Report for the Mid-City Corridor in Washington, DC

ECONOMIC IMPACT ASSESSMENT

April 17, 2012

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TABLE OF CONTENTS

INTRODUCTION

This report was produced by the Responsible Hospitality Institute (RHI), a Santa Cruz, California based 501(c)(3) organization focused on planning and management best practices to facilitate safe and vibrant nightlife in cities.

The Responsible Hospitality Institute (RHI), a California-based non-profit organization, commissioned a study on the nightlife activity and economic impact of three designated districts located in the Greater Washington D.C. area. The three areas were: the Mid-City Corridor Area, including the U Street Corridor, 14th Street and Logan Circle in Washington, DC; a designated area of central Wheaton, Maryland; and the Clarendon area of Arlington, Virginia. These areas were selected by RHI, project sponsors and local governmental units as prototype study areas to determine the appropriate approach, methodology and analytical structure to develop an economic assessment of the activities associated with nightlife and sociability. Each has with markedly different stages of development, government licensing and permitting, and demographics in the areas.

The study sought to measure two key factors:

1) **Nightlife Activity:** Defined by the current status of a "hospitality zone" e.g. # businesses with live music, occupancy of venue, time of day operations.
2) **Economic Impact:** The economic benefits of nightlife (e.g. revenue, employment) to be used for use to contrast the economic costs (e.g. cost to police department, cost for clean-up), as well as the cost of not taking preventative action (e.g. DUIs from no transport alternatives, lost tourism $ if businesses close).

The study was conducted by senior staff from The Eisen Group, LLC of Washington DC and supported by two sub-consultants, AECOM Economics (also known as AECOM Technology Services) and local consultant Natalie Avery, former executive director of the Mid-City Business Association.

The study's goal was to analyze data associated with nightlife activity and evaluate data collection options from both public and private sources. An additional objective was explore the most effective means to document primary economic activity components (employment, sales taxes and fees generated, numbers of late night workers leaving business establishments after closing hours and other quantitative measures).

Preliminary results report that among forty dining and entertainment businesses in the Mid-City Corridor study area completing a survey:

- ❑ Produced estimated $150 million of sales with $5 million in sales tax,
- ❑ Created almost 2,000 jobs,
- ❑ Provided dining and entertainment options for more than 10,000 people at any one time
- ❑ More than 80% of the activity occurs after 5 pm and 36% after 10 pm.

It is estimated these totals would be more than double if all businesses in the district were included, and even proportionately greater if other similar nightlife district in the city were included, placing nightlife and sociability as one of Washington, DC's major economic engines outside of government and government related industries, as well as a magnet for attracting the workforce required for new industries in the region.

USE AND REPRODUCTION OF THIS REPORT

ACKNOWLEDGMENTS

PURPOSE AND OBJECTIVES

This study was limited in scope and focused on a very small number of businesses in Washington, DC. What was learned is applicable to future studies and assessments in other cities, including the need for better systems of data management by city departments, business associations and other data collection points for collecting sales, tax, fees, and other revenue information, employment and occupancy (seating by section – dining, social, outdoor), and costs for management (parking, transportation systems, policing, inspections, traffic control, etc.)

There were several purposes and objectives for the study:

- ❑ **To explore development of methods to measure nightlife's primary economic activity** using conventional economic measures.
- ❑ **To develop a process that is replicable** in other locations.
- ❑ **To establish the basis of an economic index** that is usable as an economic development benchmark.
- ❑ **To substantiate to city government and community leaders why the nightlife industry is importan**t to a city's economic viability and sustainability.
- ❑ **To establish broad, but uniform definitions for economically contributing nightlife and sociability venues** that could be applied to other areas based on primary business activities and at different times of day (including food service, alcohol service, entertainment and events-oriented venues/spaces).
- ❑ **To coordinate with local governmental units, regulatory agencies and business organizations and/or operators** to collect data supporting analysis of economic activity associated with nightlife and sociability expenditures in the designated areas. These economic activity generators include allowed occupancy levels and seating inventories, employment (both Full Time Equivalents and Part Time Equivalents.
- ❑ **To determine what information is available through public sources**, data which could possibly be solicited from private operators on a confidential basis, or can be collected by other methods.
- ❑ **To develop an overall methodology based on the experience in the three prototype areas** that can be adapted as required for other locations on a basis that will yield comparable/consistent information.
- ❑ **To analyze and summarize the economic activities in the three study areas as a prototype model**, explaining similarities and differences in characteristics that affect the economic activities generated in each.
- ❑ **To define and develop baseline measurement protocols** and demonstrate assessments that will define nightlife and sociability economic "generators." This information will provide a basis for analysis of other city locations and establish a uniform approach to data collection for district/zone to district/zone and city to city comparison.
- ❑ **Determine current data collection and data management systems** used by city planning, economic development, regulatory and public safety agencies to determine impacts of these systems in hospitality zones, and how they could be improved for ease of access to relevant data.
- ❑ **To establish a centralized clearinghouse of data** for comparative study of the economic cost and value of nightlife and sociability.

PROFILE OF THE MID-CITY CORRIDOR IN WASHINGTON, DC

The 14th and U/Mid-City Corridor area is a well-established nightlife destination for the greater DC area, with restaurants, nightclubs, bars, taverns, and other businesses open late into the night. The area has redeveloped from the riots of the 1970's to a diverse and highly popular entertainment, dining and bar destination.

Specific Attractions:

- ❑ Established entertainment and dining district
- ❑ About 100 total dining and nightlife businesses
- ❑ METRO Station
- ❑ Historical center of African American entertainment and nightlife, now drawing all audiences
- ❑ Destination night clubs as well as restaurants

PROFILE

Mid-City Corridor stretches along the 14th and U Street corridors in Northwest Washington DC, just north of downtown Washington. The district includes both historic U Street and Logan Circle and has seen tremendous growth in residential and retail development over the last two decades. The area thrives with restaurants, live music venues, theaters and nightclubs. It also includes a range of fashion boutiques, furniture stores and gift stores which coexist with shoe repair places, flower shops and nail salons. Though widely seen as one of DC's most dynamic areas to both live and to visit, tensions exist among residents and businesses about how to contend with the impact of nightlife on quality of life, especially when it comes to noise, safety and trash management.

The city's regulatory approach to nightlife establishments revolves around the licensing process. DC law enables residents to protest and impose conditions on an establishment's alcoholic beverage license through a Voluntary Agreement. The lack of a proactive, comprehensive strategic plan to balance residential and commercial interests leads many community members to frequently utilize this tool, considering it their only opportunity to address concerns. To resolve protests against their liquor licenses, many businesses in the Mid-City Corridor area have reduced operating hours, closing earlier than what is legally allowed. Others gave up the ability to offer entertainment and other amenities. The Alcoholic Beverage Regulatory Administration (ABRA) enforces conditions contained in Voluntary Agreements, which last in perpetuity, unless both parties agree to a change.

Tensions also persist around the allocation of policing resources. Both residents and businesses assert that the number of officers assigned to patrol the area at night is insufficient to keep it safe. The response has been to persuade, and in some cases pressure, nightlife operators into hiring overtime officers, for which they are partially reimbursed through a program managed by the city. Many hold up this Reimbursable Detail Officer (RDO) Program as the solution, rather than a tool that's part of a larger strategy about how to better allocate policing resources to the district. Sometimes the RDO program has a paradoxical effect of diverting resources that would be better spent improving security within venues, to the hiring of overtime officers who may or not have much of an impact on the fundamental challenge of managing nightlife activity.

Though the particulars differ, Mid-City Corridor has much in common with similar districts throughout the United States and beyond. And as in other jurisdictions, there has been no hard data to help city planners, community advocates and lawmakers understand the nightlife industry's impact on jobs and the economy. Consequently it continues to be treated as a problem to be controlled rather than an asset to be managed.

SUMMARY OF RESULTS AND DATA ANALYSIS

RESULTS OF THE WASHINGTON, DC PROTOTYPE COMMUNITY (MID-CITY CORRIDOR)

SUMMARY

- Total Businesses in area: 90+
- Number of survey participants:
    - 40 completed Operational Survey
    - 30+ completed all Financials Survey
- High response rate indicates higher statistical validity
- Summary findings include ONLY RESPONSE TOTALS; "Real" totals are likely 2 to 3 times these amounts

MAXIMUM SEATING CAPACITY

Total seats: 10,628

- 9,341 seats (88%) are indoors
- 1,287 are seasonal/outdoor seats
- Bar seats total 1,178, or about 11% of all seats

TOTAL ESTIMATED MARKET OCCUPANCY (PEAK NIGHTS)

- 25,000 to 30,000 (seated, standing, waiting, circulating)

LIVE ENTERTAINMENT

Nineteen (19) out of 40 venues offer live entertainment at least once a week.

Most common types of entertainment:

- Live Music: 16 of 19 venues
- DJ Dance Music: 10 of 19
- Comedy Acts: 9 of 19 venues
- Live Music (National Performers): 9 of 19 venues

EMPLOYMENT

- Total study area employees = **1,549** (688 full time, 846 part time) from survey
- Peak night (Friday and Saturday) employment between 5-10 pm = **722** from survey
- Average employees per seat (FT and Part Time) = **6.9** from survey
- Closing controlled by permit hours; **estimated 1,200 to 2,000 peak night employees** at closing (2:30-4:00am)

GROSS SALES FROM SURVEY

Total area sales (survey)	TOTAL	$73.5M
Food and non-alcoholic beverages	(36.6% of total sales)	$26.9M
Alcohol	(43.8% of total sales)	$32.2M
Admissions/Ticketing	(18.9% of total)	$13.2M
Catering	(1.1% of total sales)	$0.79M
Other (merchandise, etc.)	(0.5% of total)	$0.35M
DC Sales taxes paid		$5.6M

ESTIMATED 14TH & U AREA TOTALS

Estimated area total sales	$158.15M – 196.88M
Estimated Food/non-alcohol	$55M -- $67M
Estimated Alcohol sales	$65M -- $80M
Estimated Admissions/Tickets	$25M -- $33M
Estimated Catering sales	$1.5M --$2M
Estimated "Other" sales	$650K -- $880K
Estimated Sales Taxes Paid	$11M -- $14M

NIGHTTIME ECONOMY SPLIT

Of surveyed businesses, **90% of sales occur after 5pm:**	**$66+M**
Sales taxes generated after 5pm:	**$5.04M**
54% of sales occur between 5pm-10pm (mostly restaurant/F&B sales):	**± $40M**
36% occur between 10pm and closing (mostly entertain./beverage):	**± 26.5M**

OTHER TOTAL COSTS FROM SURVEY

Combined F&B, Tavern, Entertainment, Multi-purpose venues	$6.2M annual labor costs
Annual Licensing and Permit Fees	$166,568
Annual Property Taxes Paid	$504,000
Annual Sales and Use Taxes Paid	$5.6M
Annual Rent/Mortgage Payments	$3.9M

METHODOLOGY

SUMMARY OF APPROACH

Because states and jurisdictions require, collect and review different categories of data, there is no single approach to collecting this data which will be universally applicable. For example, while the District of Columbia collects comprehensive sales tax data, the DC government does not have the staffing capacity to aggregate data by geographic location. RHI recognizes that some jurisdictions have the data and the ability to combine reported sales and taxes within a specific zone, but not all can combine it into a sales total within a specific geographic area. Without a governmental source (probably the most accurate data resource), the consultants devised an internet-based survey that would allow willing private operators to confidentially report key economic activity such as sales by category (food and beverage, alcoholic beverages, ticket fees for performances, total employment, and the portion of total activities occurring between 5pm and closing time). This last component is a critical data point, and the tax-based sales summaries from governmental sources do not distinguish data by time of day.

It was determined that one of the three Washington area jurisdictions be used as a prototype, both to test the methodology and to make refinements, as required before completing work in the other two jurisdictions. Natalie Avery's experience and connections to business operators in the DC Mid-City Corridor provided an initial level of trust for the study; it was noted that, even with her credibility and knowledge of local operators, it still took up to four follow up visits, conversations or other contacts to encourage a level of participation that would result in a statistically valid level of response. Establishing this level of trust (particularly since the survey asks for confidential information from private operators) is a significant (though obvious) finding from the DC prototype study. Without the level of personal contact from a community activist that local operators trust, the consultant team believes that the response level would have been far lower.

In discussions with operators, it was also determined that many owners were willing to share confidential financial information (based on the knowledge that it would be combined with others reporting) through the online company aggregating data, but did not want to share all of the financials with their management staffs who are more focused on operations. This resulted in splitting the original on-line survey into two parts: (1) an operations survey that deals with employment numbers, staffing by categories, and other data; and (2) a financials survey that addresses sales, taxes and licensing fees, and other cost and revenue disclosures.

As the local contact, Natalie Avery was able to represent the purpose and logistics of the project to busy owners and managers and to follow up with potential survey respondents; her credibility in the Mid-City Corridor resulted in unusually high levels of participation, particularly for confidential data that was provided. Out of the 90+ businesses in the district, the response rate was 44% for the operations survey and 34% for the financials survey. These levels of response, while not including 100% of the businesses in the district, serve as a strongly valid statistical base of information. The summary numbers included in this report reflect the data actually provided; real numbers of jobs, sales and other metrics are likely to be two to three times the reported numbers, but the consulting team has taken the more conservative approach in providing actual totals.

The two primary stipulations expressed by private operators were that their information not be available on an individual basis, and that local government would not use the information on a business-by-business basis. While the nightlife economy is a major contributor to employment and attracts sales to Washington's destination districts from Maryland and Virginia (generating taxes at a low cost in services), most nightlife publicity focuses on

incidents, noise complaints or other 'negative' aspects of living in/near a nightlife area. The aggregated summary findings suggest that a significant portion of all sales in the area occur after 5pm, and about a third occur after 10pm. This type of information makes it possible to take a balanced view of the value created by the nightlife economy, and documents the direct economic activities associated with the benefits provided in successful Sociable Cities.

AREAS INVESTIGATED IN THE ECONOMIC ASSESSMENT

The following areas were investigated in the economic assessment:

- ❑ **Boundaries of designated study areas**
- ❑ **Inventory of businesses** based on data provided by local agencies, business organizations or other sources
- ❑ **Total available occupancy/seats per relevant venue**, based on permitting requirements or other methods
- ❑ **Employment (FTE's and PTE's)** in total and for nightlife hours (5pm-10pm, and after 10pm
- ❑ **Total annual sales** and/or annual sales occurring during the nightlife/sociability part of weekdays and weekends (after 5pm and after 10 pm)
- ❑ **Total annual licensing and other fees**, property taxes, sales taxes and other costs associated with operations, as available
- ❑ **Operating hours and relevant operational characteristics** affecting nightlife and sociability, i.e., changes in business focus from food service to entertainment/dancing or other later nighttime activities, shift from food service to primarily alcohol/bar sales, etc.
- ❑ **Any available information about total annual patrons/consumers**, including anecdotal characteristics about customer turns, total customers served, or other data which might be provided by operators
- ❑ **As available, total annual costs for products and services** spent in the local/regional economy
- ❑ **Estimated annual costs for security, waste management and personnel costs**, as available

DATA COLLECTION

APPROACH

The prototype community was intended to:

- ❑ Determine availability/consistency of data
- ❑ Define economic activity during stages of evolution
- ❑ Compare public and private sources
- ❑ Maintain anonymity for participant businesses
- ❑ Aggregate data from defined districts

RESEARCH APPROACHES

Information was sought from three primary sources:

- ❑ Credit card data companies
- ❑ Governmental sources
- ❑ Individual businesses

The Process:

- ❑ 14th and U and Mid-City Corridor in DC selected to test methodology
- ❑ Goal to document direct sales, sales taxes and employment
- ❑ General information not broken out by time of day (i.e. annual sales taxes)
- ❑ Direct response information was required to document "Nightlife" activity (e.g. 5:00-10:00pm with food; after 10:00pm to closing for beverage/entertainment)
- ❑ Survey Monkey on-line business survey developed, announced, presented and tried as a Beta Test
- ❑ Confidentiality, "blind" access and district-wide aggregation big factors
- ❑ Survey split into Operational and Financial data requests
- ❑ Took 3 weeks with significant follow-up during actual survey response time

DATA COLLECTION: DEFINITIONS AND CONSTRAINTS

While many governmental agencies collect data regarding beverage sales, food and beverage taxes, or other fees, the RHI study recognized that total taxes and other data collected do not monitor sales by time of day. This made it difficult to attribute sales and employment information, as well as other economic activities, to evening hours as a discreet database. The consultants therefore investigated time-based systems such as Point of Sale (POS) information sometimes collected by Credit Card reporting companies. While this approach would have reflected the most accurate numbers available, the consultants found that either (a) the data collection companies could not aggregate actual sales by location and for whole districts (because operators don't all use the same software packages) or (b) the operators did not collect the same level of information within their software packages.

For the Economic Activity Analysis to be standardized and to be able to compare and contrast data, the analysis also required definition of a Nightlife Activity time period comparison. The nightlife analysis period was defined as having two different parts of the evening. The time period from 5:00 pm through 10:00 pm was chosen to include both happy hour times and dining activities as the first part (since most restaurant kitchens close at 10:00 pm), with the second time period occurring between 10:00 pm and the respective closing times for each study area (typically running until 2:00 or 3:00 am, depending on local licensing requirements).

APPLICATION OF RESULTS: HOW DATA CAN BE USED

ECONOMIC APPLICATIONS

- ❑ Reframe the perception that nightlife activity is financially draining to recognition of its potential as an economic engine.
- ❑ Economic impact data can be used in many ways to activate a positive shift in public perception and policy to a position of support and advocacy.
- ❑ Track industry growth and change by conducting assessments on a regular basis.
- ❑ Document potential of the hospitality zone by defining diversity of venues (dining, social, entertainment), role of events (fairs, festivals), and total occupancy of the zone for planning safety services, parking, pedestrian safety, traffic control, crowd management.
- ❑ Propel greater coordination between city government and nightlife representatives to collaborate on sustaining vitality, while also reducing safety and quality of life impacts.

MARKETING APPLICATIONS

- ❑ Establish a new definition of "nightlife" inclusive of the economic benefits and costs.
- ❑ Increase awareness and recognition of the economic opportunities for business after dark.
- ❑ Raise public awareness of nightlife as a legitimate economic sector and viable economic engine.
- ❑ Elevate the professional status of nightlife businesses.
- ❑ Promote opportunities in hospitality zone, e.g. XYZ provides 120 dining and entertainment venues, with 30 venues offering live entertainment and dancing, with 5,000 seats available on Friday and Saturday nights.

PLANNING APPLICATIONS

- ❑ Define parameters for determining if a hospitality zone has reached the tipping point (i.e. is over-saturated with venues, occupancy, pedestrians).
- ❑ Provide a tool for cities to document the economic impact of sociability and the hospitality zone.
- ❑ Measure pedestrian activity and revenue generated after 10pm to justify service allocation.
- ❑ More appropriately allocate nighttime public services for safety, transportation and street cleanliness/maintenance.
- ❑ Support the need for appropriate allocation of city resources and public safety services to better manage nightlife activity as a continued source of economic vitality.

POLICY APPLICATIONS

- ❑ Encourage legislators to introduce incentives for business development and retention for well planned and managed venues to contribute to safe and vibrant nightlife.
- ❑ Demonstrate to city government that the return on investment in preventative measures and proactive re-allocation of resources will save money and contribute to a stronger, more sustainable economy.
- ❑ Counter restrictive proposals that attack the industry and limit operations rather than solve problems.
- ❑ Demonstrate the costs associated by not providing sufficient resources to match demand.
- ❑ Develop a formula correlating a district's occupancy and other factors with the amount of public safety services and extended transportation hours that will be necessary to properly manage the district.
- ❑ Identify how much it costs for city government to manage nightlife hotspots and nuisance businesses with currently limited resource investment.
- ❑ Data for developing more specific and flexible licensing to allow businesses to adapt to time of day and the changing markets.