



# Do art galleries stimulate redevelopment?

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## ABSTRACT

New York City is often held up as a successful example of arts-led economic development. Case studies have documented the influx of avant-garde artists and galleries into several neighborhoods, including Greenwich Village, Soho, and Chelsea, followed by yuppies and boutiques. Some researchers have used these examples to argue that artists and galleries can spur gentrification. An alternative hypothesis is that galleries choose to locate in neighborhoods with high levels of amenities. In this paper, I examine whether concentrations of galleries in Manhattan are associated with redevelopment of surrounding neighborhoods, conditional on initial neighborhood amenities. Results indicate that new galleries locate in high amenity, affluent neighborhoods, and near existing star galleries. In simple bivariate regressions, star gallery density is positively correlated with several metrics of building change. However, these correlations diminish when controls are added for initial neighborhood physical and economic conditions, and weaken still further under an IV approach. Results are consistent with galleries selecting neighborhoods that have a higher propensity to redevelop, due to the presence of observed and unobserved amenities.

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## 1. Introduction

A popular local economic development strategy is to offer incentives to artists, galleries, and other cultural activities that locate in neighborhoods designated as “Arts Districts”. As of 1998, nearly 60% of the 150 largest U.S. cities had at least one designated cultural district (Frost-Krumpf, 1998; Noonan and Breznitz, 2013). The civic and commercial associations that promote visits to these districts often highlight the physical landscape of the neighborhoods as a key feature, specifically their location in formerly industrial areas and the adaptive reuse of loft buildings, converted from warehouses and factories.<sup>1</sup> Advocates of place-based subsidies for the arts argue that reusing industrial spaces for arts and culture can lead to physical and economic regeneration of blighted neighborhoods (see, for instance, Cameron and Coaffee, 2005; Florida, 2002a, 2002b; Markusen and Schrock, 2006). Case studies have documented the entry of artists and arts-related activities into previously undesirable neighborhoods which subsequently

gained in economic and social status in a number of cities, including London (Cameron and Coaffee, 2005), Toronto, Montreal and Vancouver (Ley, 2003), Hoboken, Jersey City and Newark (Cole, 1987), and Chicago (Cole, 1990). New York City is held up as one of the most successful examples of arts-led economic development: over the past half-century, concentrations of avant-garde artists and galleries have formed in the previously sketchy but now trendy neighborhoods of Greenwich Village, Soho, the East Village and Chelsea (Halle and Tiso, 2014; Molotch and Treskon, 2009; Zukin, 1989; Zukin and Braslow, 2011). However, the prior literature on this topic has two main limitations. Most studies describe the trajectory of one or two neighborhoods, but lack any counterfactual to establish what would have happened in the absence of artists. Moreover, these studies are often imprecise about what type of cultural venues or activities are related to neighborhood change, and by what mechanisms they create change. This paper improves on the current literature in several ways. I focus on one clearly defined, well measured type of cultural venue, galleries that sell original artworks. Using data on all Manhattan city blocks from 1991 to 2004, I compare changes in building stock across neighborhoods with varying exposure to galleries, and attempt to distinguish factors that attract galleries to certain locations from potential transformative impacts on surrounding neighborhoods.

Most prior studies that link artistic activities or venues to economic development focus on the role of artists’ homes and studios.

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<sup>1</sup> Although zoning and building code definitions vary by city, “loft” buildings are generally classified as buildings with an absence of interior walls that create divisions between rooms. Loft buildings may also expose structural elements, such as ceiling beams and cinder-block or brick walls, and typically have high ceilings and large windows.

Because artists tend to have relatively low incomes, they are presumed to seek out low-rent neighborhoods in which to live and work (Cameron and Coaffee, 2005). Sociologists and geographers have also suggested that artists seek “authentic” neighborhoods, characterized by socioeconomic diversity and tolerant attitudes (Ley, 2003), as well as distinctive physical attributes, including “run-down areas with old factories and warehouses” (Cole, 1987). The mechanisms by which artists’ homes and studios are believed to “set off a process of increased property values and displacement” are somewhat sketchily laid out (Zukin and Braslow, 2011). Cole (1987) identifies some direct spillovers, such as when artists patronize neighborhood retailers for supplies. He also suggests that “artists add flair” and that “use of artists and the arts to glamorize an area... is a strategy for real-estate speculation”. Ley (2003) predicts that artists will attract a succession of gradually more affluent residents, although does not specify why or how this will occur. An unfortunate barrier to large-scale quantitative research on economic development associated with artists’ homes and studios is the difficulty of obtaining data on artists’ locations. Markusen (2004) points out that surveys miss many artists whose primary income derives from non-artistic jobs (the proverbial actor-waiter). Datasets with detailed breakdowns of occupation and industry, such as the Current Population Survey, only allow counts of artists at the state or MSA level.

Besides artists’ residences, several studies highlight the importance of art galleries as convening places for artists, dealers, and other players in the artistic social scene (Cole, 1987; Currid, 2007; Molotch and Treskon, 2009; Halle and Tiso, 2014). Galleries have the potential to draw culturally-oriented visitors to a neighborhood, which may create greater interest in the neighborhood as a residential or retail location (Cole, 1987). Still other studies examine the role of large cultural institutions, such as museums or performing arts spaces (NEA, 1981; Strom, 2002; Scott, 2004). Discussions of the “creative class” and economic growth often group visual artists, writers, and performers with other “creative” occupations and industries, including architects and graphic designers (Florida, 2002a). In practice, many public policies that incentivize the arts cover a wide range of activities related to artistic production and consumption. For instance, the 2008 rezoning of Harlem’s 125th Street gave preference to “Arts and Entertainment-Related Uses”, including museums, galleries, performance spaces, bookstores, nightclubs, music stores, and restaurants.<sup>2</sup> All these venues can be described as cultural activities, but it is unclear whether they will attract similar consumers, choose the same locations or will generate similar spillover effects on neighborhoods. To date, no studies have systematically tried to compare the impacts of different cultural venues or activities in the same empirical setting.

Another major limitation of prior studies is the inability to control for potential selection bias in subject neighborhoods. Do arts-related activities cause gentrification, or do they choose to locate in neighborhoods that are more likely to attract high-income residents and commercial activity even without bohemian intermediation? To understand the location choice of art galleries, the focus of this study, I draw on theories of agglomeration economies in retail markets. Retailers selling expensive, quality-differentiated products, such as antique dealers and jewelers, often cluster together in order to lower consumer search costs (Dudey, 1990; Eaton and Lipsey, 1979; Fischer and Harrington, 1996; Picone et al., 2009; Stahl, 1982; Wolinsky, 1983). Schuetz and Green (2014) find that new art galleries in Manhattan are more likely to open in census tracts with existing gallery concentrations, more

affluent households and older, more expensive housing. Peterson (1997) found that Parisian galleries clustered in four major art districts – the Rive Droite, the Rive Gauche, Beaubourg, and the Bastille – each of which specialize by period or artistic style. Qualitative research offers several hypotheses for galleries’ spatial concentration, and for the location of specific gallery clusters. Studies posit that galleries moved to Soho in the 1970s because of social links between resident artists and gallery owners, especially in the case of “star” art dealers (Currid, 2007; Halle and Tiso, 2014; Zukin, 1989). Florida (2002a, 2002b) also stresses social networks and institutions, such as cafes and nightlife venues, in attracting the “creative class” more generally. Galleries’ presence in both Soho and Chelsea has been linked to the building stock composition, specifically the presence of large industrial buildings (Molotch and Treskon, 2009; Shkuda, 2010).

Gentrification of neighborhoods such as Soho, the East Village and (to a lesser extent) Chelsea, has been tied to artistic activity (Halle and Tiso, 2014; Molotch and Treskon, 2009; Zukin, 1989). While gentrification is often defined in terms of population change, such as shifts in socio-economic characteristics or racial/ethnic composition, the literature on arts-led regeneration also stresses physical changes.<sup>3</sup> Specific outcomes highlighted include shifts in land use away from lower-valued industrial space towards housing and retail activity, physical rehabilitation of low-quality buildings, and eventually new development.

This paper tests an alternative conceptual framework proposed by Brueckner et al. (1999), which stresses the importance of exogenous, fixed-location amenities.<sup>4</sup> Brueckner et al. define a set of urban amenities that are plausibly exogenous to current economic conditions: natural amenities such as waterfronts and hills, and historical amenities developed in prior eras such as monuments, historic buildings, and parks.<sup>5</sup> By contrast, amenities such as restaurants, shops and school quality are endogenous to neighborhoods’ current socioeconomic composition. If high-income households seek out amenity-rich neighborhoods, then both types of amenities will be positively correlated with current neighborhood income, but exogenous amenities can be used to determine causality of gentrification. The intuition is similar to filtering models, in which high-income households redevelop or rehabilitate older housing in centrally located neighborhoods to reduce transportation costs (Brueckner and Rosenthal, 2009; Helms, 2003; Rosenthal, 2008). This theory implies that if galleries choose to locate in neighborhoods with low current rents, but with high levels of exogenous amenities, subsequent gentrification may either be the result of galleries themselves or the attraction of high-income households and mainstream commercial activity to the exogenous amenities.

Certain amenities may be particularly attractive to galleries. As an industry that prizes aesthetics, gallery owners may place a premium on high quality or distinctive architecture. Galleries may value being near museums or other cultural institutions. Building dimensions may also be important: galleries that display very large artworks may require large, open floorplan rooms or high ceilings. As commercial establishments, galleries may face zoning constraints in where they can operate. If galleries benefit from agglomeration economies, they will prefer to locate in neighborhoods with other galleries, particularly those owned by “star”

<sup>3</sup> Studies of neighborhood change that focus on changes in demographic and economic characteristics of the population include Bostic and Martin (2003), Ellen and O’Regan (2008) and McKinnish et al. (2010).

<sup>4</sup> See Koster et al. (2012) for an empirical test of the role of exogenous amenities in gentrification of European cities.

<sup>5</sup> Brueckner et al. acknowledge that renovation of older neighborhoods may enhance historic amenities, but do not discuss the possibility that downward filtering of amenity-rich neighborhoods could diminish amenity values through neglected maintenance.

<sup>2</sup> NYC Department of City Planning. 125th St proposal <http://www.nyc.gov/html/dcp/html/125th/125th6zp.shtml>.

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