Economic Impact Report

The Economic & Fiscal Impact on Maine of the Construction & Operation of the New Center for Maine Contemporary Art in Rockland, Maine

For:

The Center for Maine Contemporary Art
P.O. Box 1767
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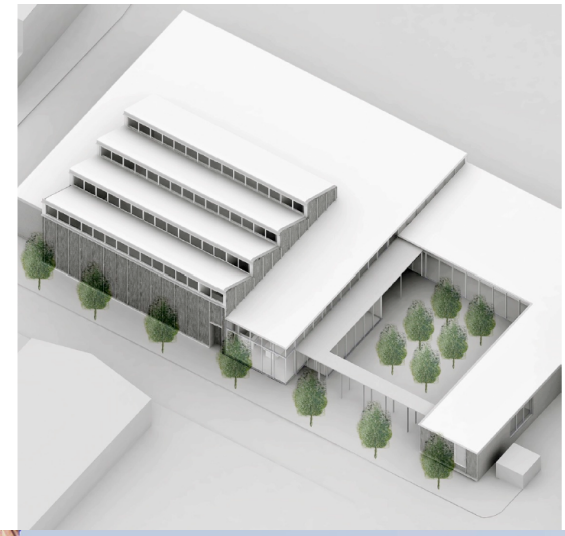
A. Introduction and Purpose

Founded in 1952 as an artists' cooperative, The Center for Maine Contemporary Art (CMCA) has evolved and grown to become Maine's preeminent contemporary arts organization. Its core mission is to catalyze and celebrate contemporary art in Maine. It fulfills this mission:

- ✓ by bringing the community to art through exhibitions and artistic experiences showcasing the art and artists connected to Maine; and
- ✓ by bringing art to the community through education programs, internships and outreach.

CMCA is currently in the process of building a new $6 million, 12,000 square foot home on Winter St. just off Main St. in downtown Rockland, Maine.



The purpose of this report is to explain and document the economic impact of this investment on the City of Rockland and the State of Maine.

Economic impact is most simply understood as sales revenue (and thereby employment) flowing to businesses in an area because of some new activity occurring there. In this case, the decision by CMCA to build a new center from which to undertake its exhibition, educational and administrative activities results in money flowing to:

- ✓ the architects, designers and builders who create the building;
- ✓ their up-stream supply-chain of vendors (construction supply, trucking, repair services etc.);
- ✓ the employees working at the new CMCA building;
- ✓ art supply companies, fuel dealers; utilities, repair services, insurance, advertising and other businesses with which the new CMCA does business to conduct its operations—more than 268 over the past three years;
- ✓ the hotels, restaurants, gas stations and other retailers that visitors to the new CMCA building patronize;
- ✓ their up-stream supply-chain of vendors (food and supply wholesalers, professional services, utilities, banks, accountants, lawyers etc.); and
- ✓ the grocery stores, banks, health care offices, clothing stores and all the other local businesses serving the needs of all the local people employed in all of the above activities.

To estimate the volume of all these flows of revenue within the Rockland area and the State of Maine as a whole, Planning Decisions, Inc. (PDI) obtained figures on capital and operational expenditures from CMCA, used visitor spending estimates derived from an impact analysis of Maine's museums and used the IMPLAN model for Maine to estimate indirect vendor-supply-chain and employee-spending impacts.[1]

[1] Financial, program and visitor data were provided by CMCA; Maine Arts Commission Maine Museums: An Economic Impact Study 2010.
http://www.mainestatemuseum.org/resource/d/15736/2010_MaineMuseumStudy1.pdf;
and IMPLAN Model of the State of Maine, http://www.implan.com/.

B. Direct Spending from Construction & Operation of the new CMCA

The purpose of this report is to estimate the economic impact of the new CMCA as an operating entity. It is based, therefore, on direct capital spending by CMCA of $6 million for its new building and direct operational spending of $517,500—its projected fiscal year expenditure for 2017 (April 2016 to March 2017). This expenditure includes $264,000 to support 5 full-time equivalent employees and anticipates 30,000 visitors.

The second impact flowing from the CMCA is the spending of its visitors in the Rockland area. The best source of information on museum-driven visitor spending derives from a survey commissioned by the Maine Arts Commission during the Fall 2008-Spring/Summer 2009 season.[2] The survey collected a variety of information from visitors to 13 Maine museums, including party size, spending patterns, duration of visit and home of visitor. Because visitors to the CMCA are clearly arts-oriented, PDI decided that the characteristics of visitors to the Farnsworth Museum in Rockland would be a more accurate representation of CMCA visitors than data on the "average" Maine tourist published by the Maine Office of Tourism.[3]

The Maine Arts Commission survey identified four important facts about visitors to the Farnsworth Museum that explain why the CMCA's goal of drawing more such visitors to Rockland (and encouraging those who already come to stay longer) is so important to the City's and region's economic future.

- ✓ Visitors to the Farnsworth tended to come in larger parties. The average party size at the Farnsworth was 2.9, higher than the all-museum average of 2.7. Among the 13 museums surveyed, the Farnsworth ranked 5th in this metric.
- ✓ Visitors to the Farnsworth were more likely to be overnight visitors than day-only visitors. 55% of Farnsworth visitors reported spending the previous night in a commercial accommodation facility. This figure exceeded the all-museum average of 44% and ranked the Farnsworth 4th on the list of all museums.
- ✓ Visitors to the Farnsworth were far more likely to be from outside Maine, either from another state or from another country than visitors to other

[2] Maine Arts Commission Maine Museums: An Economic Impact Study, 2010, http://www.mainestatemuseum.org/resource/d/15736/2010_MaineMuseumStudy1.pdf

[3] Maine Office of Tourism Visitor Tracking Research 2014 Calendar Year Annual Report prepared by DPA May 2015. http://www.seagrant.umaine.edu/files/mbc/2015/P1b%20Farmer%20Tour.pdf.

Maine museums. 70% of Farnsworth visitors reported coming from other states or countries, far exceeding the all-museum average of 54%.

- ✓ Finally, both overnight visitors and day visitors to the Farnsworth tended to spend more money per day ($272 and $95 respectively) than the all-museum average ($243 and $84 respectively).

Since the CMCA has done no direct survey of its visitors and program participants and because there have been no more recent surveys of the spending patterns of museum visitors, PDI used the Farnsworth visitor results from the 2008-09 survey (adjusted by the percent change in the Travel Price Index between 2009 and 2016 (16%) to estimate 2016-17 visitor spending totals for the 30,000 visitors the CMCA expects to accommodate in FY 2017. PDI then used the results of the Maine Office of Tourism 2014 visitor survey[4] to distribute this estimated CMCA-generated spending among the various categories of visitor spending, i.e., accommodations, transportation, food & beverage, general merchandise and other amusement & recreation activities adjusted for the number of nights CMCA overnight visitors are expected to stay in Rockland.

Table 1 Estimated Spending in Rockland Area by Visitors to CMCA, 2016-17

Spending Category	Visitors, Total	Visitors, Overnight*	Visitors, Day
Total Visitors	30,000	16,500	13,500
Accommodation	$5,300,000	$5,299,966	$0
Transportation	$2,540,000	$2,182,339	$356,360
Gasoline Stations (92%)	$2,330,000	$2,007,752	$320,724
Other Transportation	$210,000	$174,587	$35,636
Restaurant/Food	$4,640,000	$4,208,796	$430,601
Food Service & Drinking Places	$4,180,000	$3,787,917	$387,541
Food & Beverage Stores	$460,000	$420,880	$43,060
General Merchandise Stores	$3,710,000	$3,117,627	$593,933
Other Amusement & Recreation	$880,000	$779,407	$103,938
Total Spending	$17,070,000	$15,588,134	$1,484,832

Sources: Maine Arts Commission, Maine Office of Tourism, * based on three nights per visitor.

In short, the total spending in the Rockland area of the visitors expected to come to the new CMCA building in 2017 will be approximately $17 million.

[4] *Ibid.*

C. Indirect Supply Chain & Consumer Spending Impacts

CMCA's direct commercial impact is the sum of its operational impact (approximately $517,000), its capital spending (approximately $6,000,000 and the spending by the visitors it attracts to the area (just over $17,000,000). This spending amounts to approximately $23.6 million and supports the full-time equivalent of over 200 jobs earning total compensation of over $6.4 million.

This direct spending, however, is not the end of CMCA's economic impact. It is—like all commercial enterprises—part of a complex web of supply chain interconnections. The CMCA buys from a wide range of suppliers all across Maine. Over the past three years, it has made purchases from 268 different vendors operating in 76 different Maine cities and towns (a number that is sure to grow as operations expand at the new Rockland location). At the same time, CMCA's employees, those of all CMCA's vendors and those of the vendors serving Rockland's visitor-oriented businesses are themselves consumers in the Maine economy. They make mortgage and rent payments, buy groceries, buy gas for and repair their vehicles, visit their doctors, pay their utility bills, eat at area restaurants and patronize local stores. All this spending becomes revenue to a wide range of Maine businesses.

Attempting to measure all of these indirect vendor supply and consumer spending effects individually would be virtually impossible. There are no officially available statistics such as Department of Labor employment data that measure such inter-industry relationships at the local level. Short of exhaustive direct business surveys, there is no direct way to obtain an accurate measurement of these economic "multiplier" effects. The only way to measure CMCA's total economic impact is to use an input-output model explicitly designed to capture these interconnections.

For this report, PDI used the IMPLAN model of the State of Maine[5] and determined that the total volume of these up-stream impacts on Maine business,

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[5] IMPLAN (IMpact Analysis for PLANing) is an input-output modeling program originally developed by the U.S. Department of Agriculture Forest Service for resource management planning. It contains a mathematical representation of the purchasing patterns that take place between sectors of an economy. Built into the IMPLAN data files are all of the industry sales, employment and income data for 506 sectors of the Maine economy. IMPLAN uses these data along with national purchasing patterns to create state models. Data presented here are rounded to avoid the appearance of unwarranted precision.

i.e., the total sales that trace back ultimately to CMCA spending and that of its visitors, amount to nearly $11 million supporting the full-time equivalent of approximately 100 jobs earning a total income of approximately $3.7 million.

Table 2 Total Economic Impact of the CMCA on Maine, 2017 estimate

Category of Spending	Spending	Jobs	Pay & Benefits
CMCA Spending	$6,517,500	42	$2,113,000
Operational	$517,500	5	$263,000
Capital	$6,000,000	37	$1,850,000
Visitor Spending (estimate 30,000)	$17,070,000	166	$4,298,500
Accommodations	*$5,300,000*	55	$1,420,000
Gasoline Stations	*$2,330,000*	4	$116,500
Other Transportation	*$210,000*	1	$21,000
Restaurants & Drinking Places	*$4,180,000*	70	$1,672,000
Other Purchased Food	*$460,000*	2	$69,000
General Merchandise Stores	*$3,710,000*	18	$560,000
Amusement & Recreation Services	*$880,000*	16	$440,000
Total Direct Impact	$23,587,500	208	$6,411,500
Indirect Vendor & Consumer Spending	$10,930,000	100	$3,670,000
Total Economic Impact	**$34,517,500**	308	**$10,081,500**

Sources: CMCA, Maine Office of Tourism and IMPLAN Model of the Maine Economy. All jobs refer to full-time equivalent; they are best thought of as hours supported by the spending rather than specific jobs for specific people.

The **total economic impact** of the CMCA on the State of Maine in 2017, i.e., the total sales to Maine businesses attributable to CMCA-related activities and the spending of its visitors, will amount to **nearly $35 million**. This spending will support the full-time equivalent of over **300 jobs** earning pay of over $10 million.

D. State & Local Fiscal Impacts

Finally, some portion of this CMCA-initiated spending flows to Maine's state and local governments. CMCA employees and those of all the businesses indirectly linked to it pay income taxes, sales taxes, property taxes, fuel and excise taxes in the towns where they live and to the state. At the same time, all of the businesses commercially linked to CMCA activities pay the income, property, fuel, licensing and other business taxes and fees to which they are subject. The total state and local tax and fee revenues traceable to CMCA-initiated economic activity amounts to over $1.9 million.

Table 3 State & Local Taxes & Fees Attributable to CMCA-generated Spending, 2017 Estimate

Category	Amount
Income Taxes	$330,000
Sales Taxes	$630,000
Property Taxes	$790,000
Other Taxes & Fees	$160,000
Total	**$1,910,000**

Sources: Data derived from IMPLAN model.

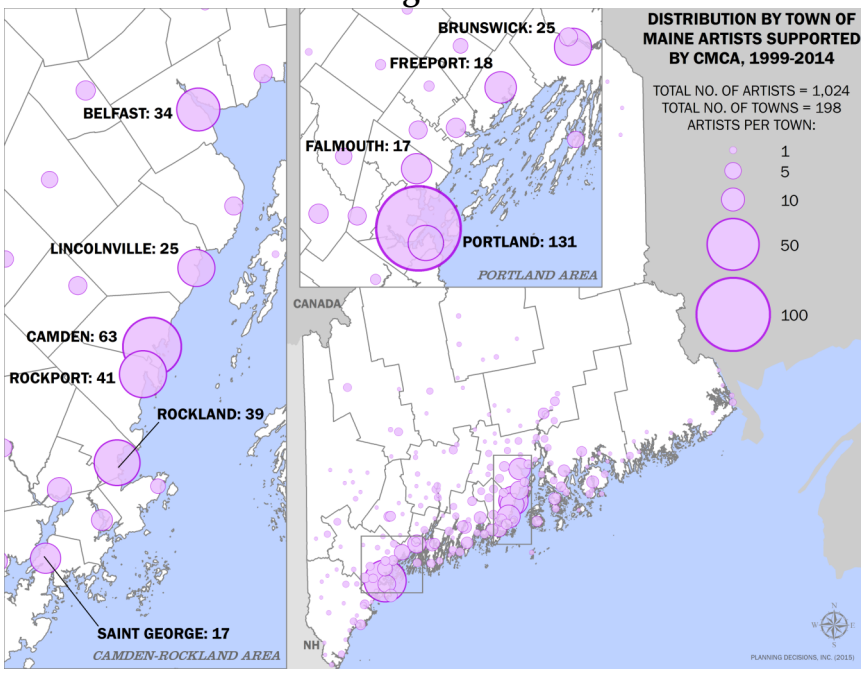
F. Synergistic Community Impacts

All of the impacts noted above flow from direct commercial exchanges—products and services bought, paychecks written, taxes paid—because of the operation of the CMCA in Rockland. These purely commercial impacts—measured by following the flow of monetary exchanges through the community—are not, however, the CMCA's only, or even most significant, impact on the community. CMCA's move to Rockland has a number of other less clearly linked financially but equally important impacts. They constitute what might best be called its synergistic impacts. These include its impacts on the artistic and cultural climate of the state and on the success of Rockland's downtown development strategy.

The CMCA's core mission is "championing contemporary art in Maine."[6] There could be no better measure of its impact in fulfilling this mission than the fact that, since 1999, it has exhibited and promoted the work of 1,025 artists resident in 555 communities all across the state.

[6] Shrum Associates *Center for Maine Contemporary Art: Market Analysis and Organization Assessment*, April 2013, p. 4.

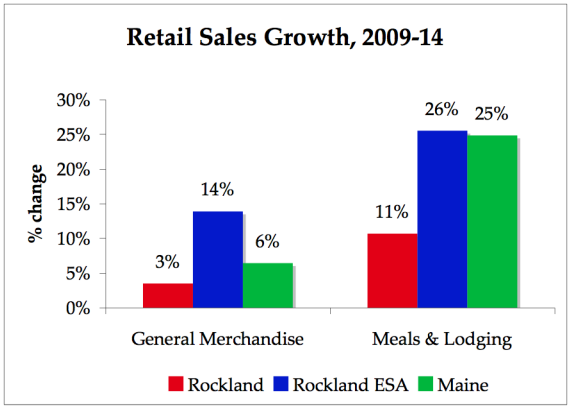
Figure 1



Source: CMCA.

The second of CMCA's synergistic impacts on Rockland is in helping the City revitalize its downtown. Over the past decade, Rockland has suffered through the national recession and additional city-specific losses such as the closing of MBNA and the relocation of a Walmart store to Thomaston. Even during the so-called economic recovery years since 2009, retail sales growth in Rockland has not kept pace with those of either the state as a whole or the broader Rockland Economic Summary Area (ESA), even after adjusting for the loss of Walmart.

Figure 2



Source: Maine Office of Policy & Management http://www.maine.gov/economist/retail/index.shtml. Rockland ESA = Cushing, Friendship, Matinicus, North Haven, Owl's Head, Port Clyde, Rockland, South Thomaston, St. George, Tenant's Harbor, Thomaston, Union, Vinalhaven, Warren, Washington.

Over this period, retail sales of general merchandise in Rockland increased only 3% compared to 6% for the state as a whole and 14% for the Rockland ESA. For meals and lodging sales, Rockland saw only an 11% increase compared to 25% and 26% increases for the state and the Rockland ESA.

During this same period, the City has undertaken an ambitious downtown development effort including establishment of a Tax Increment Financing District. The new CMCA building is in the heart of the district—between Main Street and the port—and is central to the City's desire to develop Tillson Avenue and Winter Street as gateways between the two.

Figure 3

Source: City of Rockland *Tillson Redevelopment Tax Increment Financing District*, amended November 13, 2013.

As part of this proposed development program, the City projected total investment in the area of nearly $30 million between 2006 and 2020.

Table 4
Estimated Annual Investment in Tillson TIF District

Year #	Tax Year beginning April 1:	Amount
Base	2006-08	$3,610,739
1	2009	$847,089
2	2010	$1,050,185
3	2011	$878,394
4	2012	$2,202,019
5	2013	$2,477,404
6	2014	$1,239,132
7	2015	$3,770,502
8	2016	$1,052,757
9	2017	$7,281,111
10	2018	$1,190,266
11	2019	$3,067,891
12	2020	$1,260,526

Source: City of Rockland *Tillson Redevelopment Tax Increment Financing District*, amended November 13, 2013.

Because of this City effort, the expansion of the Farnsworth Museum and growing interest in Rockland as a center of arts, cultural and associated dining and recreational activity in the state, great progress in redeveloping the area has been made. The Strand Theatre on Main Street has been completely renovated and offers a full schedule of films, live shows and cultural/educational events. Two new hotels in or near the TIF district are now under construction (one a 26 room boutique hotel and the other a 65 room high-end hotel on the waterfront), and a third is scheduled for major renovation (80 rooms).

In addition, the cruise line business has expanded exponentially in Rockland over the past several years, growing from two lines that scheduled four arrivals in 2009 to 5 lines that scheduled 41 arrivals in 2015.

Table 5
Cruise Ship Arrivals in Rockland, 2009 and 2015

	2009		2015	
Month	**Lines**	**Arrivals**	**Lines**	**Arrivals**
May	0	0	1	1
June	1	1	1	6
July	0	0	2	12
August	1	2	2	10
Sept.	0	0	3	9
Oct.	1	1	2	3
Season	**2**	**4**	**5**	**41**

Source: http://scanmaritime.com/2015%20schedule.htm.

Collectively, all these activities promise to accelerate the lagging retail sales noted in above. The contribution of CMCA to this momentum cannot be calculated precisely, but it is clearly one of the key ingredients in the overall mix. The striking new building, designed by world-class architect Toshiko Mori, its expanded employment and programming, its plans to coordinate events with both the Farnsworth Museum and the Strand Theatre promise to give visitors reasons to extend their visits to Rockland. These plans together with the growing cruise ship business and the fact that museum visitors to the Rockland area stay longer and spend more money locally than the average tourist to Maine are all reasons that these synergistic community impacts are perhaps the new CMCA's greatest impact on the economy of the Rockland region.