

# **The Role of Cultural Investment/Support System in the Process of Urban Regeneration: A Case Study on Yerba Buena Center Project in San Francisco**

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## **Abstract**

The purpose of this paper is to examine the factors when the urban regeneration project based on art/culture infrastructure impacts its economy and enhances the quality of amenity not temporarily but sustainably. How can economy and art/culture be coexistent with? The method is to observe Yerba Buena Center redevelopment project, cultural-oriented and mixed-use one, in San Francisco city, US. Finally, this paper suggests how the cultural policy and economic development policy should be integrated in one urban regeneration policy/project.

## **Keywords**

Urban regeneration and sustainability, Yerba Buena Center, hotel tax, art NPOs, cultural investment/support

## **Introduction**

This paper focuses on the factors of the urban regeneration based on art/culture infrastructure in de-industrialized cities. Recently, urban redevelopment project based on art/culture can be seen a lot across the world, projected by raging from local government in a nation to international institutions such as EU, the World Bank, or UNESCO, expected for economic development of tourism or cultural industry.

With regard to study on urban regeneration based on cultural infrastructure, we can recognize importance of cultural policy which supports and encourages art/culture in regenerating cities. Form the urban economic perspective, A. Scott and R. Florida analyze factors that cultural industry and growth of the regional economy. They noted in their conclusion that cultural policy is important for cultural industry although do not enough explain. Another study from urban planning or experimental perspective, Creative city, suggested by C. Landry, R. Ebert, and so on, shows urban regeneration based on cultural infrastructure which stimulates human creativity and potential. Also, they pointed out importance of network.

Under capitalism economy, however, cultural policy would be used only for a mean of economic development if economic development and cultural policy are not integrated well. If so, as a result, the project could just accelerate cultural consumption and loss of human creativity, and then it would influence negatively on not only urban economy but also society.

From a point of above view, therefore, urban sustainability requires the new method or way to integrate the economic policy and cultural policy into urban development project. So, how they can be integrated well and at the same time how the cultural policy should be are explained through Yerba Buena Center (YBC) redevelopment project, San Francisco city. Finally, the role of the cultural policy in the process of urban regeneration is suggested.

YBC project is cultural-oriented, mixed-use, redevelopment. The core of it is the alternative cultural institutions, providing cultural programs and events for wide range of people and supporting emerging contemporary artists. The outcome of YBC is to regenerate economically and environmentally in and around the redevelopment area, so this case should be valid for the case study. This study is based on the data collected and interview with related persons by author.

## **Economic Impact from YBC and its Cultural Resources - What Is YBC Project ?**

The 87-acre of the YBC is located from Market st. on the north to Harrison st. on the south and from Second st. on the east to Fort st. on the west in SOMA area(see Map 3-1-2). The project is still finished yet (2000). The total cost of investment in the YBC project is more than 2 billion dollars, consisted of public (SFRA and mainly the Hotel Fund) and private resources; the San Francisco Marriott hotel, \$300 million (private funding); the Esplanade Garden, \$40 million (SFRA); Four Season Hotels and Tower, \$350 million (private funding); Moscone Convention Center, \$330 million, which a expansion opening in 2003 at a projected \$157 million (hotel tax fund); The Rooftop at Yerba Buena Gardens (children's center) \$57 million (hotel tax fund); Metrion, a Sony Entertainment Center, \$100 million (private financing); Yerba Buena Center for the Arts (YBCA), \$40 million; San Francisco Museum of Modern Art (SFMA), \$65 million (privately raised donations); and W San Francisco Hotel, \$73 million (private financing) (based on data provided by the SFRA). Also, new hotels, apartment, and other projects are planning to construct in the future. At that time, that is, about \$689 million was from city government.

Such a big project generated a great amount of economic effect to not only the YBC redevelopment area but also the city<sup>1</sup>. The economic effect of 1998 is following below. Firstly, the total amount of tax revenue from the YBC was about \$57, 000,000 (show Table 1). It can be said that the city government would be finish collect the debts of the YBC if the total annual revenue from YBC would be constantly such amount, because more than 10years when the first project, Marriott hotels opened in 1989.

**Table 1-Summary of Annual Fiscal Benefits to San Francisco (1998 Dollars)**

<b>Revenue Source</b>	<b>Total Annual Benefit</b>
<b>Property Tax</b>	\$13,076,000
<b>Transient Occupancy Tax (Hotel Tax)</b>	\$20,864,000
<b>Direct Sales Tax</b>	\$12,300,000
<b>Business/Payroll Tax</b>	\$11,694,000
<b>Total Annual Impact</b>	\$57,694,000

Source: Yerba Buena Fiscal and Economic Impact Report

According to the economic effect, the number of overnight staying at hotel in YBC reached \$1.14 million in 1998 and they spent about \$122 per day for transportation, tourism, and food. As a result, the economic effect should be more than \$100 million. In addition, some new hotels in YBC was constructed in 2003-04, so it is expected additional impact, \$60 million. Also, the total population in YBC area was 1,987 in 1998 so they consume \$10,160 per year in 1998 and then it can be said that it generated more than \$20 million economic activity (Sesway Group/Real Estate and Urban Economics 1999).

The Economic impact in 1998 of Cultural institutions in YBC is following; there were 1) 7.6 million visitor a year (including 17,500 people participating in the events and activity in the Garden), 2) annual taxable retail sales of approximately \$ 6.4 million, 3) Annual restaurant revenue of \$ 2.1 million. Annual other revenues, 4) other revenues (entrance fee, membership fee, facilities rental, and etc.) of about \$ 9.8 million, 5) 265 employees (full-time worker or the same condition) (Sedway Group/Real Estate and Urban Economics 1999).

At the same time, the quality of the amenity/environment of YBC and around there (SOMA) also enhance, because YBC is Mixed-use development and cultural institutions provide programs for youth who have mental problems, so there are people 24-hours and the number of crime, including drags) has decreased, especially regarding to youth. In fact, the SOMA was so dangerous that people could not enter its zone.

YBC has a great economic impacts on not only the redevelopment area but also San Francisco City through cultural services and goods. The reason why resources of art/culture and its providing cultural institutions of YBC attracts people. Then, café, restaurants, other entertainments, galleries, and hotels gain profit. Even if people who use the convention center contribute a lots to the economic impact mentioned above, one of the factor convention center in SF is chosen and used across the nation and world is this place is attractive of art/cultural resources easily accessible. The more important reason to generate economic impacts is that cultural institutions in YBC provides cultural resources, such as art education and a variety of programs which is corresponded for their needs, especially for residence around YBC or SOMA and for wide range of SF citizens. Therefore, to manage and sustain art/culture are a mean as economic engine and enhance amenity. How art/culture at YBC is managed and sustained will be explained below.

## **Financial Structure of Cultural Investment/Policy on YBC : YBC Redevelopment Profit's Circulation System**

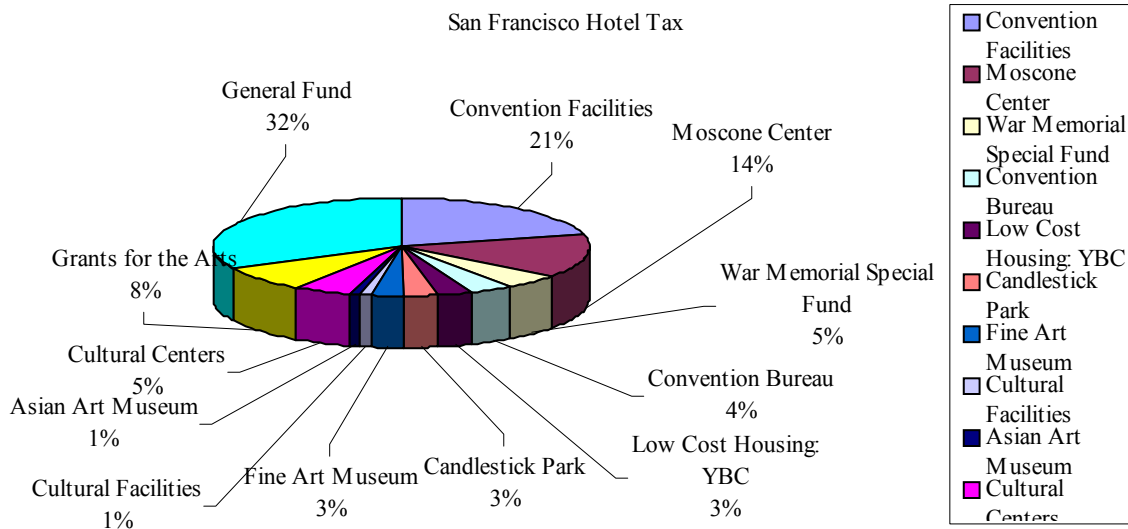
### ***The Role of Hotel Tax on YBC***

In this section, how the role of hotel tax is related to art/cultural management on YBC is shown. The Hotel Tax, a city tax of San Francisco, is a kind of cultural policy. The tax is that SF city imposes overnight visitors' charges on 14% tax and the purpose of this tax is that "contributing to arts organizations' general operating expenses addresses its goal to be a stable, dependable base of support for the broadest of arts organizations that continue to meet the funding criteria (Grants for the Arts from Internet)." The tax is accounted for about 10 % of the city tax revenue, the third large amount tax following real estate tax and business tax.

What hotel tax is related to YBC project is explained below. At YBC there are “the 3,013 rooms in the five hotels (Argent Hotel, San Francisco Marriott, The palace San Francisco, Hotel Milano, and Pickwick Hotel at the year1998) represent nearly 10% of the City’s inventory of 30,600 hotel rooms, and the tax generated by these hotels represents almost 14 % of the \$ 150.2 million tax collected in 1997 citywide. This implies that Yerba Buena area hotels generate greater than average tax per room than other hotels in the City, due to a combination of higher average daily room rates and occupancy rates. On average, the 3,013 rooms in the five hotels generated an estimated \$6,900 per room in tax revenue (Sedway Group 1999).” In addition, 1,707 rooms of five more hotels, Four Seasons Hotel, W San Francisco, Mixed-use Project, Courtyard Marriott, and Pacific Place) were constructed (Sedway Group 1999), so .it might be additional after 1999’s economic impact survey.

In terms of the details of hotel Tax, as seen in Figure 1, the tax goes to Convention facilities, Moscone Center, Low Cost Housing in YBC, and Convention Bureau, accounted for more than 40 % of the total are directly related to YBC. Indirectly, the rests of the items could be more or less related to YBC, because YBC project is profoundly based on art/culture. Especially, Grants for the arts (GFTA), institution of the San Francisco city government to support art-related NPOs, is related some NPOs in YBC and SOMA area, accounted for 8% of hotel tax revenue. This is mentioned later. The ratio of the distribution is constant every year.

**Figure 1**



Source : GFTA

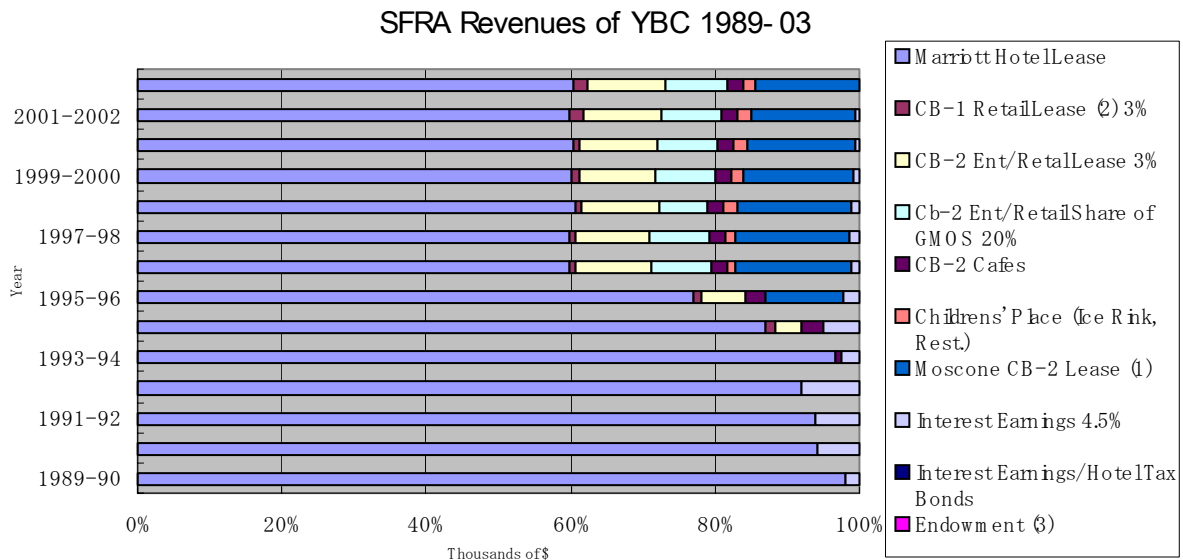
### **Financial Support for Art/Cultural Resources on YBC**

Here, structure of the financial support for art/cultural resources on YBC is explained. Firstly, the San Francisco city government leases Moscone convention center and convention facilities, direct distribution to YBC from hotel tax, from the SFRA, so the government have to pay for it to SFRA. Also, Metrion, sony, Marriott hotel, and other restaurants/cafes lease their space so they pay for it as well as. This agreement or contract is decided in the process of this YBC policy process mentioned below. There are conditions to construct, operate, and maintain the entire YBC project;

- Lands for office building and housing were sold to developers and that of half should be used to construct the garden and YBCA. In addition, other revenue from the YBC should be used to maintain the garden,
- Lands for hotels, businesses, and open spaces have been on a lease,
- Hotels should pay for the lease to SFRA,
- Lands for businesses and amusement/recreation/entertainment in the center of the redevelopment area have been on a lease,
- Lands for garden and YBCA have been kept by SFRA,
- Commercial space has been leased for 60 years,
- Amusement/entertainment space also has been leased for 60 years,
- City government has leased Moscone Center from SFRA for 50 years,
- SFRA should construct, operate and maintain the garden, central district and YBCA, and
- Developers should pay 20% of the total operation fee of the garden, central district and YBCA on duty.

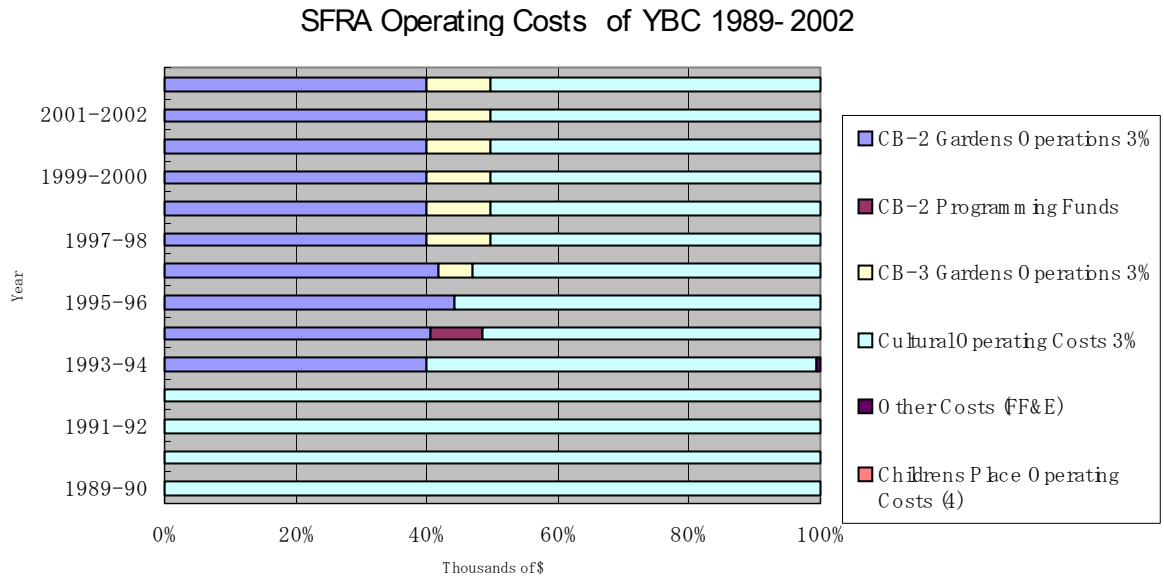
As mentioned above, regarding operation of SFRA, revenue comes from lease of private sectors Marriott Hotel, Sony entertainment/retail, and Moscone Center's lease are accounted for more than 85% of the total revenue (see Figure 2). About 60% of the total SFRA revenue on YBC goes to SFRA's operating costs for YBCA, YBA, and Zeum, which are NPOs, and the rest, 40% of the total goes to maintain the garden (see Figure 3).

**Figure 2**



Source: Shimizu creates from data provided by SFRA (CB-1 and CB-2 divided YBC into block; see Map2)

**Figure 3**

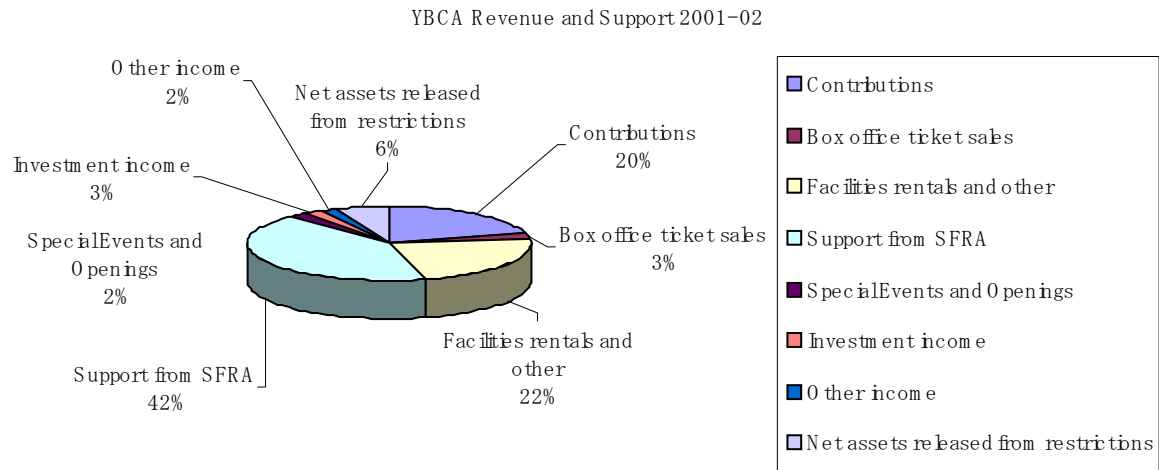


Source: Shimizu creates from data provided by SFRA (about BC-2 and BC-3 divided YBC into block; see Map2)

YBCA revenue 2001-02 shows that about 50% of the total revenue came from the SFRA (see Figure 4). Also, Zeum receives financial support from SFRA, accounted for about 30% of the total revenue of Zeum (see Figure 5). At the same time, Zeum is supported from GFTA as mentioned above, which accounted for 5% of the total (shown as “government” in Figure 5). Concerning to YBA, about 90% of the revenue is from membership fee and the rest comes from developers and SFRA, which is about \$25 million for a year as management and maintenance costs. SFRA supports mainly for maintenance of YBCA, Zeum, and YBA so it does not intervene into their all management, such as projects or programs. As a result, they could correspond for resident needs flexibly and promptly. Such art NPOs are supported mainly through GFTA and other tax incentive institution.

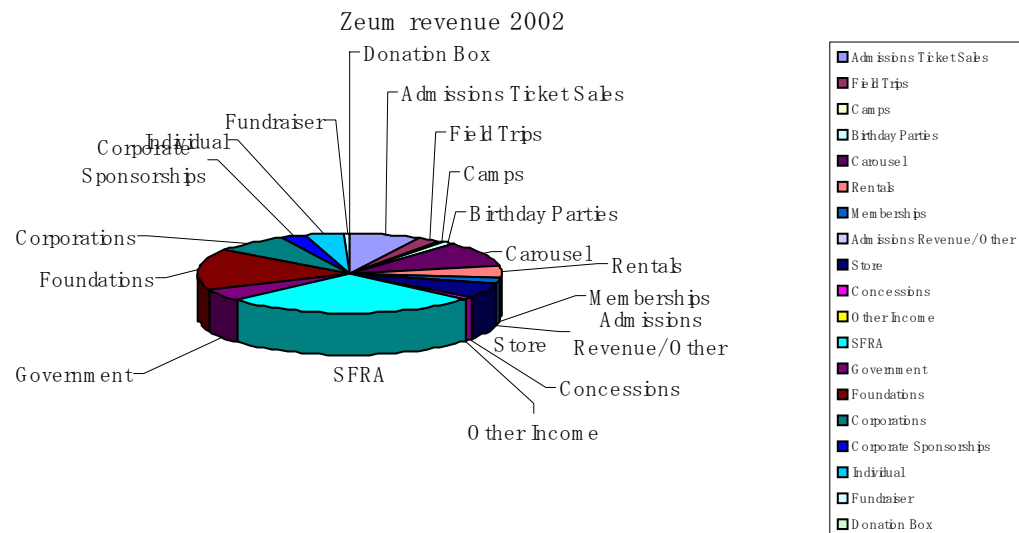
Grants for the Arts, distributed from hotel tax fund as mentioned before, distributes more than \$217 million to art NPOs in SF city since its establishment in 1961 (Grants for the Arts Report). The expenditure of Grants for the Arts in 2002-2003 annual budget was \$15,476, 567. About 80% of the total goes to art NPOs in SF city every year (see Figure 6). Through the flow “hotel tax→ GFTA→ wide rage of citizens and artists in a community,” art NPOs commit to regenerating their community through art activity. Especially, in SOMA area, there have been many minorities and low-income people so that such a role of art NPOs is very important for the regeneration of community. In fact, there are many art NPOs in SOMA area, such as SOMARTS, Z space, Artspan, and so on. Of these art NPOs, Zspace in SOMA area was supported by GFTA, accounted for about 45% of the total revenue (see Figure 7).

**Figure 4**



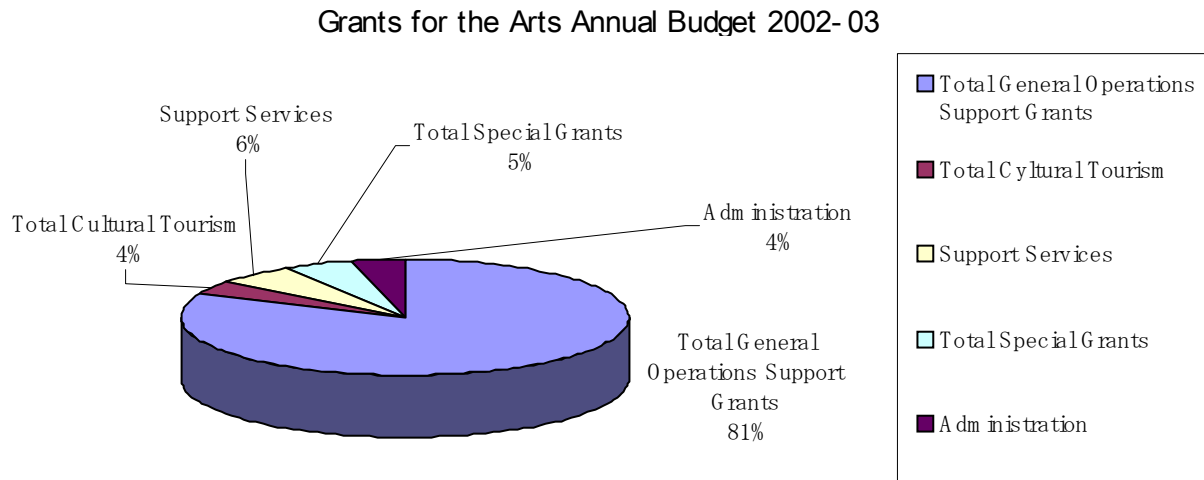
Source: Shimizu creates from YBCA Annual Report 2001-02

**Figure 5**



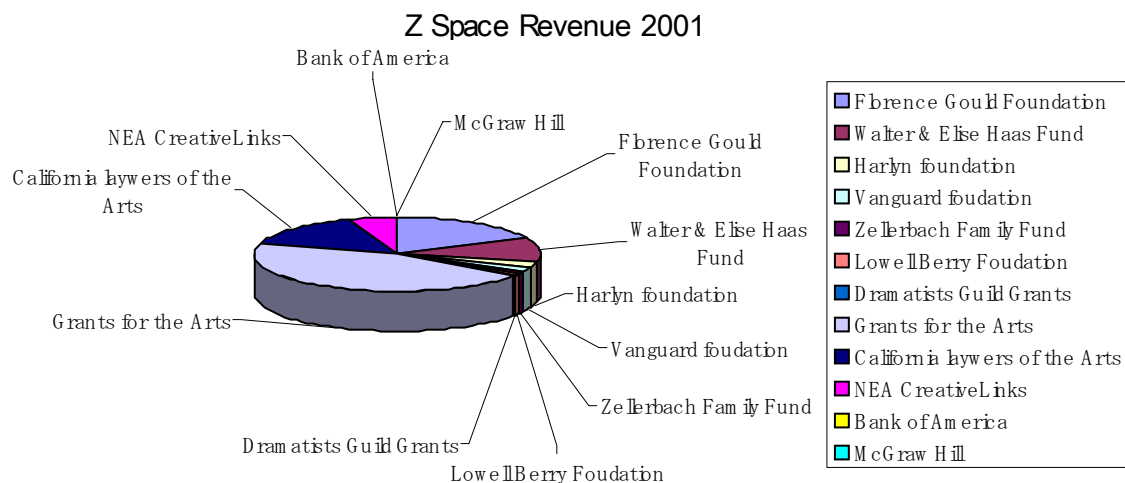
Source: Shimizu creates from data provided by Zeum

**Figure 6**



Source : GFTA

**Figure 7**



Source : Shimizu creates from data provided by Zspace

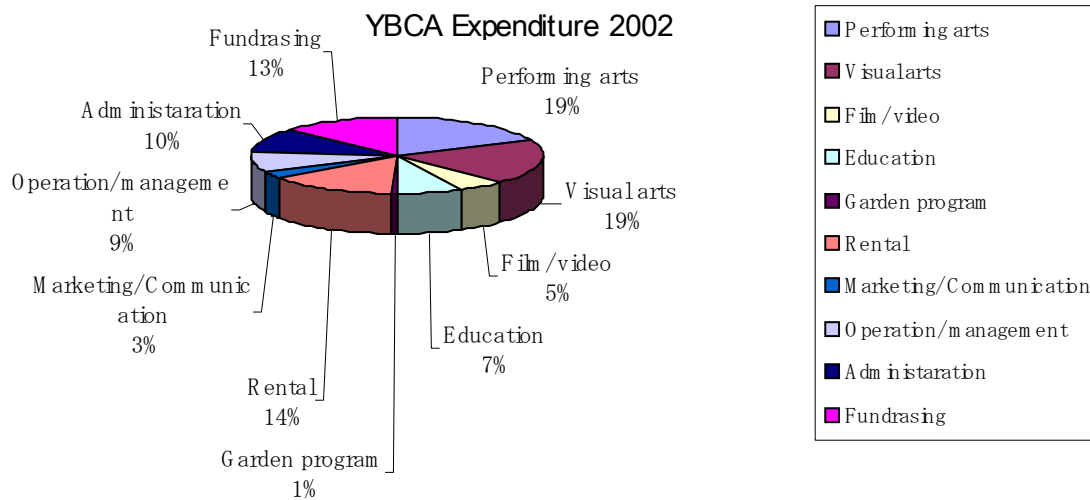
The role of arts NPOs, supported by SFRA (especially YBCA, YBA, and Zeum) and GFTA (other art NPO especially Zeum), are redistribution of cultural resources for residents including artists. In case of YBCA is the core of YBC project. As noted before, this cultural institution is the alternative one toward existing cultural institution in San Francisco city. What is different? It is supporting emerging artists, especially contemporary or modern art and providing art education for wide range of people, such as senior, minority, low-income people, handy-capped, and children.

YBCA's expenditure of 2001-2002 was \$7,292, 913, of which the programs for emerging artists and wide range of people were \$4, 717, 314, accounted for more than 60% of the total (see Figure 8). In case of performing arts, the cost of the program and production were accounted for 60% of the performing arts' total expenditure (YBCA Annual Report 2002). Secondly, Zeum also spent 70% of the total expenditure for art programs (see Table 2).



As the number shows that those NPOs contribute to community by redistributing cultural resources as cultural program and events for wide range of people and emerging artists. Moreover, these providing program and events are corresponding for community and artists' needs so that cultural institutions at YBCA could enhance its exchange value and social value. It spins off economic effect.

**Figure 8**



Source: Shimizu creates from data from YBCA Annual Report 2002

**Table 2**

Expenditure 2002 US\$	
Experience/field trip/initiative program	725,000
Development marketing	250,000
Administration	400,000
Maintenance/management	175,000
Shop	100,000
Kiosk	60,000
Total	1,710,000

Source : Provided from Zeum

### ***The Structure of Cultural Investment/Support System on YBC***

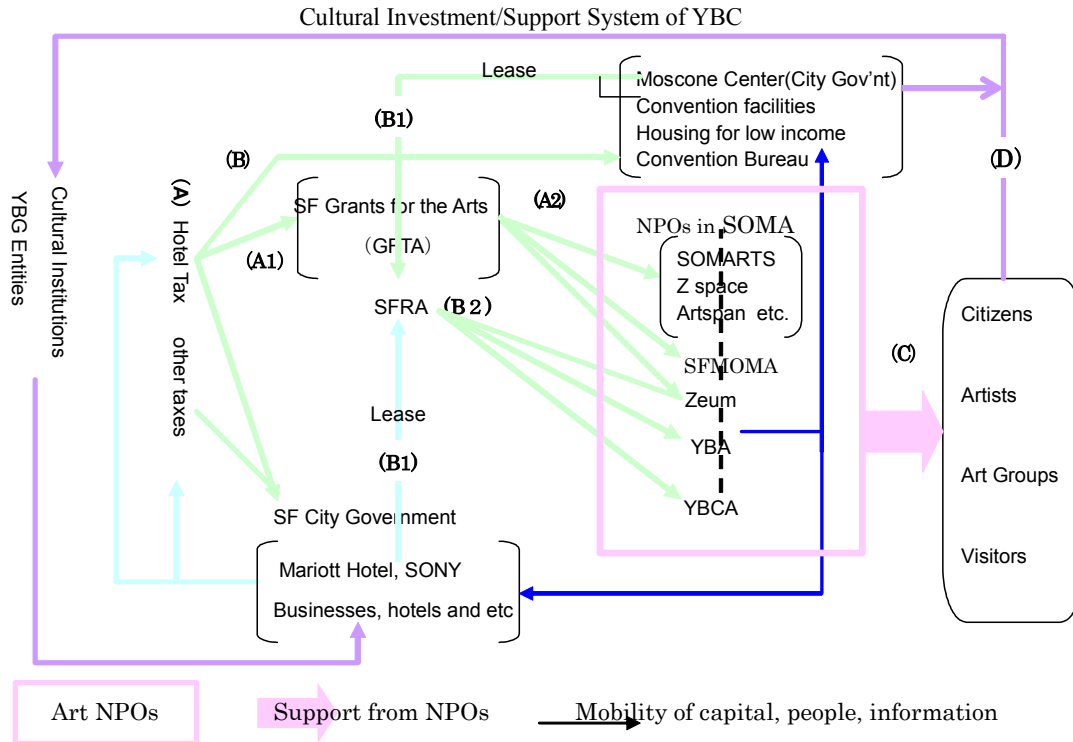
In short, there are two circulations of a part of the profit generated from YBC, flowing and circulating by cooperating among private sector, government sector, and the third sector such as art NPOs.

In one circulation, YBC is based on art/culture and its infrastructure including aspects of hard (maintenance of buildings etc.) and soft (providing programs etc.)→ people visit in YBC→ it would contribute to other developers in YBC→ rental fee from developers and convention center (city government ) go to SFRA→SFRA supports YBCA, Zeum, and YBA to operate → YBCA, Zeum, and YBA redistribute cultural resources through each these programs to wide range of citizens (see Figure 9; A→B→B1→B2→C→D)

In another flow, YBC is based on art/culture and its infrastructure including aspects of hard and soft→ YBC contributes to tourism→ hotels at YBC also contribute to hotel tax→

1) hotel tax goes to entities at YBC and cultural resources in San Francisco city and 2) a part of hotel tax goes to art NPOs, (in case of YBC, Zeum)→art NPOs provide programs to wide range of people (see Figure 9; A→A1→A2→C→D). Here, like sales tax, other tax are not mentioned, but they also impact on the city finance in above two circulation.

Figure 9



Source: Shimizu creates

Through these flows, there is an important point to keep flowing. It is when cultural institutions, especially YBCA, Zeum, and YBA, provide programs corresponding with citizen's needs, both circulation could flow sustainably, then, economic effect is followed and amenity is improved, because residents go to the space to participate some programs/events provided from arts NPO and outside visitor go sightseeing to other museum, such as SFMOMA. What is to say, this happens when the exchange value and social value of these cultural institutions are high, so it can be said that to keep flowing depends on the (C)arrow of Figure 9 even other arrows of Figure 9 are also important to function these art NPOs. Though providing programs and events, art NPOs function as a mediator and create social relationship among artists, wide range of citizens, private companies (business), community (such as school), and cultural institutions. Moreover, among art NPOs and other NPOs build up thick horizontal networks to function more flexibly and promptly toward people's needs, which enhance the exchange and social values of cultural institutions.

## Conclusion

This paper tries to examine the coexistence or co-prosperity of economy and art/culture through observing the process of urban regeneration based on art/culture. From the lessons of the urban regeneration based on art/culture infrastructure in San Francisco

city, it is evident that YBC redevelopment has the synergistic effects in social, economic, and environmental aspects. D. Throsby mentioned as well “First, a specific cultural facility may compromise on its own a significant cultural symbol or attraction affecting the urban economy...Second, and more often, a ‘cultural district’ may act as a node for development in the local area...Third, the cultural industries, especially the performing arts, may constitute a vital component of a city’s economy, not just in major centers but also in regional small towns and cities as well...Fourth, culture may have a more perspective role in Urban development through the fostering of community identity, creativity, cohesion and vitality, via the cultural characteristics and practices which define the city and its inhabitants (Throsby, 2001).”

These above effects are from that YBC’s operating and managing sustained by integration of economic development and cultural policy. The crucial point of the integration way is the art/cultural investment/support system. Cultural policy is the first point of circulating parts of profit from art-related industry or redevelopment in order to support cultural resources. Then, to invest/support both aspects of hard and soft of cultural resources is implemented by art NPOs. Such a phased investment/support system can be independent from economic and political intervention or their standpoint. So a series of their activities creates social relations among artists, wide range of citizens, companies, and public sector, and community, based on their thick network among art NPOs. This would be a way of social inclusion, which is driving force of urban sustainability in a long perspective. Therefore, such a cultural investment/support system circulated by using redevelopment profit would be crucial for the sustainable city.

## Notes

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- <sup>1</sup> Concerning to YBC fiscal/economic effects in this chapter, *Yerba Buena Fiscal and Economic Impact Report* is used. The range of the economic impact is the Grey zone of the Map 1 (show the Map 1).

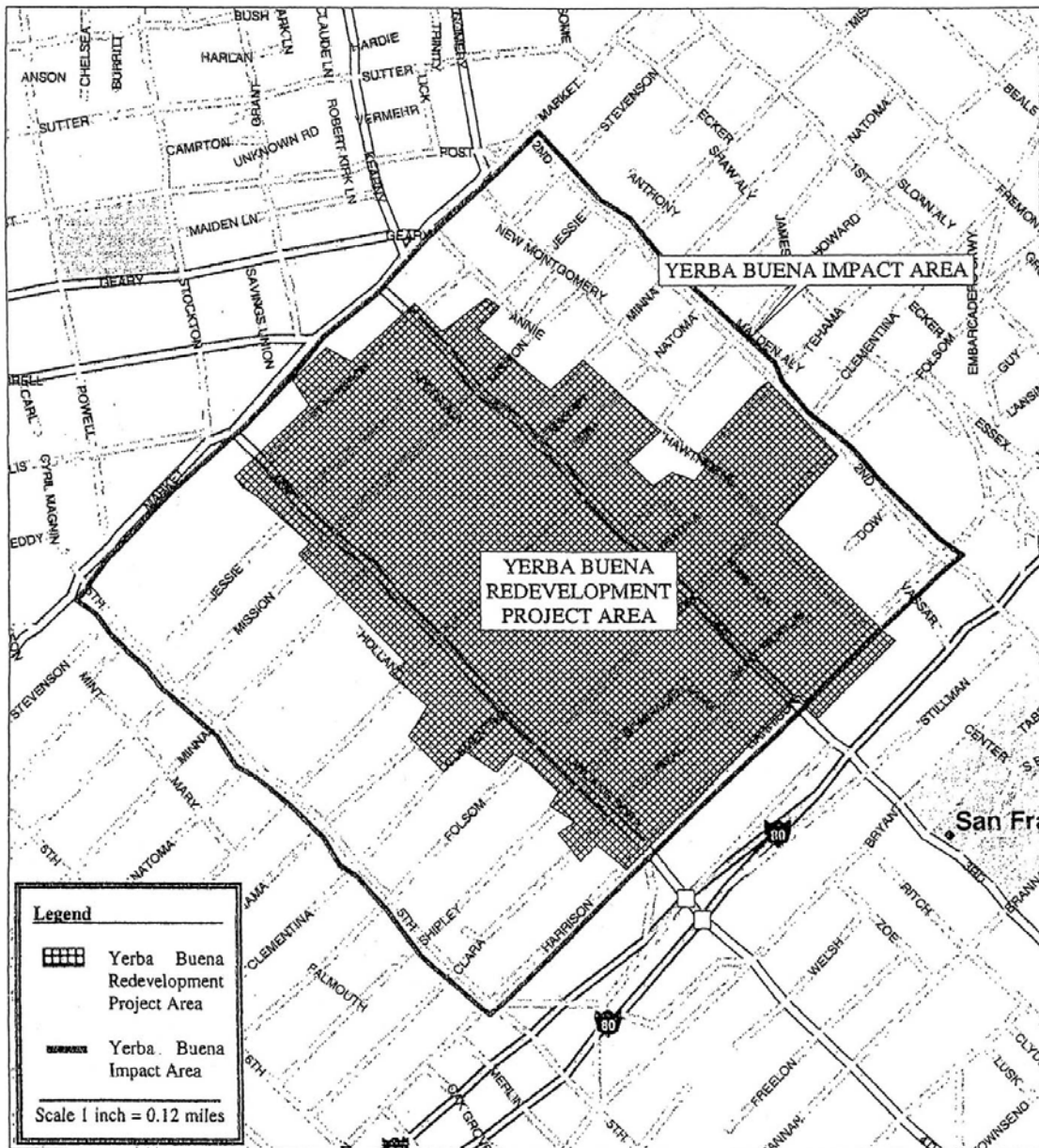
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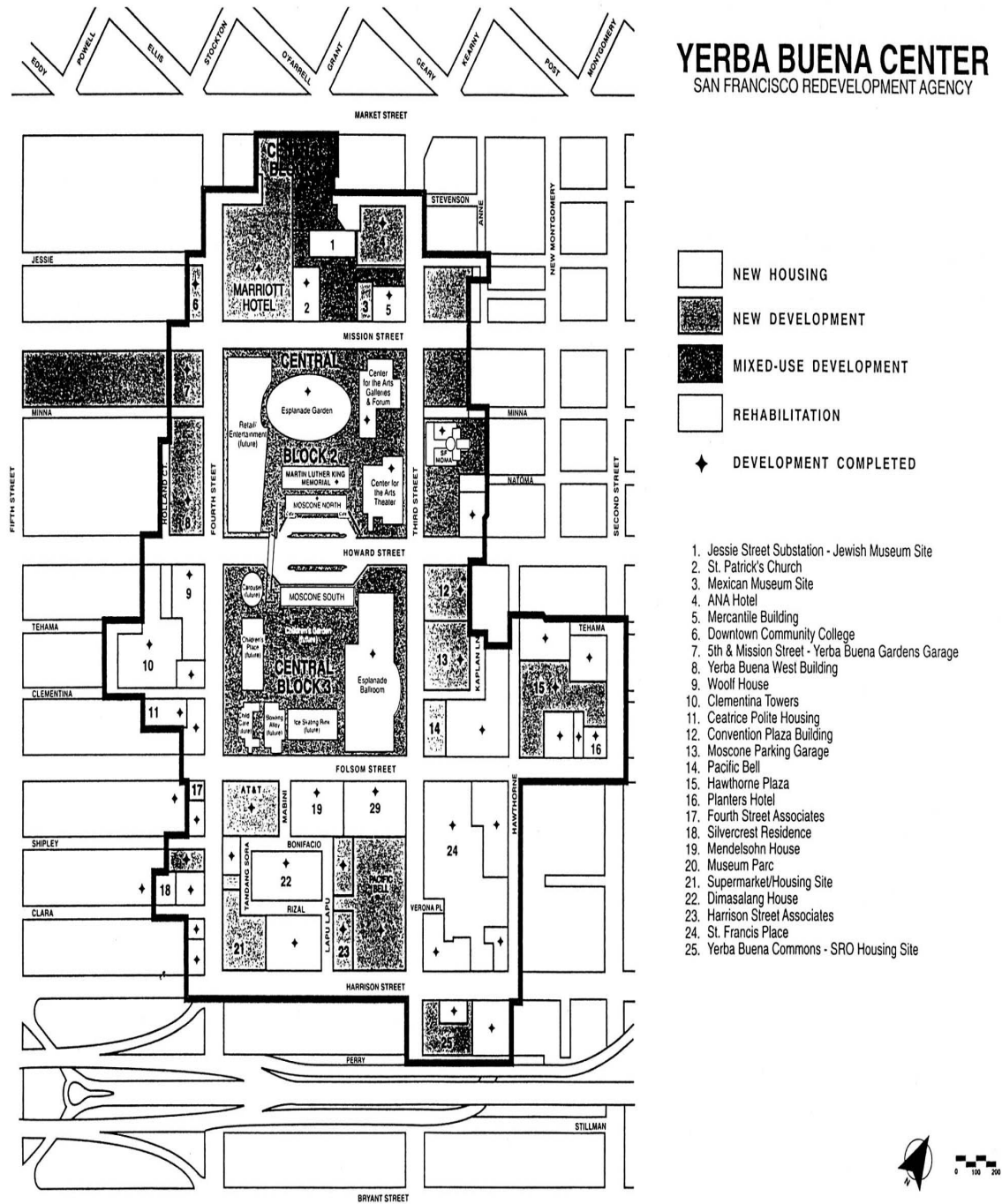
## Appendix 1 : Map 1 Economic Impact Area of YBC



Source: Sedway Group/Real Estate and Urban Economics 1999



## Appendix 2 : Map 2 Block of YBC Project



Source: San Francisco Redevelopment Agency 1966