

UWM Center for Economic Development



Socio-Economic
Impact Analysis:
Rehabilitation of the
Sherman Theater
Intersection of Arts, Culture
and Community Development
October 2014

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EXECUTIVE SUMMARY

This socio-economic impact analysis pertains to the proposed rehabilitation of the Sherman Theater into a multi-purpose arts facility. The objective of this study is to determine the possible social and economic impacts that would arise from the redevelopment and revitalization of the Sherman Theatre into a multi-purpose creative arts facility, including office and retail space.

The property - The property, which is located at 4616-4634 W. Burleigh Street currently houses the vacant theater building as well as partially occupied office and retail space. It comprises 22,200 square feet. A rehabilitated Sherman Theater would be a catalyst for further economic development on this vital commercial corridor. The Burleigh Street Community Development Corporation proposes that it acquire, redevelop, and manage the property, which would include theater, studio space, performance and exhibition space, office and retail space.

The theater - The historic theater was built in 1935 by noted Milwaukee architect Herbert W. Tullgren. For decades it served as an anchor on the Burleigh Street commercial corridor. The Sherman Theatre is an excellent example of 1930s Art Deco theater construction. The Sherman Theater is one of only a small handful of Milwaukee theaters from this time period that is still relatively intact.

The neighborhood - The Sherman Park neighborhood has a long and proud history as a stable and diverse middle class neighborhood. It is noted for its solid and attractive housing stock and its many houses of worship. Sherman Park benefits from a central location with easy access to downtown and local highways. Sherman Park is primarily African-American and non-Hispanic; it has similar age profile to the city of Milwaukee. Residents of the Sherman Park area generally have lower unemployment rates, higher income and lower poverty rates than residents of the city of Milwaukee. There are a variety of locally owned businesses on Burleigh Street. Most are small enterprises, with 1-4 employees. Most establishments are in the health care and social assistance sector. A significant number of establishments are in the retail sector. Many public, private and parochial schools are located in the community. Wheaton-Franciscan St. Joseph's hospital and houses of worship are anchors of social stability in the neighborhood.

The project impact - This socio-economic impact analysis found that the rehabilitation of the Sherman Theater would have a positive and sizable impact on the economic and social well-being of the Sherman Park neighborhood. It is expected that the revitalization of the Sherman Theater will impact the entire commercial corridor and contiguous area of economic activity for the neighborhood, from Sherman Boulevard to 60th Street.

Economic impact: The project will take place in 2 phases. Phase 1 represents the construction phase of the project. Phase 2 represents ongoing operation. The economic impact of Phase 1 is based on estimated construction costs of \$2.1 million to renovate the Sherman Theater facility into a multi-purpose arts facility. The total impact of Phase 1 is \$3.8 million. Construction activities in Phase 1 will directly generate 18 jobs. Expenditures related to construction will generate an additional 11 jobs for a total impact on employment of 29 jobs. The economic impact of Phase 2 will arise from ongoing operation of the multi-purpose arts facility. We estimate the total economic impact of the first three years of operation of the Sherman Theater to be \$838,000. **The total economic impact of Phase 1 and Phase 2 will lead to an economic impact estimated at \$4.6 million.**

Social impact: The rehabilitation of the Sherman Theater into a multi-purpose arts facility will also have a significant social impact. Much research has shown the contribution of arts and cultural activities toward neighborhood revitalization. The project has the potential to increase skills of youth in the community, promote civic participation, develop social networks and promote health and well-being.

Burleigh Street CDC can optimize the positive social effects of the project by targeting the arts activities to the specific needs of the community. If the project were target activities to the special conditions of the neighborhood (such as high unemployment rate amongst 16-19 year olds and sizable disabled elderly population), it would surely maximize its positive social impacts.

This rehabilitation of the Sherman Theater sits at the intersection of arts, culture and community development. It has the potential to be an economic catalyst in the Sherman Park neighborhood and a model for neighborhood economic revitalization.

Acknowledgement

This Research Report has been funded by a generous grant from the Helen Bader Foundation.



INTRODUCTION

General Information

The Burleigh Street Community Development Corporation is evaluating the possibility of rehabilitating the historic Sherman Theater. As part of this process, Burleigh Street Community Development Corporation (Burleigh Street CDC) requested a social and economic impact analysis of the proposed project.

Burleigh Street Community Development Corporation

Who are they?

Since 1999, Burleigh Street CDC has led revitalization efforts in Sherman Park. It is a coalition of people who live, worship, work and do business in the neighborhood. Their mission is to advance the business environment on the Burleigh Street Commercial Corridor by conceiving and implementing community revitalization projects.

Why is Burleigh Street CDC proposing this project?

The Sherman Theater project was identified by the city of Milwaukee and by the Burleigh Street CDC as a catalytic project for the neighborhood and commercial corridor.

The historic Sherman Theater was built in 1935 by noted Milwaukee architect Herbert W. Tullgren. For decades it served as an anchor on the Burleigh Street commercial corridor. The Sherman Theatre is an excellent example of 1930s movie theatre construction. The building is of the “Art Moderne” style, a late version of Art Deco, which became the standard design style during the Great Depression. The Sherman is one of only a small handful of Milwaukee theaters from this time period that is still relatively intact. The theater closed in 1977 after an act of arson. Despite decades of neglect, the theater is still in good condition.

In September 2014, the city of Milwaukee took over ownership of the building following tax foreclosure proceedings. As the property owner, the city of Milwaukee is currently renewing leases with existing tenants.¹ If revitalized and reopened, the Sherman Theater could again be an anchor on Burleigh Street and a catalyst for further economic development. The City of Milwaukee recognized this potential in the 2009 Westside Comprehensive Plan. The Burleigh Street Community Development Corporation proposes that it acquire, redevelop, and manage the property, which would include theater, studio space, performance and exhibition space, office and retail space.

The rehabilitation of this shuttered theater into an attractive multi-purpose arts facility has the potential to attract people and activities, be a source of neighborhood economic revitalization and community pride. The addition of arts and cultural activities to this vibrant and diverse neighborhood will only increase quality of life of the Sherman Park community.

¹The City of Milwaukee currently owns the property. Prior to tax foreclosure proceedings, Seaway Bank and Trust Company held the mortgage. Seaway has initiated its own mortgage foreclosure proceedings. It is anticipated that the issue of title and ownership will be contested between the City of Milwaukee and Seaway.

What is a socio-economic impact analysis?

Socio-economic impact assessments have both quantitative and qualitative aspects. They generally include some or all of the following indicators:

- Community demographics
- Business market analysis
- Community employment and income levels
- Quality of Life indicators (crime, education, community resources)

The Objective of this Socio-Economic Impact Analysis

- To determine the possible social and economic impacts that would arise from the redevelopment and revitalization of the Sherman Theatre into a multi-purpose creative arts facility, along with office and retail space.

Why do a socio-economic impact assessment

A socio-economic impact analysis can be an important piece of a development proposal. The analysis can help communities to make decisions that promote economic development as well as social well-being and can enhance the positive and sustainable outcomes associated with a project.

This socio-economic impact analysis will provide information that can be used for purposes of grant funding, media promotion, and raising awareness.

The Socio-economic impact analysis addresses how a proposed development will impact the community – its businesses and its residents. The impact analysis can help a community can decide whether a project should go forward. If the community is in favor of the project, the socio-economic impact analysis can be used to promote positive impacts and avoid negative ones. ***Broad-based community input and relevant economic information are vital to ensuring the best possible impact of the project on the community.***

Project Description

The project being analyzed here is the proposed rehabilitation of the Sherman Theater into a multi-purpose arts facility. The property at 4616-4634 W. Burleigh Street currently houses a vacant theater building, office and retail space, comprising total 22,200 square feet. The proposed project would incorporate performing arts space, exhibition space, studio space, retail and office space. According to a Site Analysis conducted by MSOE, the total cost of the rehabilitation of the Sherman Theater is estimated at \$2.1 million.

What has already been done

- MSOE Site Analysis- MMS Development produced the site analysis in 2012.
- Mosaic Commercial Corridor Occupancy Analysis - Among other findings, this analysis found that the current Occupancy Rate for the Burleigh Street Business Improvement District (BID) is 68%.
- Listening Session - Burleigh CDC and Sherman Park Community Association held a listening session in June 2014. Community feedback can be found in a Supplementary Report.
- Tours of the Project Site - Burleigh CDC regularly offers tours of the old Sherman Theater to interested parties. On September 21, 2014, 250 people took a tour of the Sherman Theater as part of the event "Open Doors Milwaukee".
- Architectural Imaging – Quorum Architects produced the architectural renderings including façade images as well as interior space plans and imaging.

FINDINGS

Community Indicators- 2012

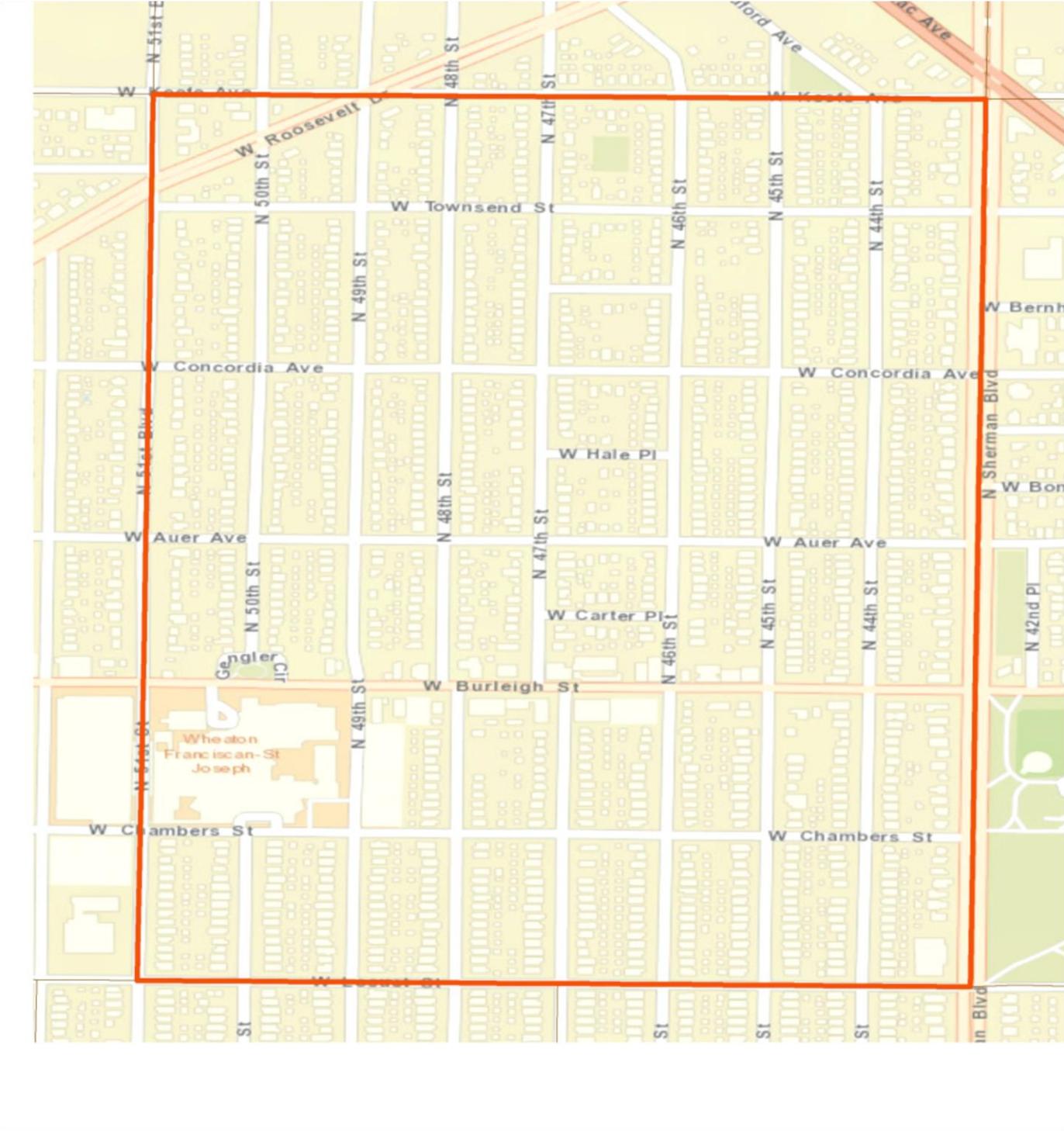
As part of this analysis, data was gathered for the census tract area, police district area and zip code area in which the Sherman Theater is located. This information provides a snapshot of the community around the proposed development. Census Tract data comes from the US Bureau of the Census. Police district data comes from the Milwaukee Police Department. Zip Code data comes from the US Census.

Census Tract Data. Census tract data are a rich source of information on the demographic, social and economic indicators of a neighborhood. The most current census tract data is from 2012 (US Census, American Community Survey, 2012 - 5 year estimates).²It is important to remember that information from the American Community survey is self-reported, meaning that the respondents report the information about themselves.

The tables below summarize demographic, social and economic information for the residents of **Census Tract 49** and the city of Milwaukee. Census tracts are the smallest level geography for which most economic and social indicators can be gathered. The Sherman Theater is located in Census Tract 49. Census Tract 49 is bounded by Sherman Boulevard (also known as 43rd Street) on the east, 51st Boulevard on the west, Keefe Avenue on the north and Locust Street on the south. (See map below). For selected indicators, we have included data for the Census Tract Area immediately to the west of Census Tract 49. This is Census Tract 50. It has the same northern and southern boundaries as Census Tract 49 but is bordered by 51st Boulevard on the east and extends to 60th Street. The Business Improvement District for this area (BID #27) mirrors the Census Tract Area 49 except on the western boundary. The BID extends west of the Census Tract boundaries all the way to 60th Street on the west. The revitalization of the Sherman Theater will impact the entire BID area. The economic impact will extend to 60th Street, as this is the natural commercial corridor and contiguous area of economic activity for the neighborhood.

²Caution must be used when relying on ACS data for small geographies such as census tract areas. The error rates can be high because of the small sample size. www.census.gov/acs/www/guidance_for_data_users/guidance_main/

Census Tract 49



Demographic Indicators

Age, Race and Ethnicity

Sherman Park has similar age profile to the city of Milwaukee. More than 70% of the neighborhood residents are under the age of 18 years. Approximately 7% are over the age of 65 years. In terms of race and ethnicity, Sherman Park neighborhood is primarily African-American and non-Hispanic. Census Tract area 49 is 70% African American and Census Tract area 50 is 66.5% African American. Both Census Tract areas have a very small Hispanic population (1.8% and 3.2% respectively) in comparison to the city of Milwaukee.

During a period of white flight from many city neighborhoods in the 1970s and 1980s, Sherman Park embraced racial integration. According to pre-eminent Milwaukee historian John Gurda, "Sherman Park stood out in that it was a neighborhood that made integration a priority," says Gurda. "There was an effort to encourage blacks and whites to live together." This integration remains a feature of the neighborhood.

Population – by age, race and Hispanic origin

	Milwaukee City	Census Tract 49	Census Tract 50
AGE			
Total Population	594,328	4,241	5,277
18 years and over	72.9	71.7	68.0
65 years and over	9.1	6.8	7.4
RACE			
White	50.7	22.3	25.3
African-American	41.6	70.4	66.5
Asian	4.0	0.8	1.8
ETHNICITY			
Hispanic or Latino (of any race)	17.1	1.8	3.2

Educational Attainment – 2012

Educational achievement for Sherman Park residents exceeds that of Milwaukee residents in general. Sherman Park residents over the age of 25 years are significantly more likely to have a high school degree and slightly more likely to have a college degree than residents of the city of Milwaukee.

Educational Attainment (Population 25 years and over)

	Milwaukee City	Census Tract 49	Census Tract 50
Percent high school graduate or higher	81%	88%	89%

Disability Status – 2012

This indicator relates to the non-institutionalized population.³ Sherman Park residents are less likely to have a disability than city of Milwaukee residents. When looking at disability by age, we see that **residents over the age of 65 years are most likely to have a disability (35%)**. This is important indicator to consider when determining the population to be served by the proposed arts facility in the Sherman Theater.

Disability Status

	Milwaukee City	Census Tract 49
Population with a disability	13.2%	9.7%
<i>By Age</i>		
Under 18 with a disability	6.1%	1.3%
18-64 with a disability	12.3%	10.6%
Over 65 with a disability	40.6%	35.1%

Economic Indicators – Employment, Income, Poverty

The Sherman Park neighborhood is characterized by healthier economic indicators than the city as a whole. Residents of the Sherman Park census tract area generally have lower unemployment rates, higher income and lower poverty rates than residents of the city of Milwaukee.

Unemployment rates in Sherman Park are lower than in the city as a whole. This is true for most demographic groups and all age groups **except** 16-19 year olds. **Unemployment for Sherman Park youth between the ages of 16-19 years is nearly 30%**. This age should be considered when determining services that multi-purpose arts facility should provide in order to best serve the community. In Sherman Park the unemployment rate for African-Americans is more than twice the level of Whites. Per capita income is slightly higher for residents of both Census Tract 49 and 50 residents than for city residents. Poverty rates, across all age groups, are lower for Sherman Park residents than for city residents. In the city of Milwaukee and in the Sherman Park neighborhood, **poverty rates are highest for those under the age of 18 years**.

Employment Indicators - 2012

Unemployment Rate	Milwaukee city	Census Tract 49
Population 16 years and over	13.2	10.7
Population 16 to 19 years	30.5	32.9
Population 20 to 64 years	12.4	10.2
White alone, not Hispanic or Latino	7.4	5.7
Black or African American	20.4	12.1

³ American Community Survey data covers six disability types: Hearing difficulty---deaf or having serious difficulty hearing; Vision difficulty---blind or having serious difficulty seeing, even when wearing glasses; Cognitive difficulty--- Because of a physical, mental, or emotional problem, having difficulty remembering, concentrating, or making decisions; Ambulatory difficulty---Having serious difficulty walking or climbing stairs; Self---care difficulty---Having difficulty bathing or dressing; Independent living difficulty---Because of a physical, mental, or emotional problem, having difficulty doing errands alone such as visiting a doctor’s office or shopping.

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<u>Unemployment Rate</u>	<u>Milwaukee city</u>	<u>Census Tract 49</u>
Female	10.8	9.7
Male	14.1	10.8

Income Indicators --- 2012

	Milwaukee city	Census Tract 49	Census Tract 50
INCOME			
Per capita income	\$19,199	\$20,397	\$20,637

Poverty Indicators --- 2012

Percentage whose income is below poverty level	Milwaukee City	Census Tract 49
All families	23.8%	18.4%
All people	28.3%	22.3%
By Age		
Under 18 years	41.1%	32.1%
18 to 64 years	25.0%	17.4%
65 years and over	13.0%	29.5%

Occupation and Industry

Milwaukee grew and prospered as a hub of manufacturing. While the manufacturing sector is still vital to the economic health of the region, the services sector has overtaken the manufacturing sector in terms of overall employment. This is true for the Sherman Park neighborhood as well as the city and the metro area. Residents of Sherman Park census tract area are primarily employed in management, business, science and arts occupations (34%). This is similar to residents of the whole city. **Residents are most likely to be employed by company in the educational, health care or social assistance sector (41%).**

When analyzing employment of residents, it is helpful to consider both the occupation of a resident and the sector in which the resident is employed. Occupational information refers to the professional role a person has (i.e. doctor, teacher, welder). Industry refers to the sector in which the company operates (i.e. manufacturing, construction, retail).

Occupation of employed residents --- 2012

OCCUPATION --- employed population 16 years and over	Milwaukee City	Census Tract 49
Service occupations	23.2%	25.3%
Sales and office occupations	23.8%	23.4%
Natural resources, construction, and maintenance occupations	6.0%	4.2%
Production, transportation, and material moving occupations	17.4%	13.0%

Industry of employed residents --- 2012

INDUSTRY --- employed persons 16 years and over	Milwaukee City	Census Tract 49
Construction	3.3%	2.7%
Manufacturing	14.4%	9.0%
Wholesale trade	2.1%	0.5%
Retail trade	10.4%	7.9%
Transportation and warehousing, and utilities	4.3%	9.2%
Finance and insurance, and real estate and rental and leasing	6.4%	2.9%
Professional, scientific, and management, and administrative and waste management services	10.2%	5.7%
Educational services, and health care and social assistance	26.8%	41.0%
Arts, entertainment, and recreation, and accommodation and food services	9.5%	10.5%
Public administration	4.7%	4.2%

Housing indicators

The Sherman Park neighborhood is known for its high quality, solid and attractive housing stock. Most of this housing was built between 1910 and 1930. Sherman Park is known for healthy and stable housing values, however the neighborhood was hard hit by the foreclosure crisis. Since 2008, Sherman Park has experienced relief from some programs designed to stem the housing crisis. As an example, Wells Fargo, Deutsche Bank, Bank of America, Chase and U.S. Bank made a \$33.8 million commitment to provide the neighborhood market-rate mortgages, housing rehabilitation funds and property maintenance services.⁴

The majority of housing in the Sherman Park census tract area is single family/single unit housing (53%). The average value of a single-family residential property in the Sherman Park census tract area is \$99,400. This is just shy of the average value of single-family residence for the city of Milwaukee which stood at \$103,245 in 2013. Housing units in Sherman Park census tract are almost equally divided between owner-occupied and renter-occupied.

Housing Indicators	Number	%
Total housing units	1,864	1,864
Occupied housing units	1,646	88%
	218	12%
1 unit in structure	980	53%
2 units in structure	801	43%
3 or more units	83	5%

Rent or Own	Number	%
Occupied housing units	1,646	
Owner---occupied	824	50.1%
Renter---occupied	822	49.9%

Residential Property Values --- Census Tract 49 ⁵			
Type	Count	Average (\$)	Median (\$)
Single Family	679	99,400	100,700
Two Family	525	92,115	88,600
Multi Family (3+)	24	189,300	147,100

⁴ Milwaukee Neighborhood News Service, February 19, 2013.

⁵ City of Milwaukee. Master Property Record (MPROP). 2013.

Quality of Life Indicators

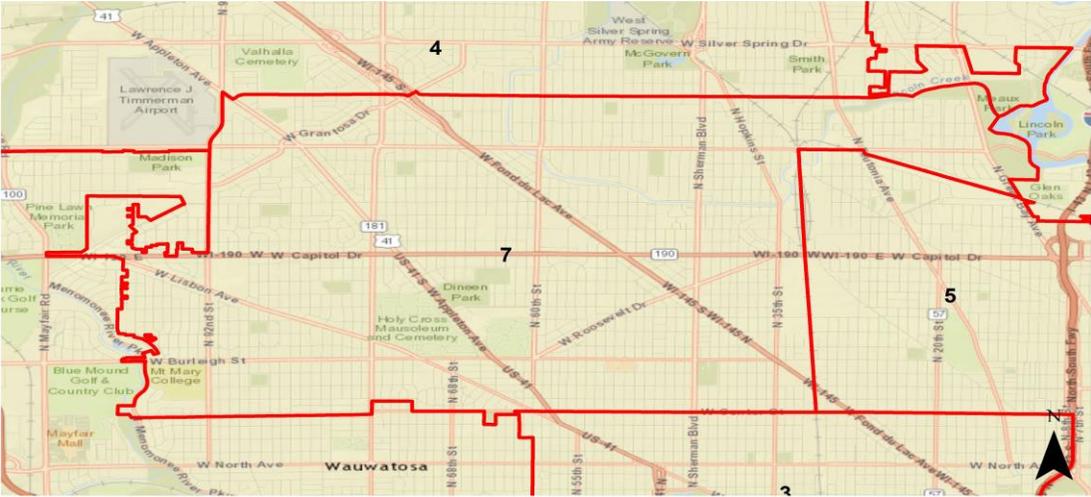
Sherman Park benefits from a central location. It is just a short ride to downtown via public transportation and is also a short distance to the main highways, I-94 and Hwy 41. There are a variety of locally owned businesses on Burleigh Street. One of the city's largest green spaces, Washington Park, is nearby. The Washington Public Library provides extensive resources for local residents. Many public, private and parochial schools are located in the community. Wheaton Franciscan-St. Joseph hospital and places of worship are anchors of social stability in the neighborhood. "St. Joe's" draws hundreds of people daily to its world-class health care facility.

Indicators of quality of life generally include crime; open space and parks; cultural and recreation facilities; educational facilities; special care for elderly, disabled and children; police and fire services. Many indicators related to quality of life are available at the police district level. The following indicators are for Milwaukee Police District 7 (see map below). Sherman Theater project is located within this district. It must be noted that this Police District Area is *much larger* than the Sherman Park neighborhood. The population residing in District 7 is 102,336 while the population of Sherman Park Census Tract is 4,241, which is just 4% of total population in District 7.

Rates of crime in Police District 7 exceed those for the entire city of Milwaukee (which includes District 7). Because Sherman Park neighborhood represents a small part of District 7, this information likely overestimates the actual incidence of crime of the neighborhood. More detailed information is needed about the geographic area in which crime occurs. Anecdotal information suggests that lower levels of crime exist in the Sherman Park neighborhood than in the District 7 area as a whole.

Indicators of Neighborhood Vitality may include faith-based organizations, parks, libraries, festivals and the like. The table below provides data for the police district and the city. District 7 is fairly represented in its share of faith-based organizations and parks. Its share is very similar to its share of city population (District 7 contains approximately 17% of the city population).

Police District 7



Property-Related Indicators

	District 7	City of Milwaukee
Violations		
Boardup	412	1,847
Litter	2,238	13,281
Rodent	38	135
Nuisance Vehicle	159	740
Liquor Licenses	80	1,324

Neighborhood Vitality

	District 7	City of Milwaukee	As a % of city total
Parks	80	484	17%

Crime Indicators

District 7 City of Milwaukee				
Group A Offenses --- 2013	District 7		City of Milwaukee	
	Number	Per 1,000 Residents	Number	Per 1,000 Residents
Total Summary	8,394	82.02	43,375	72.92
Assault Offenses	1,709	16.7	9,603	16.14
Arson	65	0.64	293	0.49
Burglary	1,661	16.23	6,624	11.14
Criminal Damage	828	8.09	4,709	7.92
Robbery	830	8.11	3,339	5.61
Sex Offense	126	1.23	682	1.15
Theft	1,608	15.71	9,672	16.26
Vehicle Theft	1028	10.05	4,424	7.44
Homicide	24	0.23	103	0.17

Business Market Analysis

The most current and detailed information on businesses establishments located in the Burleigh Street commercial corridor comes from the Zip Code Business Patterns data produced by the US Bureau of the Census. The most recent data available is for 2012.

ZIP Business Patterns presents business counts, by size, for hundreds of industries plus summaries by ZIP code for employment, payroll, and counts by employment size. This data can also be extracted by state, county and zip code area. Burleigh Street Commercial Corridor is located in the 53210 zip code area. We have presented the data for 53210 and Milwaukee County.



Indicators from County Business Patterns and Zip Code Business Patterns

In 2012, there were 307 establishments employing a total of 5,395 employees in this zip code area. The number of establishments in zip code area 53210 has been declining over the past decade.

There was a 20% drop in the number of establishments in the 10-year period from 2002 to 2012, falling from 382 to 307 establishments. Employment has also declined but less dramatically, from 5,695 employees in 2002 to 5,395 employees in 2012. The declines in the number of establishments and employees in the 53210 zip code area have been more pronounced than in Milwaukee County in general. In Milwaukee County, the number of establishments dropped by 8% from 2002 to 2012. The number of employees dropped 8% in this same time period.

Most establishments are small enterprises (57%), with between 1-4 employees. Nearly 40% of establishments in this zip code area are in the health care and social assistance sector. 15% of establishments are in the retail sector.

By repurposing a vacant space into an economic anchor on the Burleigh Street commercial corridor, the Sherman Theater project will likely have a positive economic impact on employment and number of establishments.

Change in establishments and employment – 2002 to 2012

Zip Code Area 53210			
Change from 2002 – 2012	2002	2012	% Change
Number of establishments	382	307	-20%
Paid employees	5,965	5,395	-10%

Milwaukee County			
Change from 2002 – 2012	2002	2012	% Change
Number of Establishments	21,153	19,384	-8%
Paid Employees	458,394	449,241	-2%

Establishments by Number of Employees – Zip Code Area 53210

	Total Establishments	
	Number	As a % of Total Establishments
Total Establishments	307	
1-4 employees	175	57%
5-9 employees	59	19%
10-19 employees	34	11%
20-49 employees	27	9%
50-99 employees	5	2%
100-249 employees	6	2%
Establishments with 1,000 employees or more	1	0.3%

Establishments by Sector– Zip Code Area 53210

Sector	Total Establishments	
	Number	As a % of Total Establishments
Total Establishments	307	
Construction	7	2%
Manufacturing	7	2%
Wholesale Trade	4	1%
Retail Trade	46	15%
Transportation and Warehousing	4	1%
Information	2	1%
Finance and Insurance	10	3%
Real Estate and Rental and Leasing	5	2%
Professional, Scientific, and Technical Services	14	5%
Administrative and Support and Waste Management and Remediation Services	9	3%
Educational Services	8	3%
Health Care and Social Assistance	121	39%
Arts, Entertainment, and Recreation	1	0%
Accommodation and Food Services	25	8%
Other Services (except Public Administration)	44	14%

SOCIO-ECONOMIC IMPACT OF THE ARTS

Economic Impact of the Sherman Theater Project

Summary of the Economic Impact of Sherman Theater Project (Phase 1 and 2)

- Phase 1 - Economic Impact of the Rehabilitation and Renovation of the Sherman Theater
 - o Total investment on land, construction, and design of the theater = \$2.2 million, of which \$400,000 would be spent on building acquisition.
 - o **Total Economic Impact of Phase 1**
 - **\$3.8 million**
 - **29 jobs⁶**
- Phase 2 - Economic Impact of the first 3 years of Operation of the Rehabilitated Theater
 - o Direct impact based on rental income, salary and wages = \$530,000
 - o **Total Economic Impact of Phase 2**
 - **\$838,000**
- Direct spending on this project of approximately \$3 million in the first 3 years will generate:
 - o Government Revenues (Local and State) = \$300,000
 - o Household Income increase = \$3million⁷
- **Total Impact of the Sherman Theater Project (Phase 1 PLUS Phase 2)**
 - o **\$4.6 million**

General economic impact of the Arts

Research shows that the arts activities and arts organizations have a significant impact on our local and national economy. The rehabilitation of the Sherman Theater could have a positive impact on many indicators of neighborhood economic health in the Sherman Park community. Key indicators of economic health of a neighborhood or business district include: vacancy levels, property values, store turnover, retail mix, employment, tax revenues, availability of goods and services demanded by the community. The repurposing of an older, vacant or decaying building can positively impact all of these economic indicators.

Research from the *John D. and Catherine T. MacArthur Foundation* found that arts organizations often serve as anchors of local business districts.⁸ By repurposing of older space which otherwise may be left vacant or decaying, this project can turn a vacant property into an economic anchor on Burleigh Street.

Economic Impacts are normally divided into direct impacts, indirect impacts:

- **Direct impact** - This arises from the initial expenditures by the construction company or the arts organization. The direct impact of the theater comprises purchases of local resources (labor, goods, and services) for construction and ongoing theater operations.

⁶ According to the Strategic Economic Research Council, every \$1 million of construction costs supports 14.2 total jobs, comprising 8.7 direct jobs and another 5.5 jobs through indirect and induced activities; it also creates an additional \$837,223 of output through indirect and induced activities. <http://www.strategiceconomicresearch.org/AboutUs/StimCalcTool.pdf>

⁷ Americans for the Arts estimates that for every \$100,000 in direct spending by a non--profit arts and culture organization in the state of Wisconsin, a total economic impact of \$98,016 in Household Income and \$10,000 Local & State Government Revenue was generated.

⁸ Leveraging Assets: How Small Budget Arts Activities Benefit Neighborhood, 2005. Diane Grams and Michael Warr

- **Indirect impact** –When people and businesses receive income, they spend much of their income locally. The indirect impact measures these subsequent rounds of spending, in other words, the knock-on spending. To the extent that the money circulates within the immediate community, it “multiplies” within that community. The indirect impact is the total of all re-spending. It is normally measured using “multiplier”. Indirect impact is measured in terms of household income and government revenue.
- **Total impact** – is the sum of the direct and indirect impacts

Economic Impact of the Arts on Metro Milwaukee

The organization, Americans for the Arts estimates the economic impact of a nonprofit arts and culture organizations. Their research is based on findings from the 182 study regions that were part of Arts & Economic Prosperity IV, Americans for the Arts' national economic impact study of nonprofit arts and culture organizations and their audiences.⁹ Four measures of economic impact are used. They include: total expenditures, total number of full-time equivalent (FTE) jobs, household income and government revenue. See appendix for full description.

Americans for the Arts carried out a study on the impact of non-profit arts and their audiences on metropolitan Milwaukee.¹⁰ They found that Milwaukee area non-profit arts organizations and their audiences spent approximately \$300 million in the metro area economy. These expenditures supported nearly 11,000 metro area jobs and accounted for \$232 million of household income paid to metro area residents. These expenditures also generated nearly \$40 million in revenue for local and state government. In addition to this direct economic impact of the arts organization, the study also found that Milwaukee-area arts audiences have an impact above and beyond their purchase of a ticket to the arts event or performance. Each Milwaukee-area audience member spends an additional \$16.50 (above and beyond the admission price) on other goods or services.

Economic Impact of the Sherman Theater Project

Sherman Theater Phase 1 – Rehabilitation and Renovation

The construction project will result in the injection of funds into the construction sector of the local economy. This phase would likely include the maintenance, repair, and renovation of the structure. This may include the addition of square footage; structural renovations or modernization; tenant improvements; and upkeep and repair of existing equipment, building structures, and infrastructure.

The Site Analysis carried out by the Milwaukee School of Engineering estimated that the total cost for the rehabilitation of the Sherman Theatre would be \$2.1 million, of which \$400,000 would be spent on building acquisition. The remainder of the expenditures would be capital expenditures related to construction.

⁹Americans for the Arts. Arts and Economic Prosperity Calculator.

¹⁰ Americans for the Arts. Arts and Economic Prosperity IV: Economic Impact of Nonprofit Arts and Culture Organizations and their Audiences in the Greater Milwaukee Area. 2012

It is generally accepted for each \$1 million of construction costs for the maintenance, repair, and renovation of commercial structures:

- Supports 14.2 total jobs, comprising 8.7 direct jobs and another 5.5 jobs through indirect and induced activities
- Creates an additional \$837,223 of output through indirect and induced activities.¹¹

Based on estimated construction costs of \$2.1 million¹², we estimate that the rehabilitation and renovation phase will generate a **total economic impact of \$3.8 million** in the local economy. This is based on a construction multiplier of 1.8.¹³ The multiplier effect indicates that each dollar of spending on rehabilitation and renovation has a total economic effect of \$1.80 on the local economy.

Construction activities will directly generate 18 jobs. Expenditures related to construction will generate an additional 11 jobs for a **total impact on employment of 29 jobs**.¹⁴

Phase 1 – Economic Impact		
-	Construction cost for the rehabilitation of the Sherman Theater = \$2.1 million	
-	Construction multiplier = 1.8	
	Employment	Total Economic Impact
Direct Effect	18 jobs	\$ 2,100,000
Indirect Effect	11 jobs	\$ 1,700,000
Total Effect	29 jobs	\$ 3,800,000

Sherman Theater Phase 2 – Ongoing Operation of the Multi-purpose Arts Facility

The operation of a multi-purpose arts facility at the Sherman Theater will result in an ongoing impact on the local economy. Burleigh Street CDC envisions the creation of a Sherman Park Arts Council to act as the booking agent and management company for the Sherman Theater. The Sherman Park Arts Council would pay a fee to the Burleigh Street CDC to stage performances and exhibitions in the Sherman Theater. The fee would be calculated based on the theater rental rates.

The estimate of the total impact arises from the direct and indirect impact. Estimated economic impacts are included in tables below. Estimates are given for the first three years of operation of the arts facility. The economic impact will result from:

- wages paid to full-time, part-time and temporary employees who are employed by the arts facility
- rental income generated by office, retail space and theater rentals
- indirect economic impact arising from these direct expenditures

¹¹ <http://www.strategieconomicresearch.org/AboutUs/StimCalcTool.pdf>

¹² Milwaukee School of Engineering, [Sherman Theater Site Analysis](#)

¹³ Bureau of Economic Analysis. Arts and Cultural Production Satellite Account (ACPSA), 2013

¹⁴ Ibid.

Direct Impact

Rental Income - The property has a total of nearly 22,000 usable square feet. This space is divided amongst theater space, retail space and office space. Market rents and total square footage are shown in the table below. Based on estimates of market rents and the existing vacancy rate for the Burleigh Street BID¹⁵, annual rental income is estimated below. Estimates are provided for two scenarios, full occupancy and 68% occupancy. In reality, rental income is likely to fall in the middle of these two estimates.

If the arts facility were fully occupied, annual rental income at current market rates would be nearly **\$120,000 per year**. A more cautious estimate of projected rental income is based upon the current occupancy rate on the commercial strip. Currently, commercial space on Burleigh Street has an occupancy rate of 68% occupancy rate. If the rehabilitated theater has 68%, **annual rental income would yield \$81,427 per year**.

Phase 2 - Rental Income (per year)

Type of Space	Market Rental Rates ¹⁶	Number of Square Feet ¹⁷	Annual Rental Income at Full Occupancy	Annual Rental Income at 68% Occupancy
Retail	\$9.34	6,430	60,056	\$40,838
Office	\$8.09	4,286	34,674	\$23,578
Theater	\$2.36	10,600	25,016	\$17,011
TOTAL		21,316	\$119,746	\$81,427

The first three years of operation will yield **total rental income estimated between \$255,350 and \$378,300**. (See table below). The actual amount of rental income will depend on the occupancy rate for the retail, office and theater spaces. In order to project total revenue over three years, we assumed:

- 5% annual increase in rental income
- Total occupancy between 68-100%

Phase 2 - Total Rental Income (3 years of operations)

	Occupancy at 100%	Occupancy at 68%
Year 1	\$120,000	\$81,000
Year 2	\$126,000	\$85,050
Year 3	\$132,300	\$89,300
TOTAL RENTAL INCOME	\$378,300	\$255,350

¹⁵ Mosaic Commercial Corridor Occupancy Analysis found that the current Occupancy Rate for the Burleigh Street Business Improvement District (BID) is 68%.

¹⁶ Milwaukee School of Engineering, Sherman Theater Site Analysis. 2012

¹⁷ Ibid.

Employment Income and Household expenditures arising from wages and salaries paid - Wages and salaries paid to employees of the arts facility will lead to increases household income and expenditures. The Sherman Theater will employ full-time, part-time and temporary employees. It is assumed that most of the income earned by these individuals will be spent locally. Burleigh Community Development Corporation estimates that the rehabilitated arts facility will create 2 full-time and 2 part-time positions. This is equal to 3 FTE positions. The table below provides average and minimum salaries for these positions.¹⁸

Salaries at Arts Organizations (2013)

Position	Average Salary	Minimum Salary
Director/COO	\$88,751	\$60,000
Programming	\$58,000	\$31,000
Operations/Administration	\$42,000	\$24,000
Arts Education	\$65,000	\$40,400
Part-Time Position	\$21,000	\$10,000

The expected new positions at the two primary organizations, Burleigh CDC and Sherman Park Arts Council are: .5FTE Director, .5FTE Programming Specialist, .5FTE Operations Administrator and .5FTE Arts Educator. In addition, we estimate that 2 part-time positions will be created. These six positions at .5FTE (Full-time Equivalent) are equal to 3 FTE positions.

The first 3 years of the theater’s operation will **yield 3 full-time equivalent positions and total salaries of \$275,036**. The estimates are calculated based on the following assumptions:

- Each position will be paid at the minimum salary.
- Total salary will increase by 5% per year

Phase 2 - Estimated Total Salaries (3 years of operation)

	Total Annual Salaries
Year 1	\$87,700
Year 2	\$91,385
Year 3	\$95,951
TOTAL SALARIES PAID	\$275,036

Indirect Impact

The indirect impact of Phase 2 will arise from the ripple effect of spending that follows the initial payment of wages and salaries to employees, performers and artists. It will also arise from the additional spending that visitors to the Sherman Theater will spend in the community. Indirect impact is measured by applying a multiplier.

¹⁸ Local Arts Agency Salaries. Americans for the Arts. 2013.

Multiplier Effect - The conservative estimate of the direct effect of the ongoing operation of the Sherman Theater over the first three years is estimated at \$530,000. This is the sum of rental income of \$255,350 (based on 68% occupancy) and salary expenditures of \$275,000 (at minimum salaries). To calculate the indirect impact, a multiplier is applied to the total direct effect. The multiplier in this case is 1.58. The multiplier effect indicates that each dollar of spending on arts and culture production has a total economic effect of \$1.58 on the local economy.

Total Impact

The total impact is the sum of the direct impact and the indirect impact. In applying the multiplier to the total direct effect, an estimated total economic effect can be calculated. Based on this model, we estimate the **total economic impact of the first three years of operation of the Sherman Theater to be \$838,000.** (The multiplier for arts and culture production is 1.58.)¹⁹

Phase 2 - Three-Year Economic Impact

	Employment	Total Economic Impact
Direct Effect	3	\$530,000
Indirect Effect		\$308,000
Total Effect		\$838,000

Maximizing total economic impact: In order to maximize the total economic impact of Phase 2, the project stakeholders should consider ways to promote local spending. This will encourage the spending and re-spending of project dollars in the local community. Another way to maximize economic impact is to initiate a residential preferential program, wherein local residents are sought for the employment positions in the project.

Other impacts

Box Office Receipts

Revenues generated by box office sales will be determined by the number of performances and attendance at the performances. Attendance will vary by performance, but it is expected that audiences will increase over time as the theater becomes well established. We have not estimated box office receipts in this study for two reasons. Firstly, it is premature to estimate number of performances per year and attendance. This estimate can be completed when the theater renovation is closer to completion and it is known what the arts programming and seating capacity will be. Secondly, ticket sales would be managed by the proposed Sherman Theater Arts Council. The Arts Council would use this revenue to pay rent to Burleigh Street CDC.

Event-related expenditures

People who attend arts performances/events do not generally limit their spending to the price of the event. Often they dine locally, pay for parking or shop in local retail stores. Although it is not possible to predict the total spending of visitors to the renovated Sherman Theater, we do have general information on spending by arts audiences in metro Milwaukee. The organization, Americans for the Arts, estimates that

¹⁹ Ibid.

metro Milwaukee residents who attend arts events spend an additional \$16.25 above and beyond the cost of admission.

When someone attends an arts performance, a ticket is purchased for that event. On average each individual audience member spends \$16.25 on other products or services ON TOP of the ticket price. This spending may take place in the theater gift shop, concession stand or in nearby businesses and restaurants. It is important for Burleigh CDC to recognize this potential demand and to encourage audience members to purchase goods and services in the local area. This will maximize economic impact.

Another way to calculate Economic Impact of Ongoing Operations

The total impact of this project has been estimated here using a calculation based on project estimates and construction and arts multipliers. It must be noted that there are other ways in which to estimate economic impact. Americans for the Arts has provided an easy methodology to estimate the total economic impact of spending by arts organizations and spending by arts audiences.

Impact of Spending by Arts Organization – The organization, Americans for the Arts estimated that for every \$100,000 in *direct* spending by a non-profit arts and culture organization in the state of Wisconsin, the following **TOTAL economic impact** was generated:

- 4.78 FTE jobs
- \$98,016 in resident household income
- \$5,149 in Local Government Revenue
- \$5,542 in State Government Revenue²⁰

Impact of Spending by Arts Audiences – Americans for the Arts estimated that for every \$100,000 in *direct* spending by arts audiences in the state of Wisconsin, the following **TOTAL economic impact** was generated:

- 3.4 FTE jobs
- \$74,905 in resident household income
- \$6,241 in Local Government Revenue
- \$8,401 in State Government Revenue²¹

Social Impact of the Sherman Theater Project

Summary of the Social Impact of the Sherman Theater Project

Based on the research and on the community indicators presented above, it is highly likely that the rehabilitation of the Sherman Theater into a multi-purpose arts facility would have the following social impacts on the Sherman Park neighborhood:

- Increase education and skills of youth in the community
- Promote civic participation in the community
- Develop social networks in the community
- Promote health and well-being

²⁰ Americans for the Arts. Arts and Economic Prosperity – Economic Impact of Nonprofit Arts and Culture Organizations and their Audiences

²¹ Ibid.

Maximizing social impact - Burleigh Street CDC can optimize the positive effects of the project by targeting the arts activities to the specific needs of the community. If the project were target activities to the special conditions of the neighborhood (such as high unemployment rate amongst 16-19 year olds and sizable disabled elderly population), it would surely maximize its positive social impacts.

General Social Impact of the Arts

Social impacts are the impacts of the arts on people. These positive effects on people include:

- *Health*—engagement in the arts improves people’s physical health and strengthens social bonds
- *Psychological Well-being* – engagement in the arts relieves stress and improves life satisfaction
- *Education/Skills*- engagement in the arts can lead to the acquisition of a variety of life skills and disciplines
- *Civic Engagement* – arts promote engagement and participation in civic and social life
- *Creativity*²²

Research from the *John D. and Catherine T. MacArthur Foundation* shows that arts activities help create social networks, build civic dialogue, and incubate social capital that mobilizes other resources to improve the quality of life.²³ The University of Pennsylvania Social Impact of the Arts Project (SIAP) has conducted extensive research that documents the positive impact of the arts on quality of life, especially in urban areas. They have demonstrated the connection between engagement with the arts with economic revitalization.²⁴ Their research supports the idea that such naturally occurring cultural-rich neighborhoods experience:

- Lower poverty
- Increases in population
- Better child welfare outcomes
- Fewer cases of ethnic or racial harassment
- Lower morbidity.²⁵

Impact on Health

Research demonstrates that creative arts in healthcare interventions can contribute to the following positive outcomes when services are integrated into medical treatment and community prevention and wellness programs:

- Reduced length of hospital stays
- Decreased need for multiple medical visits
- Reduced reports of pain and anxiety related to illness and invasive treatment
- Increased self-esteem and reductions in stress

²² “How the Arts Impact Communities” Joshua Guetzkow for Princeton University Conference “Taking the Measure of Culture Conference”. June 7---8, 2002

²³ Leveraging Assets: How Small Budget Arts Activities Benefit Neighborhood, 2005. Diane Grams and Michael Warr

²⁴ Cultural Ecology, Neighborhood Vitality, and Social Wellbeing—A Philadelphia Project (December 2013).

²⁵ What do arts & culture contribute to urban life?, Mark J. Stern, Kenneth L.M. Pray, University of Pennsylvania, School of Social Policy & Practice. Remarks at Symposium on Challenges Facing American Cities. Oct. 25, 2013.

- Reduced healthcare-related infection rates
- Decreased need for use of sedatives during medical procedures
- Reduced levels of depression and improvements in quality of life
- Decreased use of medical interventions covered by Medicare among the aging.²⁶

A review of many studies in relation to arts and healing indicates that creative engagement can decrease anxiety, stress, and mood disturbances.²⁷

Impact on Education/Skills

Data from the National Educational Longitudinal Survey²⁸ found significant connections between involvement in arts learning and general academic and career success. This study provides empirical evidence that the arts prepare young people for later success, in school and in life. The implications for the education of underserved and/or poor students are particularly significant. “The results strongly connect arts learning with both general academic success and pro-social outcomes (i.e., outcomes such as volunteerism, involvement in the community, or civic participation). Moreover, the study finds that students of low socio-economic status benefited significantly from attending schools characterized as “art-rich” (i.e., possessing a rich and complete arts curriculum). Benefits were tracked in terms of college attendance, academic achievement in terms of grades, and level of terminal degree.”²⁹ Research found that youth who worked in the arts for a year experienced significant positive impact on academic achievement, such as:

- 4 times more likely to be recognized for academic achievement
- 4 times more likely to participate in math or science fair
- 3 times more likely to win award for school attendance
- 3 times more likely to win award for writing an essay or poem.³⁰

Impact on Youth

Arts organizations often play a vital role in serving local youth. The positive impact of arts on youth is widely acknowledged. The University of Pennsylvania has cited positive impacts on social connections, school attendance, graduation rates and decreased criminal activity. Arts organizations can serve youth in the community by providing arts training and venues for art expression. The arts organizations can provide a safe place for youth, leadership training, and strengthen neighborhood connections.

Especially important is the potential for arts organizations to provide a positive outlet for youth, thus turning youth from a potential problem into a community asset.³¹

²⁶ Arts in Health—Strengthening our Nation’s Health through the Arts. 2013

²⁷ American Journal of Public Health. 2010

²⁸ National Center for Education Statistics. Educational Longitudinal Study of 2002. <http://nces.ed.gov/surveys/els2002>

²⁹ Catterall, James S. (2009). Doing well and doing good by doing art: The effects of education in the visual and performing arts on the achievements and values of young adults

³⁰ www.AmericansfortheArts.org

³¹ University of Pennsylvania, Social Impact of the Arts Project

CONCLUSION

This socio-economic impact analysis sought to measure the social and economic impact that the rehabilitation of the theater could have on the community's economic and social well-being. As a project at the intersection of arts, culture and community development, the rehabilitation of the Sherman Theater has the potential to be a catalytic project for the neighborhood and the commercial corridor.

According to the League of Historic American Theaters, the construction and rehabilitation phase requires more skilled labor, creates more jobs, and spurs more new business growth than new construction.³² As a catalytic project, the renovation of the Sherman Theater has the potential to stabilize and even increase both residential and commercial property values, as well as to increase employment and number of businesses in the neighborhood. The preservation of the historic building would be a "sustainable development" project, one that promotes sustainability by recycling existing buildings and infrastructure. As such, it can be a model of sustainable development as well as community revitalization.

Beyond the economic impacts, the arts can have many positive social impacts on a neighborhood. Arts and cultural assets are an important factor used by many businesses and individuals when deciding to locate to a community. Individuals, families and businesses want to move into a healthy neighborhood with a lively commercial area. The opening of a multi-purpose arts facility could build upon the existing arts and cultural assets in the Sherman Park neighborhood and be a new anchor of community pride, artistic expression and commercial activity.



³² League of Historic American Theaters. [HISTORIC THEATRE RESCUE, RESTORATION, REHABILITATION AND ADAPTIVE REUSE MANUAL](#)

Appendix

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