

VII. Creative Economy and Economic Development

Overview

Over the past 30 years economic data, academic insights and concrete examples have led to a widespread conclusion: arts and culture have enormous economic and social impacts that can help transform cities from the marginal to the desired. That conclusion has significant implications for Long Beach.

Arts and culture have a rich and lengthy history in the City. This year marks a number of anniversaries that demonstrate the deep involvement of arts and culture in the fabric of Long Beach:

- 66th Anniversary for the Long Beach Museum of Art
- 81st Anniversary for the Long Beach Symphony
- 87th Anniversary for the Long Beach Playhouse
- 107th Anniversary for the Long Beach Municipal Band

The list of vibrant and successful arts and culture organizations in Long Beach is long and varied. The City's rich portfolio of arts and cultural assets include: three art museums (Long Beach Museum of Art, Museum of Latin American Art and University Art Museum); the world-renowned Aquarium of the Pacific; and the nationally recognized Long Beach Opera. Long Beach supports a rich tapestry of theater and dance: the Long Beach Ballet, the International City Theater, Musical Theater West, California Repertory Theater and the Long Beach Playhouse. And Long Beach has vital historical resources, such as Rancho Los Alamitos, Rancho Los Cerritos and the Long Beach Historical Society.



Museum of Latin American Art

The Long Beach educational structure includes a magnet performing arts high school (Renaissance High School), and vibrant performing and visual art programs at Long Beach City College and California State University Long Beach, which has more art students enrolled than any other university west of the Mississippi.

Beyond organizations, Long Beach has a vast reservoir of artistic talent. The Arts Council's artist registry features over 500 artists who make their art in Long Beach.

Developing, supporting and nurturing the creative economy is increasingly a major economic development strategy for metropolitan areas. Underpinning this strategy is the understanding that as the economy continues its transition from industrial to knowledge, integrating strategies and implementation efforts that embrace the creative industries becomes more and more important.

Urbanists, economic development professionals and “city watchers” have concluded that arts and culture are a dynamic economic development engine that both rebuilds urban areas and sets the stage for prosperity in the 21st Century. Arts and culture have a three-fold impact by:

- Creating direct, indirect and induced employment.
- Transforming neighborhoods.
- Enhancing the quality of life to attract and retain businesses and upgrade a region’s workforce.

What are Long Beach’s creative economy assets? Vibrant cultural organizations, a burgeoning creative sector and a wealth of diverse cultural experiences. With those assets, Long Beach has the potential be a cultural and artistic epicenter. Long Beach can be a destination city, a city of choice for a sophisticated and educated workforce that will serve to draw new technology and information driven firms. The issue for Long Beach is how to leverage its cultural assets for economic development.

Just What Is the Creative Economy?

What is the creative economy? Broadly defined, it represents economic activities that leverage and generate knowledge and information through creativity and innovation. Creative economy sectors are varied and diverse – but their unifying characteristics are creativity, innovation and information.

There is disagreement (how surprising!) among economists, policy advocates and practitioners as to the actual sectors in the creative economy. Some sectors are considered mass-produced (Film, Broadcasting) and some are considered individual (Arts, Crafts), but the following are typically considered part of the mix:

- Advertising
- Architecture
- Arts – visual and performing, including music
- Broadcasting – including television, internet and radio
- Crafts
- Cultural – museums, performing arts centers
- Design – including graphic and industrial
- Designer Fashion
- Film – including video and photography
- Publishing – including hardcopy and electronic
- Software – including applications, programs and computer games

Characteristics of Creative Sectors

Richard Caves developed a list of characteristic that cuts across various creative sectors. (Caves, Richard E. (2000), *Creative Industries: Contracts between Art and Commerce*, Harvard University Press).

- *Nobody knows principle*: Consumers' reaction to products are not known beforehand nor easily understood afterward.
- *Art for art’s sake*: Workers care about originality and technical skill and are willing to settle for lower wages than offered by 'humdrum' jobs.
- *Motley crew principle*: For relatively complex creative products (e.g., films), the production requires diversely skilled inputs.
- *Infinite variety*: Products are differentiated by quality and uniqueness (such as creative writing – poetry, novel, screenplays, etc.)
- *A list/B list*: Skills are vertically differentiated. Small differences in skills and talent may yield huge differences in (financial) success.
- *Time flies*: When coordinating complex projects with diversely skilled inputs (film), time is of the essence.
- *Ars longa*: Some creative products have durability aspects that invoke copyright protection, providing long payouts.

Economic Impact of Creative Economy

How important is the creative economy? Because definitions vary and supply chains are complex, academics, scholars and statisticians don't agree on what should be included or excluded and what should be measured. And there has been some heated debate about whether the creative economy can be a crucial driver of economic success or is an overblown concept.

The general consensus is the creative economy will be increasingly important in a knowledge-driven world. Not only can it boost jobs and opportunities, but also it can play an important role in turning around neighborhoods and corridors.

One reason for the new respect for arts and culture is the recognition that the "creative economy" is a principal driver in the Gross Regional Product of Los Angeles County. Reports by the Los Angeles County Economic Development Corporation on the creative economy revealed the following:¹

- Direct, indirect and induced employment in the creative economy totals 695,100 jobs
- Direct employment in the creative economy totals 355,600
- Creative industries accounted for 1 in every 7 jobs in Los County.
- Total output totaled \$139.8 billion (direct, indirect, induced)
- State and local taxes generated directly and indirectly by the creative economy were nearly \$5.7 billion.

The LAEDC studies found the creative economy was critical for long-term economic prosperity: "the creative economy is also a resource for competitive advantage that reaches across almost every industry in the Los Angeles-Orange County region. From fashion to digital media to fine and performing arts, the creative economy is what defines our region: it is both factual and logical to brand it as a creative capital."

What are some issues highlighted by the LAEDC reports?

- A lack of recognition in the region of just how important these activities are.
- Many of the creative industries are ignored by government agencies in planning and support.
- K-12 curriculum lacks sufficient arts and design-related education.
- The region's creative talent pool, which is unique, is not fully used in the area's economic development efforts.

What's Making the Creative Economy Important?

Three factors are making the creative economy increasingly more important for economic development:

¹ "Reports on The Creative Economy of the Los Angeles Region", prepared for Otis College of Arts and Design by the Los Angeles County Economic Development Corporation, November 2009 and March 2015,

**The New Economy and Long Beach: Creative Economy
Economic Development Results, LLC**

- Economic restructuring
- Demographic changes
- Neighborhood revitalization

Economic Restructuring

In 2001 Apple introduced the iPod, the portable digital media player that transformed an industry and ushered in the mobile digital age. In 2007 Apple introduced the iPhone, the product that has arguably made as great a change in our social and lifestyle habits as the Model T. The result? Individuals are now tethered together and to the world to a degree unimaginable in previous centuries.

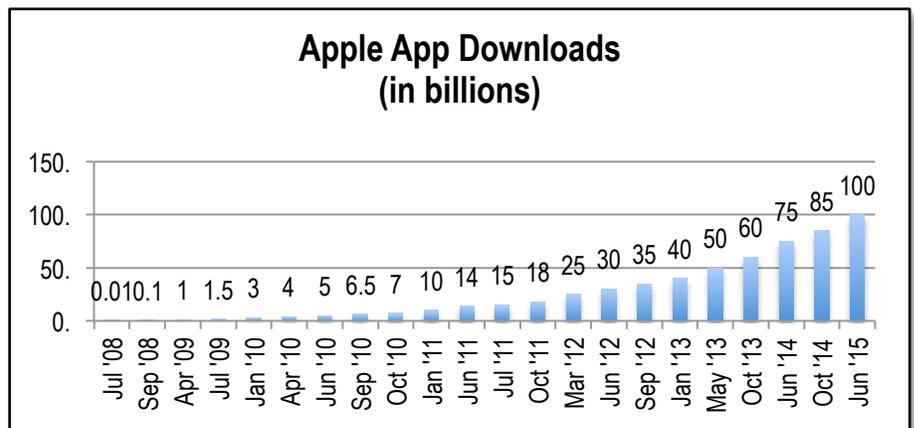


These products, more than any others, symbolize the new century. They represent the breathtaking transformation of an economy that has moved from industrial to knowledge and technology driven. Technology is driving every sector of the economy, from healthcare to manufacturing to retail. The nation's largest business, WalMart, has made technology the lynchpin of its retail expansion:

“Technology plays a key role in Wal-Mart’s supply chain, serving as the foundation of their supply chain. Wal-Mart has the largest information technology infrastructure of any private company in the world. Its state-of-the-art technology and network design allow Wal-Mart to accurately forecast demand, track and predict inventory levels, create highly efficient transportation routes, and manage customer relationships and service response logistics.”²

Further, the iPod and iPhone and their competitors are the physical manifestations that in the 21st Century we have the closest integration of commerce, technology and art than at any time since the Renaissance. The iPod linked art (music) and technology (MP3) to create a new and destroy an old business model (commerce); when was the last time someone bought a CD at a Tower Music store? The iPhone exponentially increased that integration, linking social media (art) to on-line retailing (commerce) through technology (apps).

How fast has been the penetration of these art/technology/commerce products? Mobil apps provide a good yardstick. Mobil apps did not exist prior to 2007; by 2015, there **were over 100 billion**³ downloads of Apple mobil apps alone. **That’s BILLION with a B.**



² “Incredibly successful supply chain management: how does walmart do it?”, Clara Lu, Tradegecko, May 8, 2014.

³ Statista, 2016.

It is this integration of art, technology and commerce that is making the creative economy increasingly important. And then you add demographic change.

Demographer Changes: The Big Sort, the Workforce and Long Term Prosperity

For over two decades demographers have been tracking what has been termed The Big Sort.⁴ The Big Sort is the movement of people: over the past 30 years, over 100 million Americans have moved from region to region.

The theory of The Big Sort is that people are clustering into communities of like-minded individuals, not necessarily consciously or intentionally, but it is happening nonetheless. Urban and denser suburban areas are attracting that portion of the population that is younger, typically more educated and more likely to work in the creative sector of the economy: Gen Ys, also known as Millennials. [Gen Ys /Millennials – are the generation following Gen Xs. Sometimes called Echo Boomers, the generational birthdates are between the mid 1970s and 2000.]



The New Yorker, 2007.

This demographic shift is occurring at the same time that local industrial sectors have dramatically altered. For example, Los Angeles County has lost almost 50% of its manufacturing employment since 1990⁵ even as the *value* of manufacturer goods has remained nearly constant. The reason? A transition to advanced manufacturing that produces high value products by using technology – but employing fewer but more highly educated workers.

Cities and regions like Long Beach that once supported by “big shoulder” manufacturing industries have seen these jobs replaced with service and retail jobs – typically lower paid and with fewer

⁴ Bill Bishop with Robert G. Cushing, “The Big Sort”, Boston : Houghton Mifflin, 2008.

⁵ California Employment Development Department data.

benefits. So called value added employment – higher wage employment – is increasingly tied to technology and information-driven businesses.

The economic message is clear: to be a prosperous city in the 21st Century means attracting and retaining technology and information-driven employers. Site selectors, company CEOs and academic literature all point to an educated workforce as the top requirements to attract or retain technology and information-driven employers: **“Finding highly skilled labor is the number-one driver for nearly every site-selection decision.”**⁶

Revitalizing Neighborhoods and Corridors

The creative economy will be increasingly important in a knowledge-driven world. Not only can it boost jobs and opportunities, but it has been deployed to play an important role in revitalizing neighborhoods and corridors.

- “A considerable body of new research suggests that cultural institutions based in low-income neighborhoods, including a host of non-arts amenities that allow for cultural participation and creative expression, such as community centers, churches, and parks, enhance community stability and are catalysts for change.” *Center for Community Innovation, UC Berkeley*
- “Because nearly all communities have arts and cultural assets - even the poorest neighborhoods - arts and culture can be one of the most promising ways to increase local economic opportunity.” *LISC Institute for Comprehensive Community Development*

Let’s look at a real life local example. Highland Park is one of the oldest communities in the City of Los Angeles. Located ten minutes northeast of downtown LA, it was settled in the late 19th century and grew to a population of about 60,000. Like many inner ring suburbs, white flight occurred post WWII. By the 1980s and 1990s, Highland Park was plagued by low household income levels, crime and gang violence and had one of the highest densities of any community in LA County.

The Next Gallery, Highland Park

Enter arts and culture. Attracted by its inventory of craftsmen homes and low-cost commercial properties along its two main boulevards, Highland Park became a mecca for young, artistic millennials. Galleries, coffee shops, trendy stores, bars and restaurants sprouted up. By 2013, the real estate site Redfin recognized Highland Park as the single hottest residential real estate market in the nation, with sales up by 71% and prices up by 33%. By



⁶ “Critical Location Decision Factor #3: Works Who Have the ‘Right Stuff’,” Mark Crawford, Area Development, Fall 2013.

2015, the national radio program Marketplace featured Highland Park in a series of broadcasts – and the issue was not crime but gentrification and rising rents for residents and businesses.

A number of factors coalesced to change Highland Park, but the key driver was arts and culture.

How Does Long Beach Measure Up?

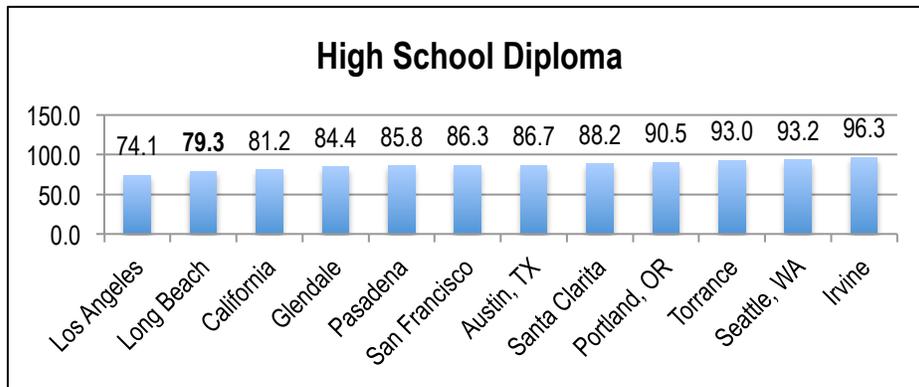
How does Long Beach measure up in the creative economy world?

As stated above, technology and information-driven employers increasingly rely and make their site selection decisions based on more sophisticated, educated workforce. How does the Long Beach workforce measure up?⁷

Among Long Beach residents 25 or older, only 79.3% have a high school diploma.

- In Pasadena, it's 86%
- In Portland, it's 91%
- In Seattle, it's 93%
- In Irvine, it's 96%
- Long Beach has a lower percentage of high school graduates than the statewide average – and California ranks 49th in the nation.⁸

The following chart compares Long Beach with cities both in and outside California:



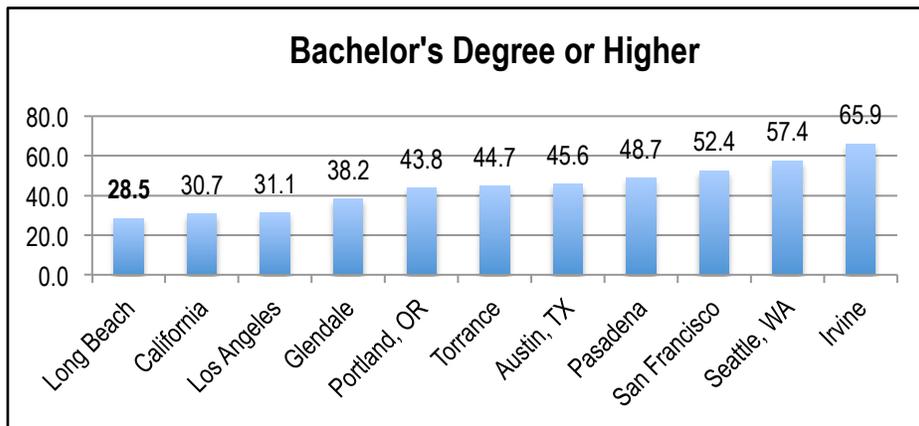
Among Long Beach residents 25 or older, only 28.5% have a bachelor's degree.

- In Los Angeles, it's 31%
- In Portland, it's 44%
- In Pasadena, it's 49%
- In San Francisco, it's 52%
- In Seattle, it's 57%
- Long Beach has a lower percentage of college graduates than the statewide average of 30.7%.

⁷ Data from "American Community Surveys", U.S. Census Bureau, 2014.

⁸ Table 233, Educational Attainment by State, U.S. Census Bureau, 2014.

The following chart compares Long Beach with cities both in and out of California:



To raise those numbers, Long Beach needs to employ an “Inside Strategy” and an “Outside Strategy”. The Inside Strategy would be to grow a more educated workforce through the outstanding educational infrastructure in Long Beach: Long Beach Unified School District, Long Beach City College and California State University Long Beach. That infrastructure is one of the most important economic development assets for the City, and why the Long Beach College Promise is recognized nationwide as such an innovative and effective program; it grooms an educated workforce that will be key to attracting and retaining value-added businesses.

The Outside Strategy would be attracting Gen Ys and Millennials to Long Beach. This is a strategy with widespread recognition. It is one reason why states, regions and cities across the nation are positioning themselves to attract and retain their Gen Ys and Millennials in their populations. The following statements from Michigan Future Inc. summarizes the strategy:

“Our basic conclusion: What most distinguishes successful areas from Michigan is their concentrations of talent, where talent is defined as a combination of knowledge, creativity and entrepreneurship. Quite simply, in a flattening world, the places with the greatest concentrations of talent win! States and regions without concentrations of talent will have great difficulty retaining or attracting knowledge-based enterprises, nor are they likely to be the place where new knowledge-based enterprises are created.

So retaining and attracting talent is at the heart of growing a high prosperity Michigan. We focus on college educated Millennials because they are the most mobile. Young people are the most likely demographic group to move. And among the young, moving from one state to another is highest for those with a four-year degree or more.”⁹

Retaining and attracting talent is exactly why arts and culture have become so important. The people Long Beach needs to attract – the educated, sophisticated Gen Y and Millennial workforce – want to live in culturally vibrant communities. This is the generation that grew up in the suburbs –

⁹ “Encouraging the Revitalization of Downtown Detroit: Attracting the Millennial Knowledge Worker”, Michigan Future Inc., University of Michigan Ross School of Business, 2008.

and now wants something more. Surveys and research indicated that Gen Ys and Millennials want a combination of the urban and active lifestyles. Long Beach can offer that combination.

Arts and culture can serve as the drawing card, and Long Beach is well positioned. It has a robust portfolio of arts and culture assets. It is poised to be vibrant urban center in a beautiful natural setting; an active lifestyle city with music, theater, dance, restaurants, clubs, an “art scene” – what a whole generation wants. There are only a few places in the United States that have these assets – and fewer still that have 340 days of sunshine and an average temperature of 72 degrees.

While Long Beach may be poised to be a vibrant urban center, it is not generally perceived as a creative city. The American for the Arts Analysis ranks Long Beach near the bottom in creative industries of the top 50 cities in US by population:¹⁰

- 38th by number of arts businesses per capita
- 46th by number of arts employees per capita
- 48th by number of arts employees

Instead of being ranked with Seattle, Portland, Miami or Minneapolis, Long Beach is ranked with Columbus, Wichita, Milwaukee and Fresno. But Long Beach has the cultural assets to be a first rank creative economy city – if its assets are fully maximized and leveraged.

Summing Up

Successful American cities are recognizing that arts and culture are critical to a city’s long-term success. In the 21st Century, arts and culture are widely acknowledged as a key driver to secure economic prosperity. The reasons are straightforward:

- To be successful in the 21st Century, American cities must retain, attract and develop information and technology-based businesses.
- Information and technology-based firms require locations with excellent quality of life and an educated and sophisticated workforce.
- The 21st Century educated and sophisticated workforce is increasingly mobile and selective: they seek and will move to regions that offer a vibrant, active and creative lifestyle.
- Ensuring Long Beach is a high quality of life destination for that educated and sophisticated workforce – that means a city that is vibrant, active and creative – will help attract and retain the people and businesses that will make it a more prosperous city.

Recommendations

Establish a more effective organizational structure that maximizes efforts to develop, promote and ensure success of arts and culture in Long Beach. Major American cities – Los Angeles, Denver, Chicago, New York, Portland, San Jose -- now utilize a structure of a formal Arts & Culture Commission supported by a city-operated Cultural Affairs office. Currently, the Arts Council for Long Beach serves as the titular umbrella organization for arts and cultural entities in the City. The

¹⁰ American for the Arts Research Hub, 2008-2015.

**The New Economy and Long Beach: Creative Economy
Economic Development Results, LLC**

Arts Council has been an effective voice for arts in Long Beach, but transitioning it to a new structure used by other major cities makes sense.

Establish a finance structure that maximizes the effectiveness of funding for arts and culture in Long Beach. The City currently supports numerous arts and cultural initiatives. The total amount of funding for arts and culture is not fully recognized because of myriad sources and uses. Because these efforts are funded from various funding sources and delivered by multiple entities, the impact of the support provided by the City is reduced. For greater impact, more effectiveness and greater efficiency and accountability, all arts and culture funding – including General Fund, Tidelands and other dollars – should be directed into a single Arts and Culture Trust Fund. Establishing an Arts and Culture Trust Fund – an organizational structure used by many major cities – would formalize both a revenue stream and a funding mechanism. The annual allocation could be more rationally anticipated and budgeted.

Establish a more secure revenue stream separate from the General Fund. Demands on the General Fund have increased significantly. Competing demands make funding arts and culture initiatives from the General Fund more difficult. A method being used successfully by over 20 states and many cities in California and across the country is a Percent for Art fee. A Percent for Art fee – on both private and public projects – would create a secure non-General Fund revenue stream.

Make Percent for Art funding available for more than public art. Percent for Art revenue should support arts and cultural events, programs and organizations – as well as public art. Public art has a role to play – but it's not the most important in strengthening the creative economy in Long Beach. Percent for Art should support multiple components of the creative economy and local Long Beach ordinances should be revised to permit it.

Make arts and culture a key component of Long Beach's educational infrastructure. Many Long Beach arts and cultural organizations support educational program – but the impact could be greatly improved. One obvious choice is for the Long Beach Unified School District to adopt the Arts for All program. Both LBCC and CSULB have significant arts programs. Taking full advantage of these resources, and connecting these educational resources to neighborhoods can have an enormous positive impact in Long Beach. Financial support should be provided through the Cultural Trust Fund with revenue generated by a Percent for Art fee.

Strengthen the artistic community and cultural organizations. Artists and cultural organizations are the foundation of the Long Beach cultural sector. Their health and productivity are central to the success of arts and culture in the City. Artists often struggle to survive, and the Great Recession poised even greater challenges for individuals and organizations. Long Beach cannot be a thriving artistic center unless the cultural environment embraces and supports artists and arts and culture organizations. Assisting the artistic community and cultural organizations survive and prosper will bear substantial dividends.

Strengthen and transform neighborhoods using the diversity of arts and culture in Long Beach. Art and culture can play a pivotal role in strengthening individual neighborhoods and weaving diverse communities into an energetic whole. Neighborhoods are already embracing arts and culture as a

**The New Economy and Long Beach: Creative Economy
Economic Development Results, LLC**

transformative economic development tool. The various Business Improvement Districts, have recognized that art and culture promote and tie together neighborhoods. The formula initiated by these BIDs can and should be replicated throughout the City. Whether Bixby Knolls, Fourth Street East Anaheim or Cambodia Town, art and culture festivals and events bring people together, activate shopping districts and increase the livability and desirability of neighborhoods.

Brand and market Long Beach as an artistic and cultural epicenter. Many cultural organizations, events and activities in Long Beach qualify as “best kept secrets” -- both inside Long Beach and in the greater Southern California region. Long Beach is the beta city in a region of 15,000,000 people – but a beta city that for many years has been content to be more inward than outward looking. Long Beach has the potential to be an epicenter for arts and culture – but to do so, it must better capitalize on its assets and be more aggressive in promoting its rich portfolio of art and culture. More effective partnerships, strategic alliances and collaborations between and among artists, cultural organizations and the private, public and education centers would significantly multiple the robustness of the arts & culture environment in the City.