes in use
 - Contrary to regulating the form of the built environment and letting the market determine what needs to actually happen inside.
- A variety of regulatory and technology solutions likely will be needed to accomplish this goal.

Recommendation #5

Expand promotional efforts to reflect the range and diversity of Austin's cultural assets

- Tourism is currently the largest part of Austin's creative sector
- Beyond major events, wide range of Austin's creative offerings – the size/genre/diversity which contributes to the vibrancy of Austin
- “Exporting culture”
- Many tourists come to Austin to experience a cultural scene that occurs daily throughout the year
- Commercial infrastructure that supports this activity depends on large events, this ongoing tourism, and local demand for the viability

Recommendation #6

Implement previous recommendations that still apply, and communicate where appropriate.

- Some have been implemented, some likely no longer make sense, and some may still be valid, albeit in a modified form
- External marketing (both domestically and abroad) for all aspects of the creative sector probably is an area where more could be done, especially if it is coordinated with other organizations in town that promote tourism and the arts
- Example: opportunity to create a content financing event similar to the American Film Market
- City taking steps on its own (CreateAustin, creative focus from SBDP, trade mission, etc.)
- Implementation and awareness

CONCLUSION

- Austin creative sector economic impact rises 25% since 2005 (10% overall economy)
- Creativity (in its many facets) is increasingly important to the present and future regional economy
 - attract and retain talented people
 - business recruitment, retention/expansion
 - local entrepreneurship
- Sum is greater than the parts and parts so inter-connected as to make traditional distinctions between them almost meaningless
- Creativity is the fundamental comparative advantage
 - goal is to identify the key investments, policies, and regulatory changes that can support the infrastructure necessary for sustainability and growth