

# **Cultural-oriented Redevelopment Project and Art Investment Policy**

## **- Lessons from Yerba Buena Garden in San Francisco City to Arts-Aporia in Osaka City-**

AIMAC Conference Paper on June 31- July 2<sup>nd</sup>, 2003

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**Abstract** Due to the industrial structure change in the 1960s and economic globalization by multi-national corporations in the 1980s, urban economies declines and urban finances has had a great amount of deficit. Along this trend, sustainable city is paid attention in the field of urban policy. Today when war occurs without ignoring people' culture, their identity and value are devastated, urban redevelopment based on art/culture would be very crucial and influential for urban area and community from grassroots' view point. It is because urban economy transition and art/culture relate profoundly and their interweaving generates complicated problems among urban economies and art/cultural issues. Therefore, in this presentation, international comparative study on between San Francisco city and Osaka city by examining two cultural-oriented redevelopment projects, Yerba Buena Garden and Osaka-Arts-Aporia (OAA), as a case study will be seen. In each urban redevelopment policy, what cultural-oriented redevelopment policy is meant for, and how the art investment policy relates with it will be shown. By doing so, implication from San Francisco's case to Osaka's case will be mentioned in conclusion (this is uncompleted paper, so please do not use citation).

## I. Introduction

“World city” defined by S.Sasen and Freidman is a sphere that separates between production of capital gain from human life because of a series of globalizing economy, that is, there are elites and low-income people living inner city area (Freidman and Sassen). This generates discrimination issue and cultural confrontation, which increase the cost (spending) toward social problems, such as solving or mitigating the number of crime. As a result, urban financial receives pressure from those and then it get the quality of urban life worse (Miyamoto, 2001). Even though those multi-national firms are very fluid and easy to move out the city, the city government needs to provide urban facilities and public services for them and visitors inside and outside, because the governmental finance depends on taxes and consumptions from the multi-national firms and visitors.

At the same time, elites working for such multi-national firms are major art/culture consumers, investors, and appreciators and the city becomes the concentration of art/culture industry, so the government invests a great number of funds in cultural facilities, its construction, and its necessarily infrastructure for them. It means except them, the rest of people cannot appreciate with ignoring their culture and value. This leads vicious cycle of producing deficit in urban governmental finance. As mentioned, urban economy and art/culture issue are interweaved such as; 1) unbalance between cultural consumption and production, 2) globalizing indigenous culture; 3) unfair accessibility to art/culture.

Along this transition of economy and art/culture, low-income people and emerging artists have little or no opportunities to access art/culture activities and cannot identify themselves and then the number of crime and homeless people increase. Thus, when we consider sustainable city, we need to think urban redevelopment and regeneration based on art/culture is inevitable and important for present and future. Although so far studies regarding community development and art/culture that projects are only cultural events and activities in urban cultural policy would influence the community development, we should consider that art investment policy in urban economy and urban finance is integrated into a social system which supports people’s creativities and art/culture. In our society, we live and face problems interweaved between urban economy and art/culture, social inclusion for emerging artists and low-income people is urgent to respect for their culture and identity, express themselves freely, and inspire their feeling in order to build up fundamental part of wants and carvings for their life.

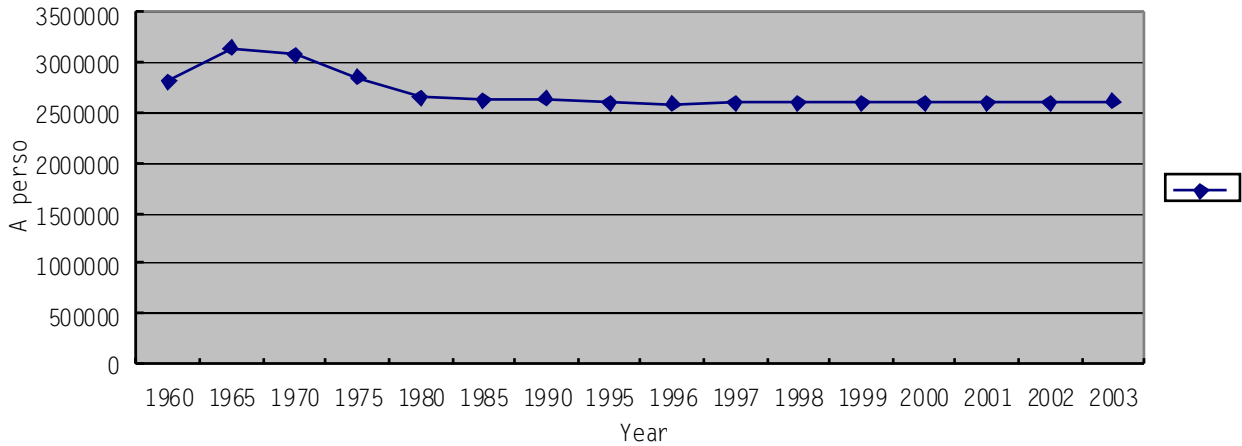
In this paper, therefore, through comparative study on between Osaka-Arts-Aporia (OAA) in Osaka city and Yerba Buena Garden in San Francisco city, what cultural-oriented redevelopment policy is meant for in urban policy, and how the art investment policy, what cultural-oriented redevelopment projects will be shown from the view point of financial sociology. Finally, implication from lessons of San Francisco’s case will be noted and problems in Osaka’s case will be implied.

## II. Arts-Aporia Project in Osaka City

### 1. Economic Trend in Osaka City

Osaka city is the second largest city of Japan. According to the data on March 1<sup>st</sup>, 2003, the population is 2,619,061 people (see Figure 2-1-1) and its households are 1,203,449 (The Osaka City Government Homepage; <http://www.city.osaka.jp/>).

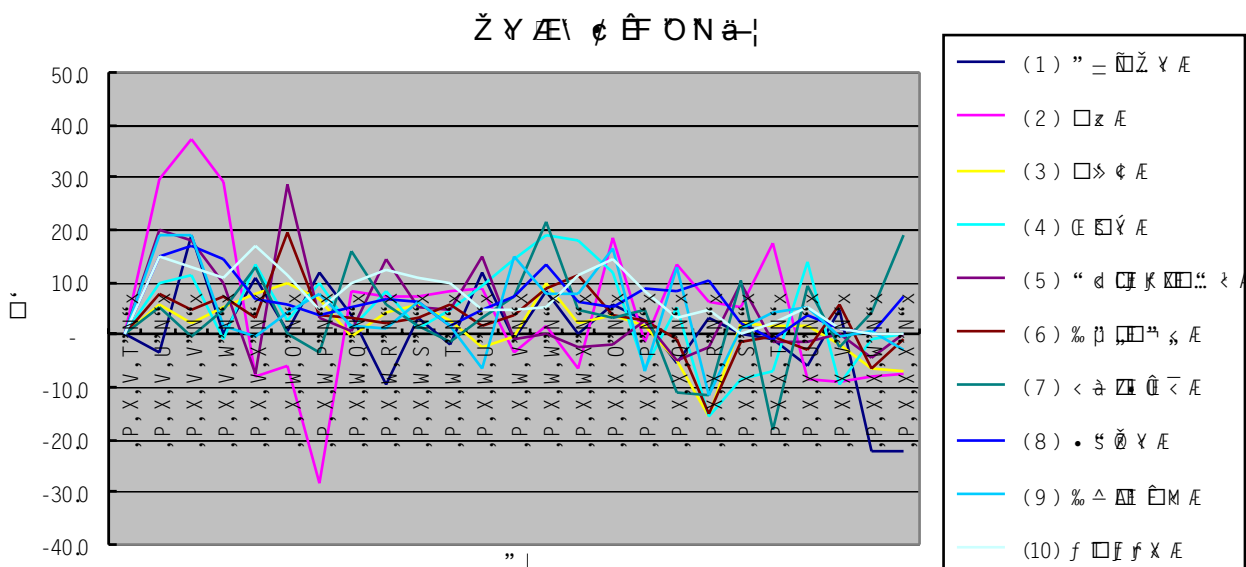
Population in Osaka City



Source: Shimizu creates from data of Osaka city; <http://www.osakacity.or.jp/>

Regarding the economic situation, As same as big cities in developed countries, Osaka city also had experience the industrial structural change. The figure2-1 shows that metal industries dramatically dedined from in the end of 1970, and manufacturing and construction industries also declined from in the end of 1980. While, finance, insurance, and real estate industries increased especially in the end of 1980 and after that they dedined dramatically in 1995 and increase in 1999. Moreover, along the economic globalization by multi-national firms, office service had grown dramatically in the 1980 (see Figure 2-1). These data implies that the number of employment of white-collar people increases, on the contrary, the number of unemployment of blue-collar people increase. They become homeless people who can often be seen in Osaka city. In addition, there remains a question whether new industries, such as computer contents (graphic design) or others, are grown or not. The creation of new industry, instead of so far industries, is very crucial to sustain the economy.

Figure 2-1-2



Source: Shimizu creates from the data of the Osaka City Government, <http://www.osakacity.or.jp/>

Table2-1-3

Comparative Change Ratio 1996 to 1991 between Total Production of Osaka City and Nationwide

○ i P È %o○ i j

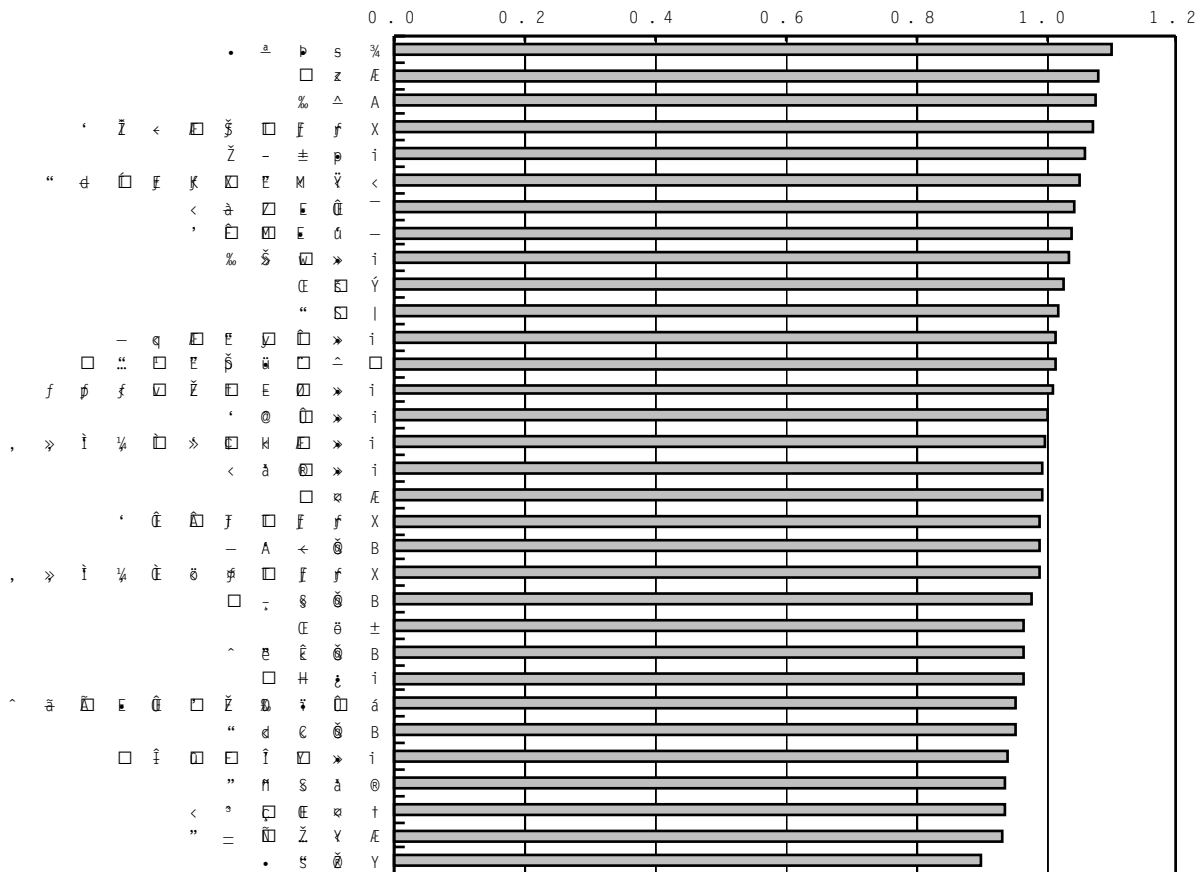
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" - 0 ă ŝ z	49	32	( - 8.8%	806	932	( - 2.9%	158,178	177,953	( - 2.3%
□ z ă	11	0	□	280	514	( - 11.4%	16,595	21,564	( - 5.1%
□ H ă i	4,874	5,631	( - 2.8%	16,331	15,794	( 0.7%	388,565	389,406	( - 0.0%
' 0 ă i	2,991	3,398	( - 2.5%	9,008	12,546	( - 6.4%	111,645	143,337	( - 4.9%
f ă f ă ŝ z ă ŝ z i	3,476	4,480	( - 4.9%	10,809	13,939	( - 5.0%	178,001	190,627	( - 1.4%
% ŝ z ă i	9,623	10,733	( - 2.2%	23,635	24,909	( - 1.0%	257,782	263,485	( - 0.4%
□ İ ă ŝ z i	101	446	( - 25.7%	5,515	7,391	( - 5.7%	104,928	110,876	( - 1.1%
- ă ŝ z ă ŝ z i	840	1,069	( - 4.7%	3,002	3,629	( - 3.7%	96,961	101,936	( - 1.0%
" ă i	5,279	10,043	( - 12.1%	17,856	26,336	( - 7.5%	200,933	266,792	( - 5.5%
" ă ŝ z ă	1,335	1,972	( - 7.5%	4,250	6,513	( - 8.2%	63,431	76,146	( - 3.6%
< ă ŝ z i	7,496	7,827	( - 0.9%	20,775	23,430	( - 2.4%	157,077	167,480	( - 1.3%
^ ă ŝ z B	6,790	8,816	( - 5.1%	26,273	31,523	( - 3.6%	284,750	318,390	( - 2.2%
" ă ŝ z B	5,136	7,734	( - 7.9%	31,553	34,951	( - 2.0%	503,855	508,265	( - 0.2%
- A < ŝ z B	1,902	2,277	( - 3.5%	9,624	11,227	( - 3.0%	418,558	451,959	( - 1.5%
□ - ŝ z B	506	541	( - 1.4%	1,737	2,111	( - 3.8%	38,107	46,920	( - 4.1%
, > İ ă ŝ z ă ŝ z i	16,553	17,484	( - 1.1%	29,786	32,544	( - 1.8%	320,621	324,383	( - 0.2%
ă ŝ z	17,170	22,872	( - 5.6%	44,791	51,288	( - 2.7%	881,493	891,989	( - 0.2%
" ă ŝ z K ă ŝ z M ă ŝ z <	4,589	3,435	( 6.0%	12,266	10,678	( 2.8%	188,100	153,180	( 4.2%
□ : ă ŝ z ŝ z ă ŝ z ă ŝ z	2,060	1,989	( 0.7%	6,418	4,698	( 6.4%	76,535	61,959	( 4.3%
□ ă ŝ z	94,683	77,258	( 4.2%	126,564	102,972	( 4.2%	1,023,216	824,144	( 4.4%
< ă ŝ z ă ŝ z	24,539	25,794	( - 1.0%	35,477	36,570	( - 0.6%	363,346	312,515	( 3.1%
• ŝ z ŝ z	21,353	21,552	( - 0.2%	43,793	42,672	( 0.5%	641,852	501,161	( 5.1%
% ă A	16,243	15,461	( 1.0%	40,686	36,018	( 2.5%	501,138	425,804	( 3.3%
' ă ŝ z ŝ z	12,377	8,058	( 9.0%	14,579	10,465	( 6.9%	147,628	109,746	( 6.1%
ă ŝ z ŝ z	6,380	5,180	( 4.3%	13,223	10,567	( 4.6%	262,170	204,095	( 5.1%
< ă ŝ z ă ŝ z	7,988	8,938	( - 2.2%	22,570	21,924	( 0.6%	332,470	287,271	( 3.0%
^ ă ŝ z ă ŝ z ă ŝ z ă ŝ z	9,607	8,505	( 2.5%	27,704	20,846	( 5.9%	362,294	266,413	( 6.3%
, > İ ă ŝ z ă ŝ z ă ŝ z ă ŝ z	1,555	1,127	( 6.7%	3,058	2,217	( 6.6%	46,587	40,177	( 3.0%
' ă ŝ z ă ŝ z ă ŝ z ă ŝ z	53,573	43,719	( 4.1%	66,231	55,570	( 3.6%	626,913	525,037	( 3.6%
' ă ŝ z ă ŝ z ă ŝ z ă ŝ z	22,006	21,651	( - 0.3%	42,327	38,304	( 2.0%	541,733	481,838	( 2.4%
ă ŝ z - ă ŝ z i	924	854	( 1.6%	1,820	1,872	( - 0.6%	20,370	19,146	( 1.2%
• ă ŝ z ŝ z	2,132	5,216	( - 16.4%	4,237	5,235	( - 4.1%	55,176	58,129	( - 1.0%
" ă ŝ z ă ŝ z	364,136	354,094	( 0.6%	716,985	700,186	( 0.5%	9,371,006	8,722,122	( 1.4%

Source: the Osaka City Government, [http://www.osakacity.or.jp/osakasi/databank/data\\_51.htm](http://www.osakacity.or.jp/osakasi/databank/data_51.htm)

When we see the total production of each industry of 1991 and 1996 in Osaka city, business (26.0%), office service (14.7%), and finance/insurance (6.7%) accounted for 50% of the total in the city (see the Table 2-1). In addition, the growth of the third industry from 1991 to 1996 shows that industrial structure changed from the second industry, such as metal and manufacturing, to the third industry, FIRE (The Osaka government).

According to the analysis of output table by the Osaka city government, metal industry (1.080), transportation (1.074), and Office service (1.071) are the most influential or coefficient to other industries in Osaka city (see the Figure 2-2), but in general, at the national average, office service industries are usually not influential (see the Figure 2-3). It can be said that Osaka's industry depends on office service industry. When offices move out the city, there is a question how companies or other industries related to office service can be survived. It means that when these three influential industry's economic situation get worse, the economy and healthy environment in Osaka city would be not sustained based on the hypothesis in this paper as mentioned above. In reality, metal industry has declined since the end of 1970. Along a series of such a trend by globalizing economy and changing the industrial structure dramatically, what urban cultural policy also had been related to it and applied (especially at multi-national firms) will be examined in the next section.

Figure 2-2-4 Coefficient of Impact (Osaka City)



## 2. Urban Cultural Policy in Transition

Now, the recent urban cultural policy of Osaka City will be explained. The Osaka City government proposed Action Plan for International Cultural City in 1996. The 6 frameworks are composed of this plan mentioned following;

- 1) to create the attractive city or community;
- 2) to create the city which visitor can take a trip;
- 3) to promote its marketing for convention place;
- 4) to develop tourism for staying;
- 5) to foster human capital for international city;
- 6) to strengthen support organization for tourism (The Osaka City Government, Action Plan for International Cultural City, 2002).

This plan includes promoting location of foreign companies' offices into Osaka city. Even though this plan includes the concept of framework1, creation of attractive city or community, this plan would focus on economic impacts from tourism and also be dangerous that its economy depends on foreign capital as noted above.

In order to attract people all over the world, one of the plan is development for art/creativity environment in order to enhance original cultural creativity and ability to give or send information, give opportunities for experimental art, and create city's atmosphere. One of the development projects is Arts-Aporia project mentioned later. In this "art/creativity environment and community development" is based on concept of "Creative-oriented cultural events and projects" in Action Plan for Art/Culture.

In the Action Plan, the definition of Creative-oriented cultural projects or policy is to support creative activities which are so special or technical that people have difficulties to understand, and which are different from hobby (Osaka City Government, Action Plan for Art/Culture 2002). In addition, such unordinary creative activities should be created in the place separated from ordinary life (Osaka City Government, Action Plan for Art/Culture 2002). This means that art/culture is totally separated from both people's life and community. How does the project attract people or make city attractive? When the government uses taxes from citizens in Osaka city for developing art/creativity environment or supporting creative activities, the project should contribute to community and citizens to make a system even though artists are supported directly. One of the projects, Osaka-Arts-Aporia (OAA), will be seen next.

## 3. Osaka-Arts-Aporia Project

OAA project, a "space-reused" project (see the Picture of OAA (a),(b), and(c)), has started since 2001, based on Action Plan for Art/Culture as noted above. This project is located in Osaka city along Osaka bay called "Chikko" area, which is a gate of the sea to land as the foreign trade function before the WWII (see the Picture of OAA (d)). Since after the war, those lofts had functioned in order to regenerate from war and keep the high economic growth in the industrial age. However, after the change of the industrial structure, the Osaka city also has received a great deal of economic damage and still not recovered its economy yet.

Along this trend, dedining the function of such an area, the waterfront redevelopment project had been popular since the beginning of the 1920s. Around the south of Chikko in Osaka city also tended to develop the area, such as Aquarium and museums. So, now the east of Chikko area is planning to redevelop a center place where international art/culture can be exchanged, which is OAA project.

## The Picture of Arts-Aporia

(a)



(b)



(Now this is managed and operated by the Osaka city government and the inside cannot be opened for public at this moment.)

(c)



(d)



(The picture (c) was taken in 1999 just before stopping the function. Those lofts were constructed by Sumitomo Loft Ltd., October in 1923. The size of 200 north-side lofts (on the left side on the (c) picture) are 4,500m<sup>2</sup> and of 300 south-side lofts (on the right side on the (c) picture) are 2,800m<sup>2</sup>. The height of those lofts are 13m. Along the north and south sides of lofts, waterfront railways ran.)

Source: <http://www.cwo.zaq.ne.jp/caso/comon/phto/redbrick2.JPG>

The concept of the project is to support creative activities with reusing vacant buildings as an alternative space mainly for contemporary art to build up emerging and the newest cultural activities and to linkage between the Osaka City government and human capital of contemporary art.

Regarding with a series of the Osaka city government's recent trend towards art/culture, the government recognizes that there is no active cultural administration system where so far the government cannot deal with new trend of art/culture (The Osaka City Government. 2002 . Action Plan for Art/Culture). They think that the factor would be no linkage between the government and contemporary artistes even though artworks of them living in Osaka city are getting showcased recently in the international art scene.

So, people working for the OAA project including Osaka city government officers are now developing the Collaboration with Non-profit organizations (NPOs) program from this year. This program is that artistes can make linkage or network through that they with OAA developing events or art activities. By doing so, OAA could build up the knowledge about how to make network with artists and other people.

Indeed, OAA is managed by NPO composed of governmental and private sectors, so the manager of this project is a contemporary artist from public even though the project director is positioned from the Osaka city government. This is said "collaboration" to build artists as human capital network, but in the US or European cases, Arms-Length Principle is applied, so when the government support or invest financially to art NPO, it does not deal with the management and projects. While, in Japanese case, the government intervenes in the management and operation.

In Japan, a lot of cultural institutions and cultural halls were established and seen everywhere from the 1980s to the 1990s when cultural-oriented redevelopment projects boomed. Although these institutions or art/culture itself just exist, they have not functioned at all and cities could not recover, because the government just constructed them ignoring citizens' and artists' voice due to focusing on economic side, such as temporary creation of employment. Thus, it can be said that only cultural policy or art/culture itself cannot regenerate cities. The government has to plan the cultural-oriented redevelopment project in urban policy, but be supervisor after. Thus, regarding OAA, there are questions what collaboration between government officers and staffs who are artists is meant for. OAA is only invested from the Osaka city government not from any other private sectors. That is, a large amount of taxes from citizens are invested in this plan. Can it be said that there is no governmental intervention? Is it redistributed for citizens or people living in redevelopment area?

In 2000, the Osaka city government invested 4,970,000 yen (about \$460,000) in OAA. The revenue of OAA in 2001 was 10,338,554 yen (10,000,000 yen from the Osaka city government, 150,000 from event fee, 187,500 from selling, and 1,054 from interest), and of 2002 is 21,789,000 yen (14,789,000 from the government and 7,000,000 from charge for government contract work) (This source provided by OAA manager). These numbers show that OAA depends on mostly the government finance from the cultural administration in the Osaka city. It is obvious when the economy of Osaka city declines, the investment in art/culture also decreases. As mentioned before, the office service has impacts on Osaka's economy because many head offices are located in Osaka city, but still the government concentrates on making Osaka city international in order to induce tourism and the increase of the number of head offices, which are considered an economic engine by the Osaka city government. It is true that tourism is, today, economic engine, but profit generated from redevelopment should be circulated in redevelopment area and redistributed to art/culture and medical welfare for wide range of citizens. Also, it cannot be forgotten that relatively low-income people maintain such office services.

So far, OAA project seems not to contribute to community development for people living in redevelopment area although the purpose of the NPO to manage OAA project is to contribute to community development and build up the foundation of contemporary art by providing environment where artist and scholars would be able to consider profoundly, express freely, and inspire (information provided by OAA manager)." This is because there is a contradiction urban cultural policy, "International Cultural City," and Action Plan for art/culture, and no linkage among those policy and projects and community development, so this makes the concept ambiguous. Although OAA project is one of community development plans in International Cultural City policy, International Cultural City policy focuses on tourism, that is, targets on outside people such as tourists and white-collar workers, and OAA focuses on supporting emerging artists dealing with contemporary art. There seem not to link with people in redevelopment area. However, the Japanese art environment is now developing and try to deal with such issues for the future. How can such a cultural-oriented redevelopment project contribute to regenerate a community or a city? How is it managed and operated? Thus, in the next section, in the case of Yerba Buena Garden (YBG) project in San Francisco city will be seen.



### III. Yerba Buena Garden Redevelopment Project in San Francisco City

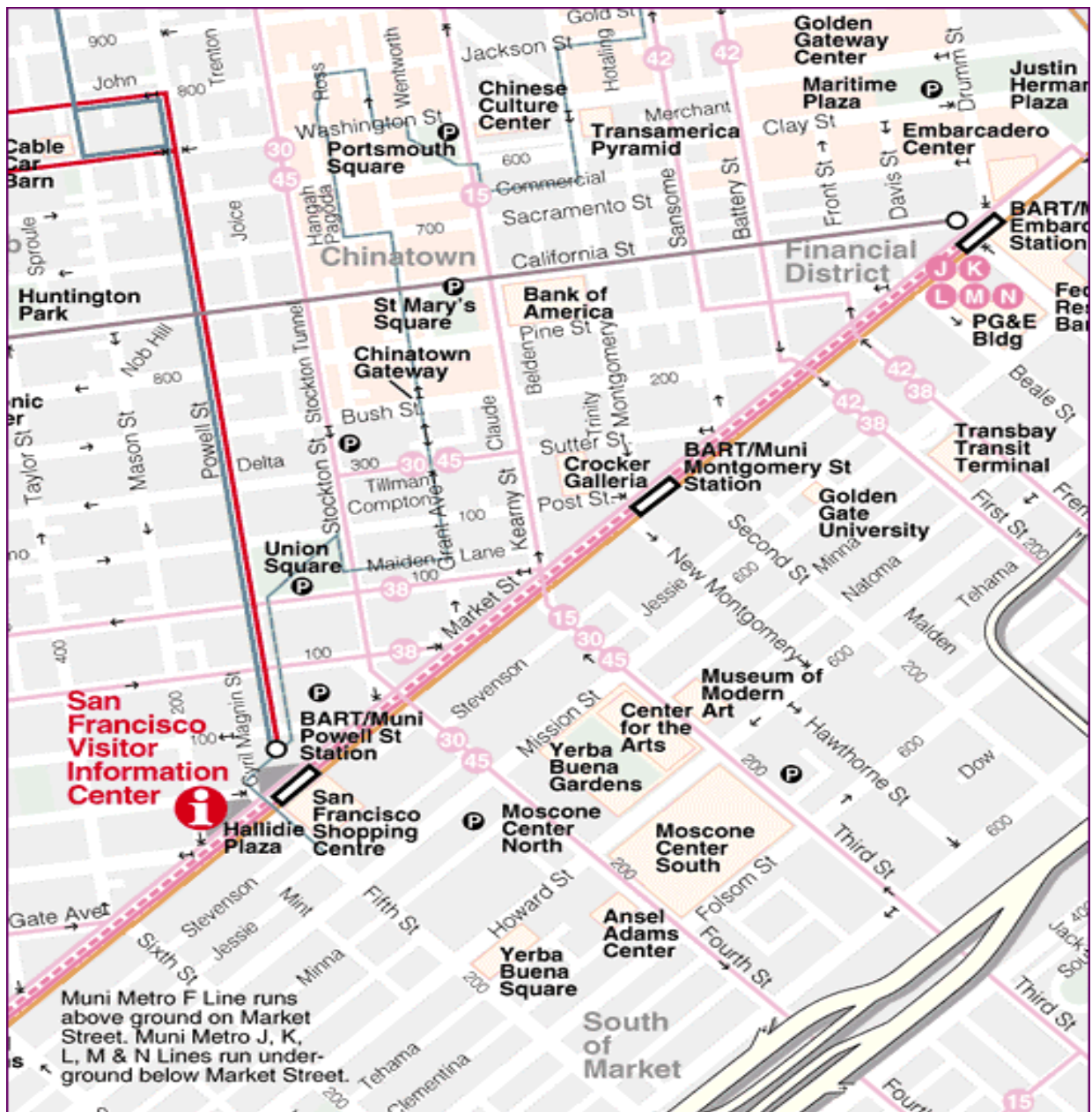
*“Yerba Buena mirrored the City’s roller-coaster fortunes during the boom and bust years before the century’s turn. Where mansions stood in 1860, rooming houses appeared in 1880. the most congested neighborhood in San Francisco, Yerba Buena was a ferment of commerce, families, cultures and activities. The fire following the Great Earthquake of 1906 wiped it out in six hours. For the next sixty years, Yerba Buena evolved as a culturally-diverse neighborhood, rich in small residential hotels and light industry, but economically poor—a neighborhood of lone men, for the most part, retired or underemployed. Yerba Buena also meant warehouse, rendering plants, auto repair, metal fabrication and other custom traders. But, like the reset of San Francisco, Yerba Buena was slipping away as first heavy industry, then the port trade, last the affiliated trades, departed for parts south and west (Susannah Tenko, R.,A. Baker and William Carney in the “Celebration,” report the situation of the YBG area at that time from SFRA, American Institute of Architects, Yerba Buena Marketing Alliance, California College of Arts & crafts, and Contract Design Center, 1992).”*

#### 1. What is the Yerba Buena Garden?

From the 1950s to the 1980s, the industrial structure sifted from manufacturing to service industry. As a result, the number of blue-collar workers dramatically decreased while that of white-collar workers increased. Since the gold-rush of 1984, San Francisco city has become the center of business and trade. Its financial district has been located in the center of the city, surrounded by area where many poor people and minority lived, so inner city problems were generated around there (Castells 1983, Wolfe 1999). In order to mitigate or solve these problems, the SFRA planned to make the center of the city renewal and reactive by establishing high office building, luxury condominium targeting high income-groups, and the Trade Center. However, such an economic-oriented redevelopment induced gentrification and got poverty worse. In this period when the economic-oriented redevelopment could be seen anywhere, the SFRA also implemented the YBG redevelopment project, which was the economic-oriented at the first phase.

The Yerba Buena Garden is located in the South of Market (SOMA) area, which had been the center of heavy industrial place since after WWII (see Map 3-1-1). According to the Census of the 1970s, there were more than 10,600 population and 7,200 households in the SOMA. The resident were black, East Asian and Spanish from Latin America, who were mostly street people, alcoholics, and drug addicts, called skidrow. However, due to that rent fee in this area was 25 % cheaper than that in the center of the city, middle-income groups, such as white and gay/lesbian became to move to live there. In this period, the industrial structure in the SOMA was accounted for manufacturing (18%; apparel, printing, construction, metal) and professional services (most of the remaining; publishing, graphic art/design, architecture, consulting and ect). In the 1990s, many artists lived there, especially around South Park located in two blocks south from the YBG. Like Silicon Alley in New York city, the area surrounding South Park has become the center of multimedia industry and played role as incubator of the leading industry in San Francisco city, called “Multimedia Gulch (MG)” today (Wolfe, 1999).

Map 3-1-1: Center of San Francisco City



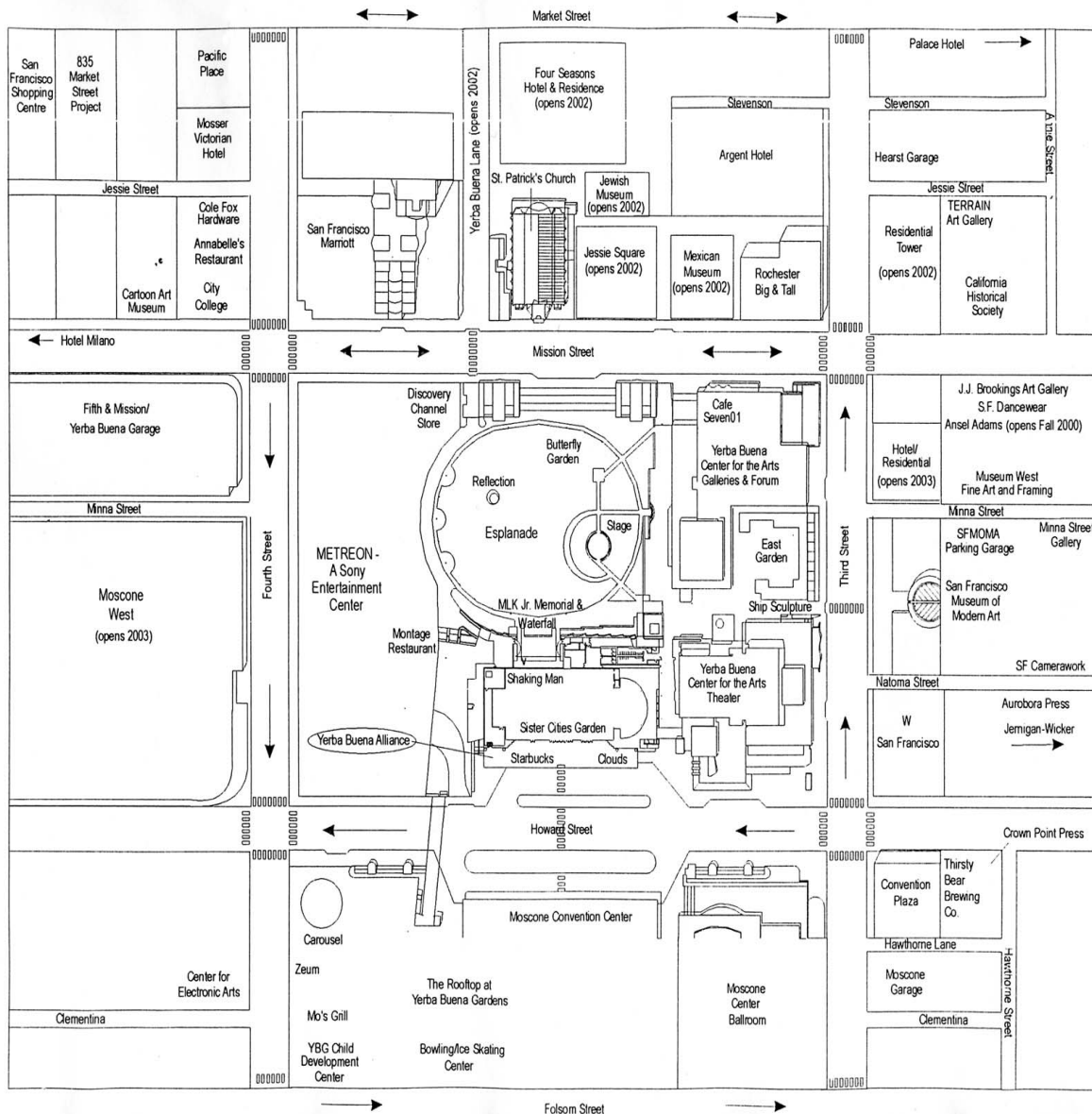
Source: Internet

The 87-acre of the YBG, located in a part of the SOMA as mentioned before, is extended from Market st. on the north to Harrison st. on the south and from Second st. on the east to Forth st. on the west and spends about 2 billion dollars (see Map 3-1-2).

The YBG is composed of Esplanade Garden (big open space), CFTA, two Moscone Convention Centers, hotels, galleries, church, support arena, The Meteorion (SONY entertainment and education center), Zeum (a day-care center), education development center, seven NPO cultural institutions (CFTA, San Francisco Museum of Modern Art, Ansel Adams Center/Friends of Photography, California Historical Society, Cartoon Art Museum, Jewish Museum (year 2001 open), Mexican Museum (2002 open), and The African Cultural Center (future)), about 2,300 households, restaurants, and café.

Map 3-1-2: Yerba Bunea Garden

## YERBA BUENA GARDENS SAN FRANCISCO



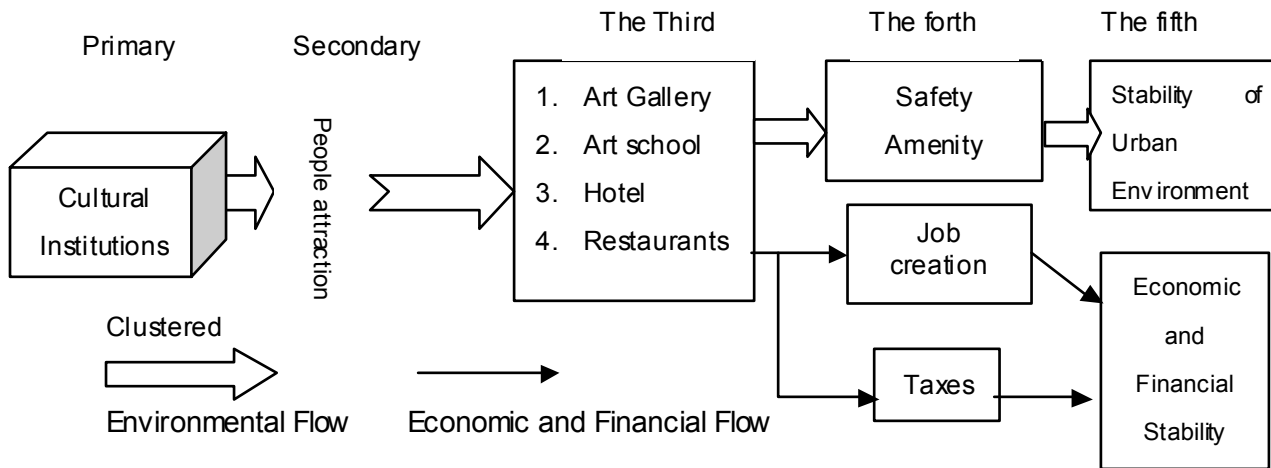
Source: San Francisco Redevelopment Agency

According to the SFRA report for the 1999 IDA Downtown Achievement Awards program, "Moscone Convention Center generates over \$6.5 billion annually, the largest single contribution, to the city's and region's economy (San Francisco Convention & Visitors Bureau). The YBG arts institutions alone provide an annual direct and indirect citywide economic benefit totaling \$85 million and accounting for 460 employment opportunities. The cumulative total impacts of the YBG establishments are approximately \$1.8 billion annually, over benefits are complemented by approximately \$58 million in annual tax revenues that flow to the city (based on data provided by the SFRA)." How are factors of this result?

### 2. Impacts and Effects of the YBG

Due to playing those cultural institutions' role as incubator of art/culture by providing cultural education and supporting rising artists, the YBG is a space where people get together and do creative activities. As a result, the YBG can be economic engine for tourism and be chosen as a conference place. This led the area safety and the economy and city's finance stable shown below (see Figure 3-2-1).

Figure 3-2-1 Impacts from the YBG projects



Source: Shimizu creates

Table 3-2-1 Annual Visitor Spending Impacts Select Existing Yerba Buena Arts Institutions :  
City of San Francisco 1998 dollars<sup>1</sup>

Category	Number of Visitors	Spending/Visitor	Total Spending
Visitor	381,000	\$129	\$49,149,000
Bay Area Residents	190,500	\$46	\$8,763,000
San Francisco Residents	190,500	\$42	\$8,001,000
<b>Total</b>	<b>762,000</b>	<b>\$86.50</b>	<b>\$65,913,000</b>
<b>50% Adjustment</b>			<b>\$32,956,500</b>

Source: Sedway Group/Real Estate and Urban Economics 1999

As seen in Table 3-2-1, a lot of people visited and spent money at those art institutions in the YBG, which greatly impacted on the San Francisco city's economy. Also, totaling 408 full-time equivalent jobs and \$47.4 million in wages, facility spending, and visitor spending (Sedway Group/Real Estate and Urban Economics 1999).

Table 3-2-2: Summary of Economic Impacts  
Select Yerba Buena Arts Institutions (1998 Dollars)

Category	Direct Impact	Indirect Impact	Total Economic Impact
Job Creation	265jobs	143jobs	408jobs
Wages (\$)	8,902,000	4,095,000	12,997,000
Direct Spending (\$)	11,794,600	4,835,800	16,630,400
Visitor Spending (\$)	32,956,500	11,864,300	44,820,800
<b>Total</b>	<b>256jobs \$53,653,100</b>	<b>143jobs \$20,795,100</b>	<b>408jobs \$74,448,200</b>

Source: Sedway Group/Real Estate and Urban Economics 1999

In sum, according to the Yerba Buena Fiscal and Economic Impact Report, the five surveyed cultural institutions in the Yerba Buena generated economic impacts following;

- Annual attendance of 760,000 persons.

<sup>1</sup> The subjects of the economic impact analysis are San Francisco Museum of Modern Arts, Yerba Buena Garden for the Arts, Ansel Adams Centre/Friends of Photography, California Historical Society, Cartoon Art Museum, Jewish Museum, and Mexican Museum.

- Annual taxable retail sales of approximately \$ 6.4 million.
- Annual restaurant revenue of \$ 2.1 million.

Annual other revenues (entrance, membership, facilities rental, art rental, etc.) of about \$ 9.8 million (Sedway Group/Real Estate and Urban Economics 1999). In sum, although these cultural institutions have influenced positively on the economy and environment, how is the entire impact of the YBG project will be seen in the next section.

Table 3-2-3: Summary of Annual Economic Impact to San Francisco  
Visitor and Resident Spending Impacts:(1998 Dollars)

Spending Source	Existing	Future	Total Spending
<b>Visitor Spending</b>			
Estimated Annual Visitor	1,143,026	571,341	1,714,369
Estimated per Capital Daily Spending	\$122	\$122	\$122
<b>Total Visitor Spending</b>	<b>\$139,499,421</b>	<b>\$69,703,02</b>	<b>\$209,13,023</b>
Estimated San Francisco Capture	85%	85%	85%
Estimated Visitor Spending in SF	\$118,532,008	\$59,248,062	\$177,780,070
<b>Resident Spending</b>			
Estimated Population	1,987	3,678	5,665
Per Capita Spending	\$10,161	\$10,161	\$10,161
<b>Total Resident Spending</b>	<b>\$20,190,809</b>	<b>\$37,373,828</b>	<b>\$57,564,637</b>
Estimated San Francisco Capture	80%	80%	80%
Estimated Resident Spending in SF	\$16,152,547	\$29,899,062	\$46,051,710

Source: Yerba Buena Fiscal and Economic Impact Report

Table 3-2-4: Summary of Annual Fiscal Benefits to San Francisco  
1998 Dollars

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

Source: Yerba Buena Fiscal and Economic Impact Report

According to Yerba Buena Fiscal and Economic Impact Report, the economic effect is following;

- The number of employment: 18,300 jobs (1998) of employment concerning to the YBG were created and indirect 4270 jobs which were generated within San Francisco City (1998).
- Tourism: As see Table 3-2-3, tourism influenced not only the YBG area but also San Francisco City.
- San Francisco City Finance: Table 3-2-4 shows that Hotel Tax (Transient Occupancy Tax) accounted for 30% of all other kinds of taxes in the YBG area. Overnight tourists are imposed on the 14% Hotel tax, 8% of which provides NPO Art Supportive organizations to a grant through Grants for the Arts, a department of the city government.

It is clear that the YBG has economic impacts on not only the redevelopment area but also San Francisco City. However, as noted above, art/culture attracts people and then café, restaurants, other entertainments, galleries, and hotels gain profits from not art/culture itself but people. Therefore, art/culture is a mean as economic engine. How the profits from the YBG are reinvested and redistributed to art/culture will explain.

### 3. The YBG Redevelopment Circulation System

As mentioned before, in order to keep the economy and healthy environment sustainably in the redevelopment area, [1] regional resources, including human resource in the development area, should be used and the social surplus (business profits and taxes) produced in the area should be redistributed to art/culture in order to sustain creative one, [2] informal layered art/cultural networks should be build up and it should make a linkage between industries, such as educational or medical-welfare services, and relate to community in the area. In reality, how has the YBG's case functioned and what are factors? Firstly, we will observe how the YBG was invested and has been managed (3-1). Next, regarding cultural-oriented redevelopment project, why it is required to integrate or linkage art investment policy will be explained (3-2).

### 3-1: Real Estate Negotiation for Operating and Managing

The investment in the YBG project, more than 2 billion dollars, was from 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); Metorion, a Sony Entertainment Center, \$100 million (private financing); Yerba Buena Garden for the Arts (YBCA), \$40 million; San Francisco Museum of Modern Art (SFRA), \$65 million (privately raised donations); W San Francisco Hotel, \$73 million (private financing) (based on data provided by the SFRA).

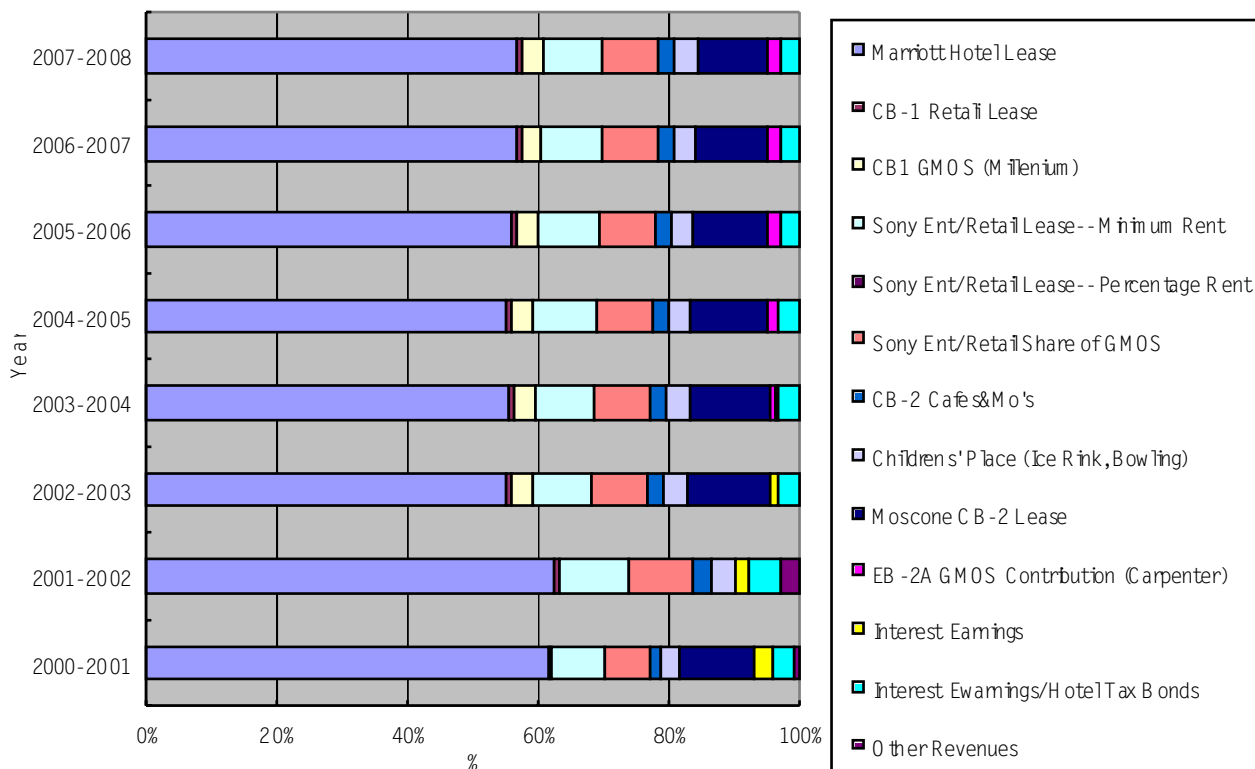
How did SFRA generate costs to investment and how has it manage the garden? There are conditions to construct, operate, and maintain the entire YBG project;

- 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 YBG 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 (see Figure 3-1-1). Marriott Hotel, Sony entertainment/retail, and Moscone Center's lease are accounted for more than 85% of the total revenue. While, SFRA's operating costs of YBG is mainly for maintenance of the central garden and nonprofit organizations such as YBCA, YBA to maintain and operate garden, and Children's Place (Zeum) (see Figure 3-1-2). It can be said that this financial management is to keep flowing and circulating by cooperating between private sector and government sector with investing in the third sphere to function YBG-related nonprofit organizations.

Figure 3-1-1

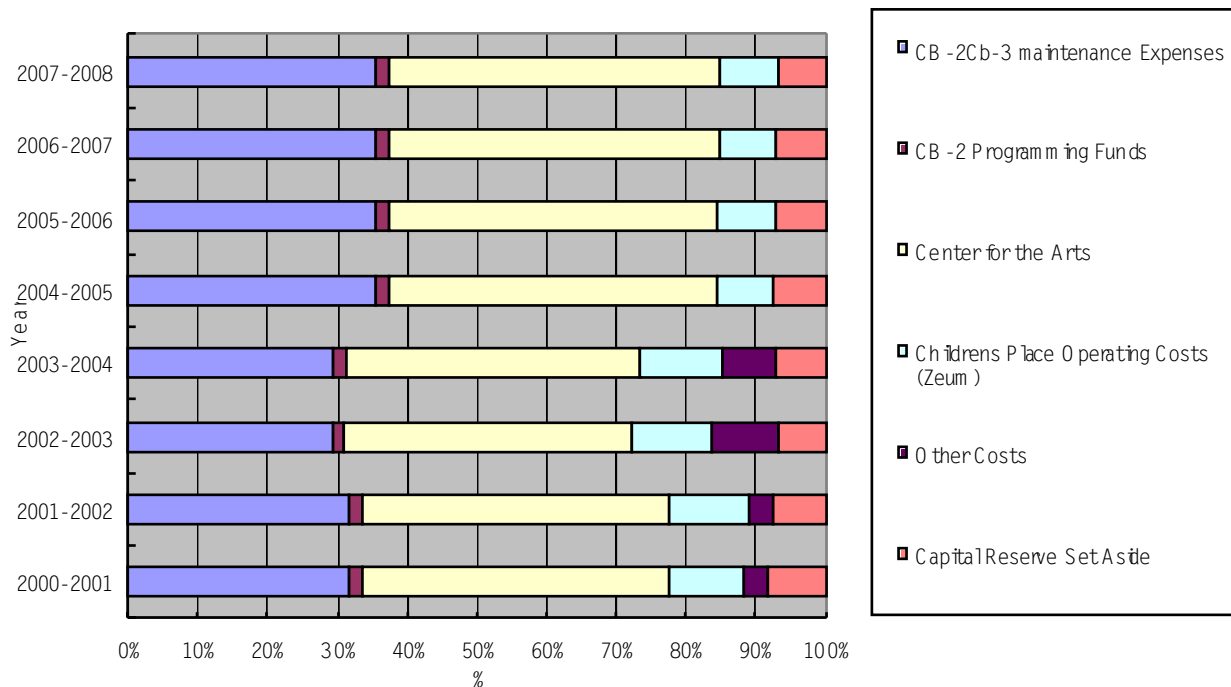
### Operating Revenue



Source: Shimizu creates from data of SFRA

Figure 3-3-2

### Operating Costs



Source: Shimizu creates from data of SFRA

Such a technical and tactical management of real estate is one of the maintaining this project financially. Some private entities under this operation system support creativity and art/culture of YBG indirectly, which not only

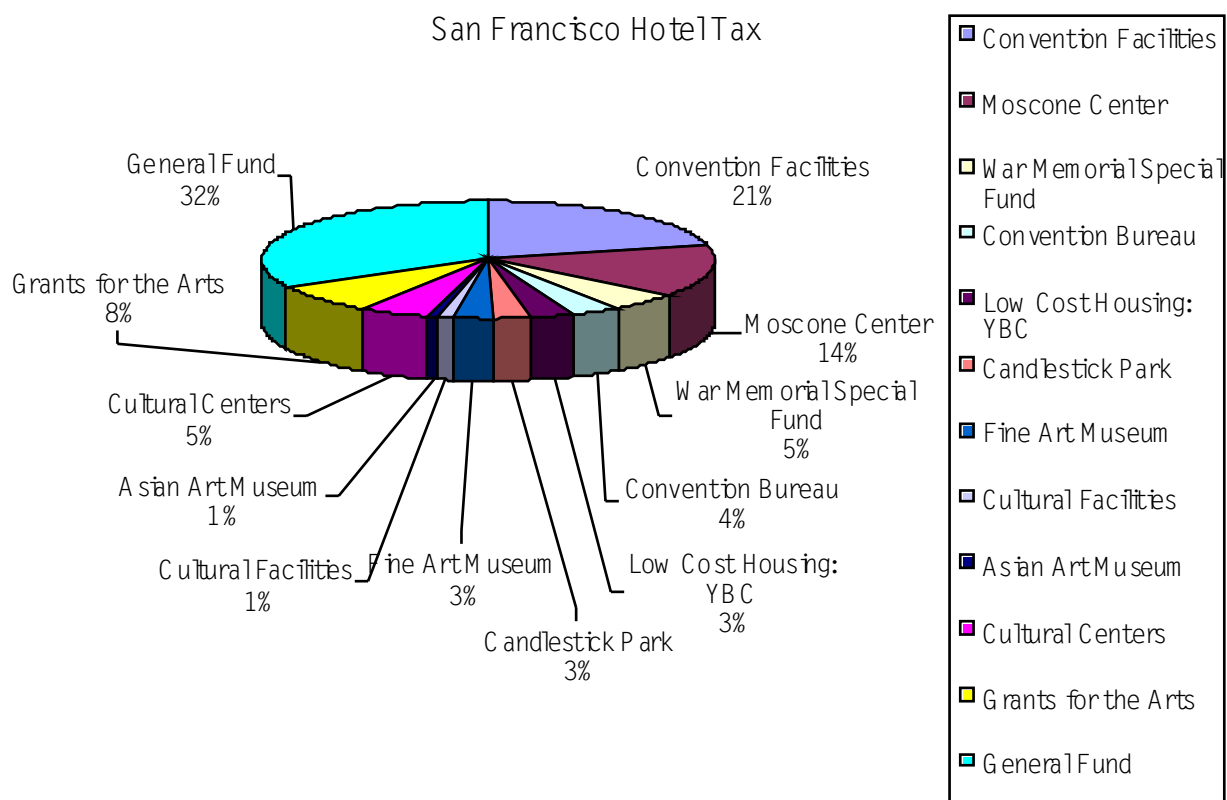
induce the urban attractiveness and urban cultural identity but also build up people's identity and inspire their mind. Consequently, these conditions make urban area sustainable. In addition, the art investment policy is related deeply to that the economy, financial, and environment of this area have been stable. In the next, how such an art investment system is composed of and the reason why it generates the economic impacts will be explained.

### 3-2: Integration Art Investment Policy (Hotel Tax Fund) with YBG

The Hotel Tax Fund is that SF city imposes overnight visitors 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)." YBG is obviously so economic engine that it contributes to hotel tax.

In fact, "The 3,013 rooms in the five hotels (Argent Hotel, San Francisco Marriott, The palace San Francisco, Hotel Milano, and Pickwick Hotel at the year 1998) represent nearly 10% of the City's inventory of 30,600 hotel rooms, yet 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 more revenue after 1999 survey.

Figure 3-2-1



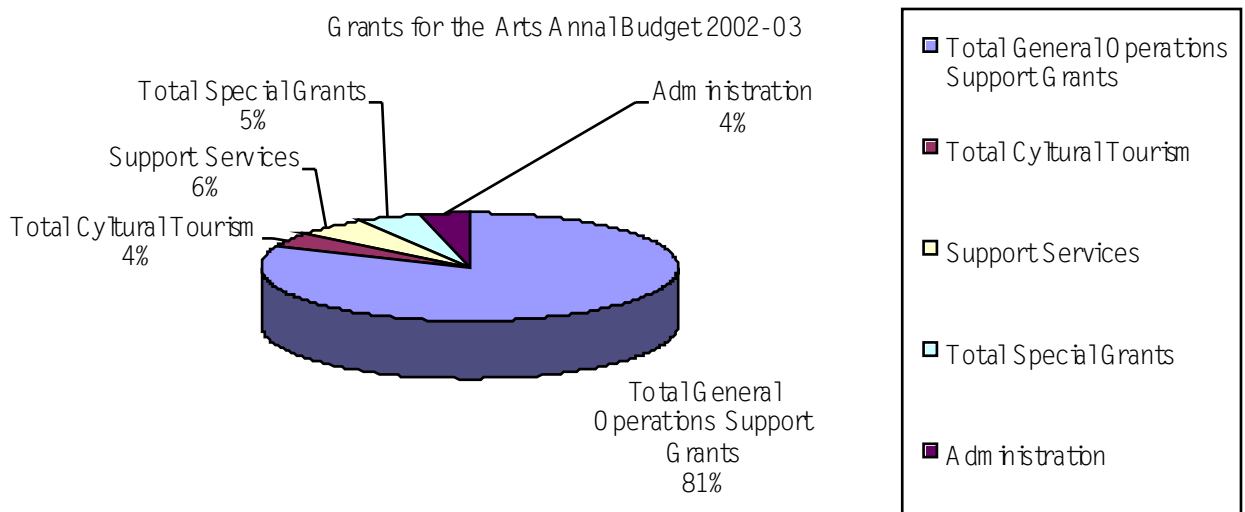
Source: Grants for the Arts



In detail, as seen in Figure 3-2-1, it is reasonable that hotel tax is redistributed to entities related directly and indirectly in YBG again. Convention facilities, Moscone Center, Low Cost Housing in YBG, and Convention Bureau accounted for more than 40 % of the total are directly related to YBG. Indirectly, the rests could be related to regenerate YBG, because the reason why YBG is sustainable economically and environmentally is to keep creativity on which art/culture is based, by art organizations supported by hotel tax (in this paper, I will not explain the detail of the nonprofit art organizations' structure and community development). In fact, the Grants for the Arts distributed more than \$217 million to nonprofit art organizations in SF city from parts of Hotel tax revenue 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, 96% of which from hotel tax goes to nonprofit arts organization in SF city (see Figure 3-2-2, Grants for the Arts Report). Of those organizations, there are many organizations, such as SOMARTS, Z space and Artspan, located in SOMA district, in which there is YBG area. In addition, they maintain art/culture's creativity for emerging artists and citizens in each community. As a result, wide range of people can access art/culture and express their feeling through art/culture and art education programs provided by those organizations. It led people spending healthy life and the environment in the area is sustained. It would keep people's culture and identity and inspire artists' inspiration. It should reflect on the SF city's artistic attractiveness which induce to economic impact through tourism and cultural industry, such as contents design industry. Therefore, a series of financial management of art/culture among public and private sector is one of important factors to sustain the area.

Figure 3-2-2



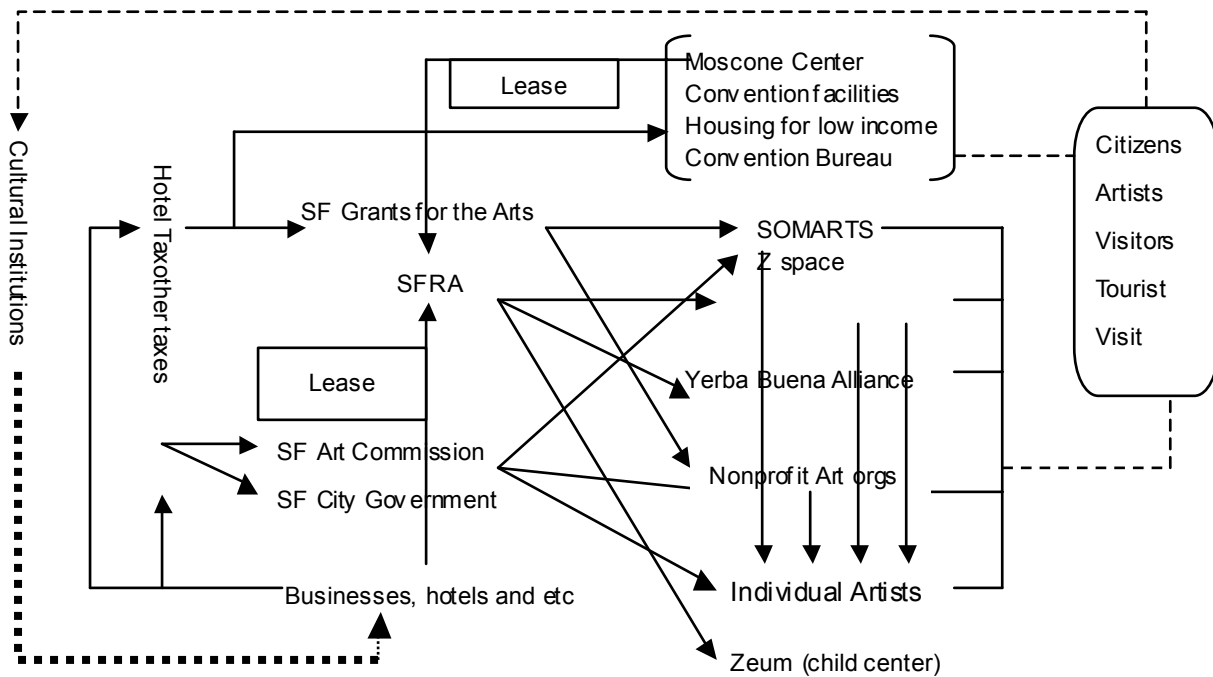
Source: Grants for the Arts

Shortly, in case of the YBG, Figure 3-2-3 explains conditions [1] as noted above. In other words, there is a circulation system: NPO art institutions play role as incubator → attracting many people → the increase of Hotel tax revenue → NPO art support organization → creative art/culture created by artists → showcasing at art institution. In this paper, this is called “the Redevelopment Profit Circulation System.”

Also, their works are showcased at the cultural institutions. This flow should not stop. In the circulation, relationship among each elements should be dependent each other based on trust.

Figure 3-2-3

## Yerba Buena Garden Redevelopment Profit Circulation System



Source: Shimizu creates

### IV. Conclusion

From the lessons of the urban regeneration based on art/culture infrastructure in San Francisco city, it is evident that YBG 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)." He mentions that we should not evaluate from not only the economic perspective but also cultural value (Throsby, 2001).

From this perspective, YBG's case in San Francisco city keeps balance between operating and managing YBG, and enhancing people's creativity and inspiration. At this point, financial factor contributes to it. The art investment policy, hotel tax, distributed from GFTA, is integrated to cultural-redevelopment project to art/culture's creativity through supporting nonprofit art organizations. This brings finally economic and financial effects. It cannot be forgotten that this profit generated in YBG is reinvested in the area again and again and also art investment policy is integrated with it to support emerging artists, nonprofit art organizations, and citizens, especially people living in the redevelopment area. The redevelopment profit circulation system would be crucial for the sustainable city. Therefore, OAA project would have to consider how to manage and operate financially the project within the community from the viewpoint of urban economics, because of interweaving economic situation and art/culture issue whose relation would be invisible in society at a first glance. Finally, in near future, how the third sphere system is composed of and its influence on both people and their community will be studied.