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The Museum As A Source of Local Economic Growth

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Introduction

Museums are highly regarded as a community asset and yet they are generally not an integral part of the community's economic fabric. They are disconnected from everyday life. They are typically stand-alone destinations. They are walled and windowless. They are intimidating. They are introverted. They serve a narrow subset of the general population. As a result, their visitation is declining. Some museums have closed while others have relocated to new buildings and more visible sites. Still, for many museums their future is threatened by demographic and technological change.

Yet, there are examples that counter this image of the museum as an isolated and under-utilized activity within the urban economy. These examples show the museum to be part of an interdependent cluster of entertainment activities that are enjoying increasing visitation that is generating new businesses and increased economic vitality for their neighborhoods. If the museum is to survive, it will have to become a vital part of its surrounding economy functioning as a catalyst for a wide range of intersecting markets that benefit from agglomeration economies that can become the foundation for future economic growth. The museum of the future will not be the singular, independent attraction that it is today, disconnected economically from its surrounding economy. Rather, it will be an active part of a larger agglomeration of interdependent activities and will be an anchor for community economic growth by being extraverted and integrated into the breadth of the local economy.

This paper will explore the economic role that the museum of the future must play in stimulating the local economy if it is to achieve its full economic potential and avoid becoming an anachronism in the 21st Century city. The external economic benefits that can be generated from the integration of the extraverted museum into the urban fabric

will be examined. The case will be made for redefining the museum's role in the urban economy from an isolated and independent cultural amenity to a value-added activity within a cluster of interdependent attractions that combine to achieve a self-sustaining critical mass in which the museum generates externalities that enlarge the capacity of the local economy to grow.

Museums are Threatened

Many museums in the United States are experiencing a long-term downward trend in visitation. In 1998, the Smithsonian Institution in Washington, DC, with 18 museums, had 25.3 million visitors. Since then, its annual visitor count has declined 25 percent. The most popular museum, the Air and Space Museum, has experienced a decline in visitation of almost 50 percent from its 10.2 million-visitor peak in 1998.

An examination of the Smithsonian's visitor profile helps to explain this downward trend in visitation. A 2004 survey found its visitors to be 74 percent white (67% US), 7 percent Black (12% US), 7 percent Asian (4% US), 9 percent Hispanic/Latino (14% US), and 3 percent multi-racial (3% US). The visitor population was further differentiated by its educational level; 73 percent had at least a four-year college degree compared to 27 percent for the US. The average age of visitors (36 years) was the same as the US average. The variance in racial and educational distributions of Smithsonian visitors suggests that museums today are not serving the mainstream population.

This disconnect between museum visitors and the general population raises the question concerning the museum's future market. Surveys of leisure visitor preferences rank going to the beach and water-oriented activities, amusement parks, and out-of-doors recreation as activities experiencing growing demand and historic places and museums are activities with decreasing demand. Why? It is partly demographic, partly cultural and partly behavioral. The younger population, including young adults, tends to seek the sun and mountains. They are more interested in active pursuits than in passive ones. The older, well-educated and wealthier population is the market for historic sites and museums. And, as this population ages, it travels less and demand for these activities declines. Many of the middle age population that might be candidates for visiting museums and historic sites have children and increasingly they let the children choose the vacation destination. Children prefer amusement parks to museums; it is no contest.

Most museums are not exciting, or animated, or attuned to the shorter attention spans of younger technologically oriented persons. In this age of instant gratification, short sound bites, and diverse interests, how can the museum as we know it today survive? The answer lies in re-designing the museum, incorporating technology in communicating the museum's message, connecting it to the outside community, and programming the museum into the external cluster of arts and entertainment activities so that it appeals to a wide cross section of potential visitors across all age groups, educational levels and ethnic backgrounds.

In order to transform the museum from its staid position in the cultural hierarchy to a center of action and a force for economic growth, the museum must be re-defined. This redefinition should not alter the museum's primary mission but rather extend that mission to include generating economic flows within its surrounding neighborhood through physical, operational and functional integration with its comparable and supporting activities.

This redefinition means that the museum must become extroverted and an active participant in the local economy. Its presence must be more than monumental. It must be catalytic and synergistic. If the museum can achieve this active role in the local economy, it can become the centerpiece of an economic revitalization and growth strategy with benefits far exceeding those relating specifically to its operations. In addition to expanding the customer base and increasing spending at comparable and supporting activities attracted to the area to benefit from the agglomeration economies being generated by the clustering of activities there, this enlarged market base will also increase visitation at the museum by adding visitors to its primary visitor base initially attracted by other attractions in the arts and entertainment cluster and whose visit to the museum will be a secondary trip.

Museums As An Economic Force

Stand-alone museums that are isolated from or at best have a casual connection with their surrounding economies have little or no economic impact on their adjacent community because the visitors they attract have little opportunity to participate in a larger economy. These museums also may suffer from low visitation due to their disconnection with other attractions and services.

The economic benefits that may be generated by the clustering of reinforcing activities and overlapping markets result from what are called "agglomeration economies." Agglomeration economies are cost savings or revenue gains that result from the interdependences and cohesive forces among co-located economic activities. Industrial clusters reflecting groupings of activities that are dependent on these agglomeration economies are referred to as external-economy industries. The activities within these clusters receive spillover benefits from the co-location of other activities that enlarge their market or create critical mass. Agglomeration economies explain regional shopping centers, medical centers, automobile sales and service zones and entertainment districts. The vitality of these clusters depends on the presence of complementary goods, the scale of development, and hierarchical integration (vertical and horizontal) among the activities in the cluster. This connectivity can be both complementary and/or competitive. When all of these clusters are taken together, these are called a city or metropolitan area. Separately, they appear as districts or centers.

Cultural activities are frequently clustered to achieve agglomeration benefits. Lincoln Center for the Performing Arts in New York City, the French Quarter in New Orleans, the Gaslamp District in San Diego and Penn Quarter in Washington, DC are examples that illustrate the wide range of such clusters in term of geographic scale and mix of

interdependent activities. These examples also illustrate the benefits of enlarging the cluster to include overlapping markets and activity patterns. They also illustrate the dangers of too narrowly focusing the cluster.

- While Lincoln Center in NYC has been shown to generate significant economic benefits for the city, its lack of physical integration within its neighborhood and among supporting services have limited these economic benefits. When there is a performance at the Center it generates spill over economic benefits but when it is “dark” it is a physical and disruptive barrier to within the local economy.
- The dynamics of the French Quarter with its mixing of music, history, art, food, street life, retail services and residences is a model for all entertainment centers.

Where this connectivity between supporting and intersecting markets was the result of natural economic forces in New Orleans, efforts to achieve similar types of interdependent clusters by design can be found in many cities today.

- The Gaslamp District in San Diego, California builds from on a historic foundation and combines professional sports and convention facilities, live music, restaurants, festivals, galleries, shops, and housing into a place that functions 24 hours a day, 7 days a week. While it lacks the age and flavor of the French Quarter, it has achieved significant agglomeration economies through its diversity and interdependency of land uses and activities.
- The Penn Quarter in Washington, DC exemplifies these same principles but adds museums to the mix of market attractions that have succeeded in revitalizing a portion of the City that had been in decline for many years. The combination of museums, theaters, galleries, spectator sports, restaurants, retail shops, offices and residences illustrates the agglomeration economies that can be generated by broadening the cluster of interdependent activities within a pedestrian-scaled urban space.

The lessons from Penn Quarter underscore the importance of rethinking the location of museums, their design and operations to assure that their integration into the local economy becomes one of the critical parts that contributes to the synergy that increases the agglomeration economies realized by the local economy.

The Museum as an Element of a Mixed-Use Project

Mixed-use development is not a new concept. In fact, it is an old concept. It was the way cities developed historically. Residents lived over shops and often worked in the same building where they resided. The benefits that accrued from the mixed-use centers are described as agglomeration economies. These reflect the cost savings and added economic values flowing from the interdependencies among the land uses. The residents living in these centers constituted the retail market and benefited from the convenient proximity to the retail and personal services while employers benefited from the

availability of workers located nearby and the workers saved time and money by minimizing their commuting costs.

This concept has regained acceptance in response to the creation of single-use districts that lacked the excitement of diversity and mixing of activities over the full day and seven-day week. In the central city where the jobs and supporting retail services mixed together and functioned well for five days a week from 8 AM to 6 PM, planners have focused on mixing in a resident population and entertainment and cultural attractions to provide night-time and weekend activities to support the existing retail uses. That the residents might also be workers in the local businesses was not the initial focus. However, with growing transportation costs and congestion-time losses, living close to where one works has taken on new meaning and acceptance. Entertainment and cultural facilities have been developed to round out the land use spectrum in order to make these areas attractive to residential development and to provide a broader mix of services to attract and hold non-residents in these neighborhoods after the workday,

Museums and other cultural facilities are being included in mixed-use projects with greater frequency although their inclusion is often complicated by their non-profit or public status. Fortunately, the concept of mixed-use is also gaining flexibility and this will make including museums in the mixed-use context easier in the future. Additionally, where in the past mixed-use projects have been thought of in terms of a single building or group of buildings built by the same developer that included two or more uses, the idea of achieving mixed-use benefits by extending the concept to a larger geographic area inclusive of a broader range of interdependent uses is gaining favor.

An article in Urban Land (September 2006) entitled “Cultural Assets: Museums Turn to Mixed Uses,” examines several new mixed-use projects anchored by museums. Two new museums in Denver, Colorado in mixed-use projects will open in 2009. The Denver Art Museum is developing a building next to its new museum that includes 56-unit residential units and retail uses along with a 980-car parking garage built by the City to serve visitors to the museum and to other downtown activities. The new building for the Museum of Contemporary Art in Denver is being built on land donated by the developer of a condominium building that will be co-located on the same site. In Louisville, Kentucky a \$400 million Museum Plaza project will include the city’s contemporary arts museum, restaurants and stores, 85 luxury condominiums, 150 lofts, a 300-room hotel, an office building and a 1,100-car underground parking garage. Other mixed-use, museum-anchored projects have been announced or are under construction in Raleigh, North Carolina, Philadelphia, Pennsylvania, Los Angeles, California, and Washington, DC.

Arts and Entertainment in the District of Columbia (DC)

The District of Columbia’s economy is dominated by several large core industries such as the federal government, international business, the building industry, and the hospitality industry. These industries are differentiated from local-serving sectors as they attract non-local or “new” money into the City’s economy from outside its boundaries. The re-spending of this “new” money is what supports local employment and business activity.

Local businesses whose markets extend beyond the District into the suburbs, whose vendors are DC based, who employ DC residents and who capture the spending of DC residents (so it does not leak out to the suburbs) are also important sources of economic vitality and growth in the District of Columbia. The District’s arts and entertainment industry has been recognized as an industry that not only can increase the economic impact of the hospitality industry by serving business and leisure visitors to the Nation’s Capital but also can attract large numbers of day-trippers from the suburbs into the City to enjoy daytime and evening attractions multiple times over the course of a year.

The arts and entertainment industry is composed of a wide range of businesses that can support neighborhood revitalization by creating a broad customer base for small businesses. Also, by contributing to the diversity and excitement of urban living, the emergence of arts and entertainment clusters, such as in Penn Quarter and the Greater Shaw/U Street Mid-City district, can help make the City’s older neighborhoods an attractive place for residential growth.

In 2005, the US Department of Labor reported that the District’s arts and entertainment industry, inclusive of eating and drinking establishments, employed 38,486 full-time private sector workers or 8.8 percent of all private sector jobs in the City. This sector added 3,894 new jobs over the 2000-2005 period for a gain of 11.2 percent while the City’s private sector job base was increasing by only 4.0 percent. The arts and entertainment sub-sector of this cluster was one of the City’s fastest growing with its employment increasing 17.4 percent in five years. While these job counts generally under-represent the total employment base in this industry as they exclude many part-time workers and count only directly related employment (e.g., all hotel activities are excluded), it is clear that the arts and entertainment industry has grown rapidly over the past five years.

Job Growth in the Arts and Entertainment Industry, Private Sector
2000-2005

Job Category	2000	2005	% Change
Arts & Entertainment	5,189	6,094	17.4
Food Services & Drinking Places	29,403	32,392	10.2
Total	34,592	38,486	11.2
All DC Jobs	418,883	435,674	4.0

US Department of Labor. These data exclude all related retail jobs that are linked to the Entertainment Industry.

A second measure of the arts and entertainment industry's value to the local economy is provided by its reported sales. Again, this is only a partial accounting. The one category that spans the arts and entertainment industry is sales at restaurants and drinking places. In 2005, sales in this category totaled \$394.6 million and accounted for 10 percent of the District of Columbia's total retail and food service sales. Between 2000 and 2005, sales in restaurants and drinking places increased 29.2 percent compared to a gain of 24.1 percent for sales in all retail and food services. While not accounting for the entire arts and entertainment industry, these sales trends confirm that it has been an important source of growth in the City's economy over this five-year period. Also, it has substantially out-performed the City's overall economic growth of 16.3 percent for the same five-year period.

A third measure of the arts and entertainment industry's importance within the District of Columbia economy is its total output multiplier. This multiplier measures the value of the Arts and Entertainment Industry to the District's total economy—the total value of goods and services produced by local business, not-for-profit and government activities in the District of Columbia. The multiplier for the arts and entertainment industry, inclusive of the performing arts, museums, and other amusements, is estimated to be 1.76. This compares to the District's overall aggregate multiplier of 1.3. This higher multiplier means that the City realizes a larger total impact from this Industry for each dollar it generates (\$1.76) than from dollars generated on average across all sectors of the District's economy (\$1.30).

The arts and entertainment industry's higher multiplier is not only reflected in its output value to the District's economy but also as a generator of jobs, personal earnings and tax revenues. This high multiplier results from the external spending that the arts and entertainment industry attracts into the City combined with its interdependences with local vendors and related businesses plus the local residents it employs that result in more effectively retaining and re-cycling the Industry's income and spending to the benefit of the District's economy.

The Museum as a Catalyst for Economic Growth

Several new museums in Washington, DC are being developed in mixed-use projects within their broad-based neighborhood economies. These projects' conceptual frameworks and external economies are instructive and help to define the changing role of the museum of the 21st Century.

Cultural Attractions As the Economic Base for Neighborhood Revitalization

Museums are part of the arts and entertainment industry cluster that attracts visitors from adjacent jurisdictions (day trips by non-residents) as well as serves overnight business and leisure travelers. The importance of the arts and entertainment industry and its related retail and service businesses has long been recognized as a foundation for the revitalization of some of Washington, D.C.'s older neighborhoods. The scale and interdependencies (connectivity) among these businesses (operating as a hierarchical

cluster of land uses) and their potential linkage to a neighborhood’s cultural history is a concept very attractive to local community leaders. Building from a neighborhood’s historic roots, supporting locally-owned businesses, strengthening the market place for existing and new businesses, improving the qualities of neighborhood life for current residents and making the neighborhood attractive to new residents are the objectives reflected in the idea of centering a neighborhood’s revitalization on the arts and entertainment industry cluster.

This is exactly what has been done for the City’s Mid-City district. An inventory of local businesses that operate in the Mid-City district confirms the scale, breadth and interdependence of uses that define its arts and entertainment industry cluster.

The Entertainment Industry Cluster in the
Mid-City District: Inventory of Establishments

Use	Number Establishments	Percent
Entertainment	24	10.8
Restaurants	72	32.4
Services	22	9.9
Retail	81	36.5
Others	23	10.4
Total Cluster	222	100.0

This inventory identified 222 establishments that serve both independent and overlapping markets. Their location in the Mid-City district has generated a significant agglomeration of businesses whose combined mass has penetrated the suburban markets as well as attracted patronage from business and leisure visitors staying in Downtown hotels and elsewhere in the City. This same cluster of businesses serves local residents and has improved the quality of these services in previously under-served neighborhoods. This confluence of culture, entertainment, restaurant, retail and other residential services has made the Mid-City district one of the City’s hottest real estate markets over the past five years.

In June 2005, the City Council approved a newly formulated development framework for the neighborhoods comprising the Mid-City arts and entertainment district entitled “DUKE – Development Framework for a Cultural Destination District.” This plan has the goal “to create a more complete destination neighborhood where cultural landmarks are as ‘pearls on a string’ of supporting mixed-use development.” The “cultural landmarks” identified included the Lincoln Theater, the True Reformer Building, Bohemian Caverns, the Black Cat Nightclub, the Prince Hall Grand Lodge, the African-American Civil War Memorial and Museum, the 9:30 Club, and the Dunbar and Howard Theaters.

The DUKE plan points to the unrealized opportunities to revitalize and reposition some of the area's un-restored cultural assets. With these and the area's existing destination uses, the arts and entertainment cluster can achieve the critical mass needed to support the local economy's long-term vitality. The plan states "the area needs other major arts and entertainment anchors...to reinforce the district as a destination for tourists and regional residents." It identified other entertainment opportunities to include dining, niche and life-style retail, live performance venues, and supporting businesses such as catering, education, and cultural facilities and recognized the importance of the area's destination attractions working "in a complementary fashion." This idea reflects the connectivity (agglomeration benefits) among these destination attractions and the area's restaurant, retail, and other local businesses and residential uses.

Penn Quarter and the Newseum

Penn Quarter evolved as an association of businesses and property owners to promote the revitalization of this portion of the City when the first redevelopment pressures began to emerge 20 years ago. Physically, the Quarter is sandwiched in between the Capitol and the White House and their respective office clusters that left an eight block square area without any redevelopment anchors. Today, its expanded borders extend from Pennsylvania Avenue on the south, to Massachusetts and New York Avenues on the north and from 3rd to 15th streets going from east to west. Penn Quarter has 10,000 residents.

Although this area was rich in history, many of its historic structures have been torn down. Some of those that remained housed museums. With the development of Metrorail service in the early 1980s, Penn Quarter became a central place for variety of retail, entertainment, restaurant, hotel, cultural and residential uses. The presence of older three- and four-story buildings with smaller floor plates facilitated their adaptive reuse for galleries, retail shops and restaurants because of their smaller sizes and cheaper rents.

What has emerged in Penn Quarter can only be described as mixed-use development with the convergence of overlapping markets and services making it a destination attraction for City residents, suburban residents, over-night visitors, and weekday office workers. Its mix of activities has made it a 24-hour, seven-day a week activity center.

While residential and office development is often the measure of economic success, Penn Quarter has become the City's primary center for arts and culture. The Quarter's offerings include professional sports (basketball and ice hockey) and other major indoor entertainment events for up to 18,000 persons, a wide variety of shops and restaurants, hotels, galleries some of which have exhibit space (this includes the Canadian Embassy that displays Canadian Art), six legitimate theaters (soon to be eight) with the most notable being the Shakespeare, Ford's, the Warner and National Theaters, movie theaters (two multiplexes), and museums.

Altogether there are at least 10 museums within Penn Quarter. Additionally, the National Gallery of Art, the National Archives and nine Smithsonian museums on the National

Mall are within walking distance. The major museums located or planned for Penn Quarter include: the National Building Museum, the American Art Museum, the National Portrait Gallery and the International Spy Museum. Smaller museums include: the Textile Museum extension, the National Academy of Science Koshland Science Museum, the National Law Enforcement Memorial Officers Museum, the Bead Museum, and the Music Center and Music Museum.

Other existing or planned museum-like attractions include the FBI Building (for visitor tours), the Navy Memorial Heritage Center, Madame Tussard's and the Martin Luther King, Jr. Memorial Library, the only building in the City designed by Mies Van Der Rohe. Several major attractions are located along the edges of the Quarter: the Washington Convention Center claims to have the largest art collection on display outside a museum, the National Museum of Women in the Arts, the Inter-American Bank Cultural Center and the White House Visitor Center and National Aquarium both housed in the U.S. Department of Commerce Building.

All of these museums and related cultural attractions are located in or adjacent to Penn Quarter. Jo-Ann Neuhaus, the Executive Director of the Pennsylvania Quarter Neighborhood Association wrote, "I have no statistics but it is a matter of synergy and a combination of the full gamut of uses that have made Penn quarter what it is today." The synergy is easy to see and can be measured by the number of people on the streets, the lines of customers waiting to get into restaurants (for many you need a reservation), the price of office space (the highest in the city), the cost of housing (exorbitant) and the shortage and high cost of parking.

While Penn Quarter has been economically successful, there is more to come. Its newest and grandest museum—the \$500 million Newseum—is scheduled to open in February 2008. The Newseum is the world's first interactive museum of the news. The Newseum originally opened in 1997 in Arlington, Virginia across the river from Washington, DC. In 2002, it decided to relocate to Washington, DC to a most-visible site on Pennsylvania Avenue next to the Canadian Embassy and just four blocks from the Capitol Building.

The Newseum's new building was conceived as a mixed-use design totaling 643,000 square feet. The site of the Newseum was purchased from the City with an agreement that the street-level retail uses would be accessible from the street and extend along both streets faces of the building (it is on a corner site). This requirement was intended to assure that the new museum would connect to the existing retail uses along Sixth Street to better link the Newseum's visitors to the shops, restaurants and other attractions that depend on the Quarter's destination attractions for their livelihood.

Included in Newseum building, in addition to the museum, are: the Freedom Forum (offices for the museum's parent organization), a conference center, retail shops, a food court, two upscale restaurants, 135 apartments (also required by the City) in a nine-story wing, and underground parking for the apartment and museum visitors. The apartments range in size from 440 to 1,333 square feet and rent for from \$1,720 to \$6,500 a month plus a \$700 per month amenity fee (business center, fitness facility, roof-top terrace).

The net income (after expenses) from the apartment rentals will be used to support the Newseum.

The design of the building, in keeping with “freedom of the press” theme of the museum, is open to the exterior with glass walls rising 78 feet from the street level. The museum will include a “4-D” theater (3-D film plus motion effects channeled through the seats), an interactive newsroom where visitors can video tape themselves delivering the news or reporting on the weather, a state-of-the-art broadcast studio for use by media outlets such as CNN, a 500-seat auditorium, a large ground floor museum store, a “news café” with views towards the Capitol, and a memorial wall with the names of more than 1,400 journalists who have died while covering the news.

The Newseum will charge an entrance fee, which has not been announced but is expected to be about \$15.00, and projects annual visitation to range up to 2 million. As a stand-alone museum in Arlington and in a much smaller building, the Newseum attracted 2.2 million visitors over a five-year period. One of the museum’s challenges will be to attract visitors at a time when the general public has lost respect for the news and, even more importantly, does not pay regular attention to the news.

By locating in Penn Quarter the Newseum will have an established visitor base that has been attracted by other museums, entertainment, and supporting activities (galleries, shops, restaurants and hotels) or persons who work and live in the neighborhood. The synergy between the Newseum and the other attractions in Penn Quarter will benefit everyone. The whole will be larger than the sum of the parts.

The National Children’s Museum at National Harbor

The National Children’s Museum presents an interesting illustration of how a museum can create synergy among typically stand-alone activities; in this case, the museum, a hotel and a destination retail store. The synergy (agglomeration economies) in this case extends off site to include the mixed-use development of which the National Children’s Museum is just one small building block.

National Harbor is a megaproject taking shape 10 miles east of the US Capitol Building on a 300-acre site in Prince George’s County. When it is completed in five years, it will include 5,000 hotel rooms, 2,500 residential units, 500,000 square feet of office space, and 1 million square feet of retail shops and restaurants. Located on the Potomac River, it will have a marina and pier with water taxi service to downtown Washington and to Old Town, Alexandria (VA) across the river. This project is centered on a 2000-room Gaylord convention hotel that opens in April 2008.

A central feature of the design is a pedestrian boulevard that leads from the beach at the river’s edge and a well known sculpture, the Awakening (a large giant rising from under the sand) through a festival market place with Spanish-like steps and up a gentle incline lined with trees and outdoor art ending 1/4 mile inland at a major hotel (rumored to be

developed by Disney). On one of the city blocks lining the Boulevard will be a complex including the new National Children’s Museum, a Lego Store and a Nickelodeon Hotel. The developer of National Harbor has donated the land for the museum because of its importance as an anchor of this section of National Harbor that has been named “Kids Village.”

The National Children’s Museum has had a rocky history in recent years. It was founded 30 years ago but lost its in-town building in 2004 to a redevelopment project. After several attempts to find a new home, the Museum agreed to move from the downtown area to National Harbor to a \$130 million, 140,000 square foot, state of the art facility that will deliver a dynamic, interactive learning environment.” The new museum, which will open in 2012, is being designed to extend its activities outside the building to take advantage of the area’s natural resources, public spaces, and complementary attractions. It will have a slip on the main pier enabling it to offer children’s tours along the River, possibly down river to Mt. Vernon, the home of George Washington.

The brilliance of this combination of uses—National Children’s Museum, the Nickelodeon Hotel, and Lego Store—becomes clear when their respective market synergies are considered. The Nickelodeon Hotel is designed to attract families with children and offers two bedroom suites, one for the adults and bedroom with bunk beds or double-decker beds for the children. The Lego Store sells Lego blocks and is well known for its creative and impressive displays. If you were going to locate a museum aimed at children, where better to co-locate than adjacent to a hotel and store that serve families with children?

The museum will attract over-night visitors to National Harbor (it is located directly off of Interstate 95, the most heavily traveled north-south freeway in the U.S. with 350,000 vehicles passing by each day). It will also attract day visitors (7 million people live within 50 miles of the site) and leisure and convention visitors staying downtown in the District of Columbia. The Lego Store is also a destination for day visitors. Both the museum and Lego Store will also attract visitors coming to National Harbor for other reasons. It is projected that National Harbor, when finished, will have 2,000,000 overnight visitors annually. This convergence of multiple independent markets is the result of the careful mingling of competitive and comparable attractions that will generate substantial agglomeration economies. The National Children’s Museum is not only a perfect fit on its block but also within the larger constellation of activities that will define National Harbor’s visitor experience.

The Museum and Its Economic Benefits

The arts industry alone generated \$1.24 billion in direct benefits to the Washington area economy in 2000 and supported 26,000 jobs with 6,600 of these jobs in activities outside of the arts industry confirming the interdependences that exist between the arts industry and a wide range of supporting businesses. Additionally, this spending generated \$900 million in personal income and \$114 million in local tax revenue (Cultural Alliance of Greater Washington, 2001).

The Washington area's regional multiplier for the arts and entertainment industry, inclusive of the performing arts, museums, and other amusements is estimated to be 2.14 and is substantially greater than the District of Columbia's aggregate multiplier of 1.76. Thus, for each \$1 spent by an activity in the arts and entertainment industry in the Washington region, the economy will realize an extra benefit involving indirect and induced effects of \$1.14. These extra benefits will result from the re-spending of this dollar by the employees and vendors working in the arts and entertainment industry for goods and services provided by local businesses.

While this magnitude of economic impact is important and demonstrates that the value of the arts and entertainment activities to the local economy is greater than just the cultural benefits they provide to society, this multiplier does not capture the agglomeration economies that flow from the synergies that exist within the arts and entertainment cluster and between these activities and a broad base of supporting activities. With museums as major destination attractions within the arts and entertainment cluster, their contribution to the growth and vitality of the local economy can be significant as shown by their roles in the Mid-City district and Penn Quarter in Washington, DC and the proposed new National Children's Museum at National Harbor.

Conclusions

Art and entertainment are big business and their economic impacts on their host neighborhoods, cities and regions can be magnified through their clustering with comparable and competitive activities that provide the economic foundation for a broad range of supporting services. The synergy that can be achieved by integrating museums (and other cultural facilities) into the local economy results in generating agglomeration economies that will drive the area's economic growth. In order for museums to become full partners in their surrounding economies and to generate agglomeration economies, they must be recast as open and extraverted activities and seek to build physical, operational, and functional connections with their surrounding land uses and external activity patterns.

Mixed-use development at the project and community scales provides the proper context for leveraging the potential agglomeration economies from the strategic location of museums in the future. This strategic positioning will strengthen the museum's market base and permit its internalized benefits to become externalized and multiplied as a result of the synergistic forces operating in the host economy. Connectivity generates agglomeration economies benefiting (1) the museum with increased visitation and a stronger revenue base and (2) the host economy by enlarging its market base and increasing spending across the spectrum of supporting retail, restaurant and other services.