



**KNIGHT  
ARTS**

# **EVOLVING ARTS ECOSYSTEMS**

## **A STUDY OF DETROIT**

**OCTOBER 2018**





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# SUMMARY

## Introduction

Knight Foundation believes that the arts play a critical role in connecting people to the places where they live. To concentrate its impact, the foundation has focused its funding in specific communities—especially Detroit, a city long known for its artistic and cultural vibrancy.

The Great Recession wrought significant damage in Detroit, exacerbating economic fragility that had been decades in the making. The arts were not exempt from this pain. Contributions and revenue plunged for even marquee cultural institutions. Yet the city came together around the arts. In what has been called the “Grand Bargain,” philanthropic and public capital was deployed to help the city move quickly through bankruptcy, rescuing the collection of the Detroit Institute of Arts from the auction block in the process.

In light of these developments, Knight wanted to understand how the arts ecosystem in Detroit has evolved over the past decade. The foundation commissioned this study with TDC, a cultural sector research and consulting firm, to determine whether the arts have in fact become more accessible and ubiquitous in these communities. The study sought to address the following key questions:

- ~How has Detroit's arts ecosystem (organizations, audiences, funding, creative industries) changed?
- ~What are the continuing gaps in the system?
- ~What has been Knight's role?

This report provides a snapshot of key indicators reflecting how the arts in Detroit evolved over a decade. The analysis synthesized several secondary data sources and interviews with key stakeholders in the community.

# SUMMARY

## Of Key Findings

The study suggests that the arts have played a pivotal role in the resilience of Detroit over the past decade:

- **The Arts Have Contributed to the City's Identity:** In the face of declines in Detroit's population and economy, the arts have forged a common identity, burnishing the city's image as a bustling hive of do-it-yourself creative activity. As summed up by one local leader: "When Detroit was at its lowest point, the arts doubled down on community investment when everyone else was gone."
- **The Arts Have Grown More Vibrant:** There has been significant growth in artistic activity and participation. Arts attendance has risen dramatically over the past decade in both the city and Wayne County. This growth is also reflected in the spending levels of arts organizations in Detroit,



which declined during the recession but rebounded by 2015 to surpass 2005 levels. Stakeholders are seeing, as one put it, “a growing number of galleries, arts alliances, artists working in group shows, diversity in the kinds of art being shown. There is just more!”

- **The Arts Have Sparked Opportunity:** Furthermore, arts and culture have served to bind people to the city and have created professional opportunities. During a period when Detroit experienced a net loss in jobs, employment grew in cultural industries. People were quick to point out, for example, that “the creative aspect of the city has attracted businesses—hip clothing stores, wine tasting spots.”

# HOW THIS REPORT IS ORGANIZED

**The study examined the state of the arts ecosystem on several dimensions using a combination of data sources. In addition to top-line composite indicators, the study (and this report) explored the following high-level components of the arts ecosystem:**

- **ACTIVITY AND AVAILABILITY:** This section focuses on the volume of artistic activity as measured by the number of arts organizations, arts attendance and the number of new art works created. Spending by arts organizations was also explored as an indicator of the level of artistic output.
- **FINANCIAL ANALYSIS:** This section focuses on the fiscal state of the arts. It includes an examination of the fiscal health of arts organizations as well as the funding environment.

- **CREATIVE ECONOMY:** This section explores the role of the arts in the local economy and creating professional opportunity. It includes measures of revenues for firms in cultural industries as well as employment figures in those industries.



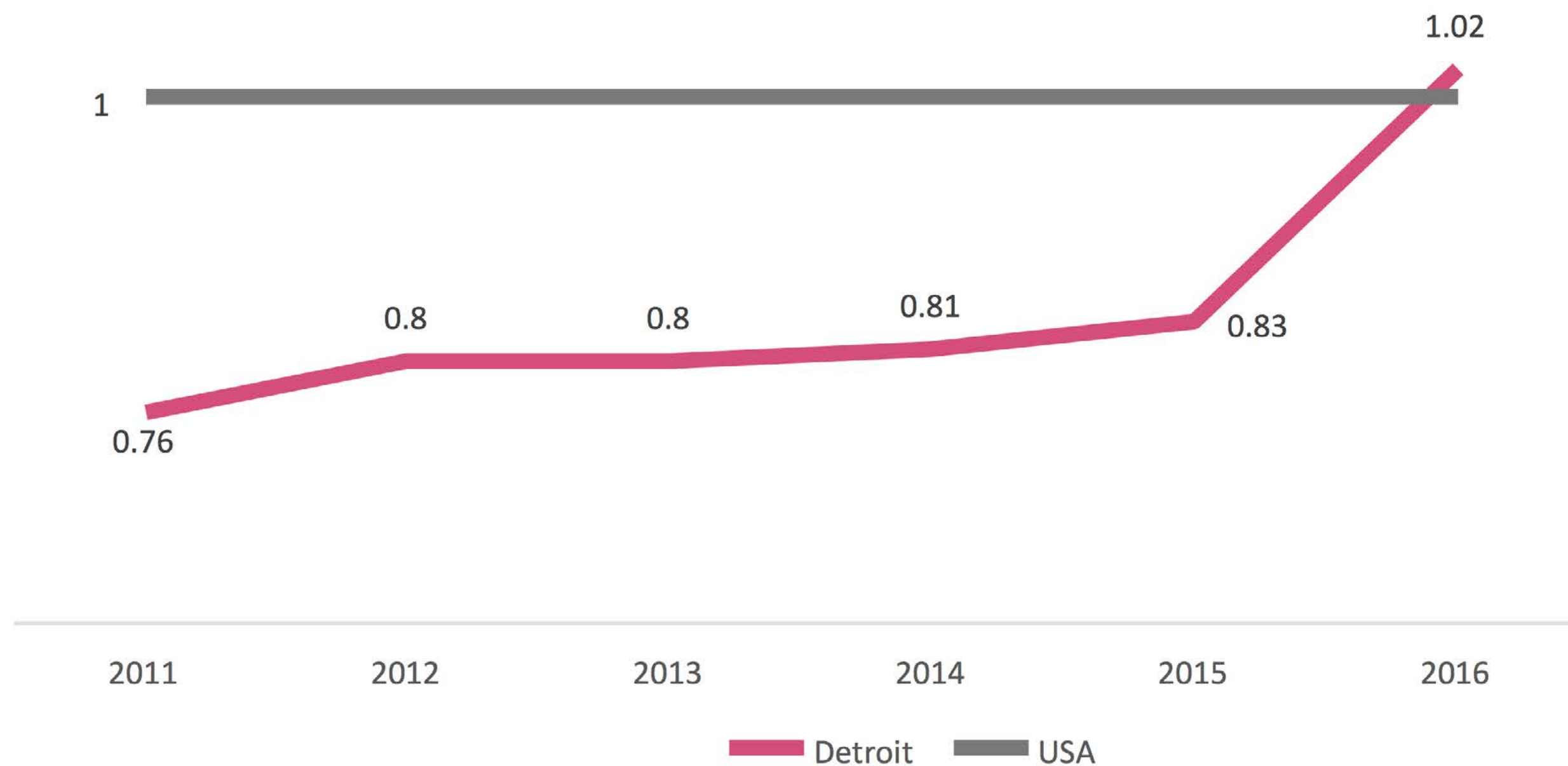
# KEY FINDINGS

## Overview

### **Detroit Outperforming National Rate of Artistic Vitality**

The Creative Vitality Index (see sidebar) provides a top-line measure of the overall state of the arts in cities relative to their peers across the country. This index demonstrates the consistent growth of the arts in Detroit since 2011, with Detroit now outperforming the national index. The Grand Bargain likely fueled growth in performance since 2015.

# Creative Vitality Index



Source: Creative Vitality Suite

The Western States Arts Federation (WESTAF) created the Creative Vitality Index to serve as a composite indicator reflecting the health of a city's creative sector. It synthesizes numerous types of data, including:

- Creative occupations (based on Standard Occupational Classification codes)
- Creative industries (North American Industry Classification System codes)
- Arts and culture nonprofits (National Taxonomy of Exempt Entities codes)
- State arts grants (National Assembly of State Arts Agencies reports)



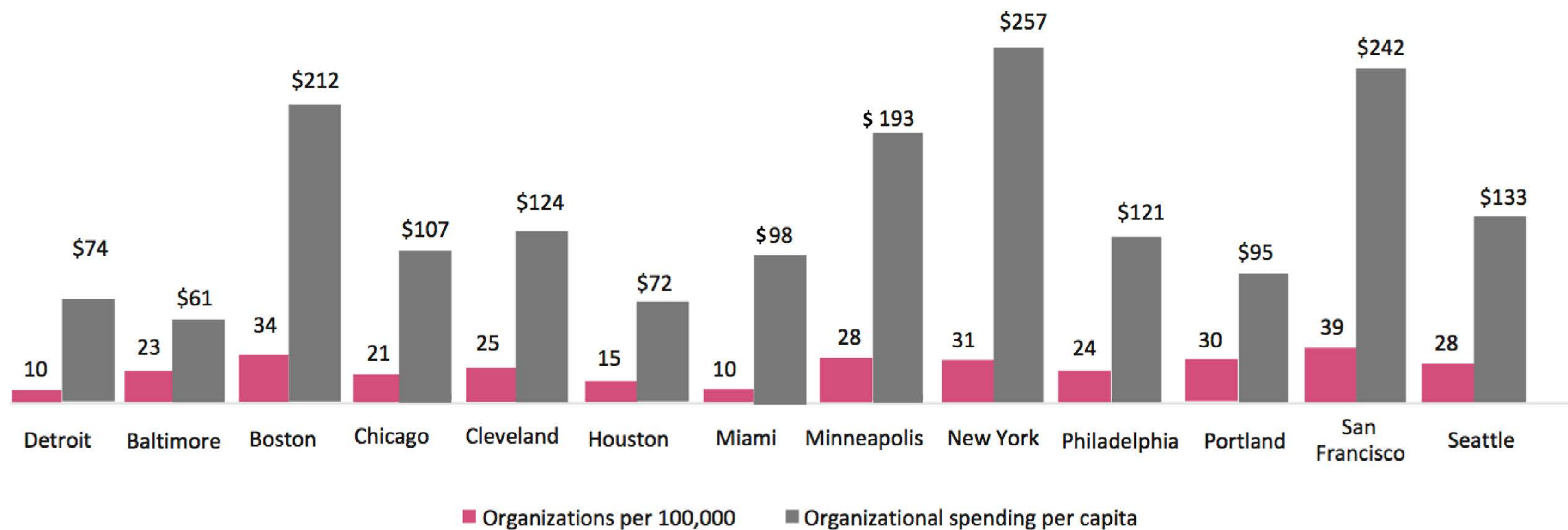
# KEY FINDINGS

## Activity and Availability

### **Relatively Low Number of Artistic Organizations Per Capita**

The number of arts and culture organizations on a per capita basis is the lowest among the cities reviewed. Though Detroit arts organization spending per capita is in the lowest quartile, the city still outpaces a few of its peers, including those with a higher concentration of arts organizations.

# Arts Organizations and Expenditures



Source: GuideStar. Note: Detroit and Miami data are from 2015; others are from 2012.



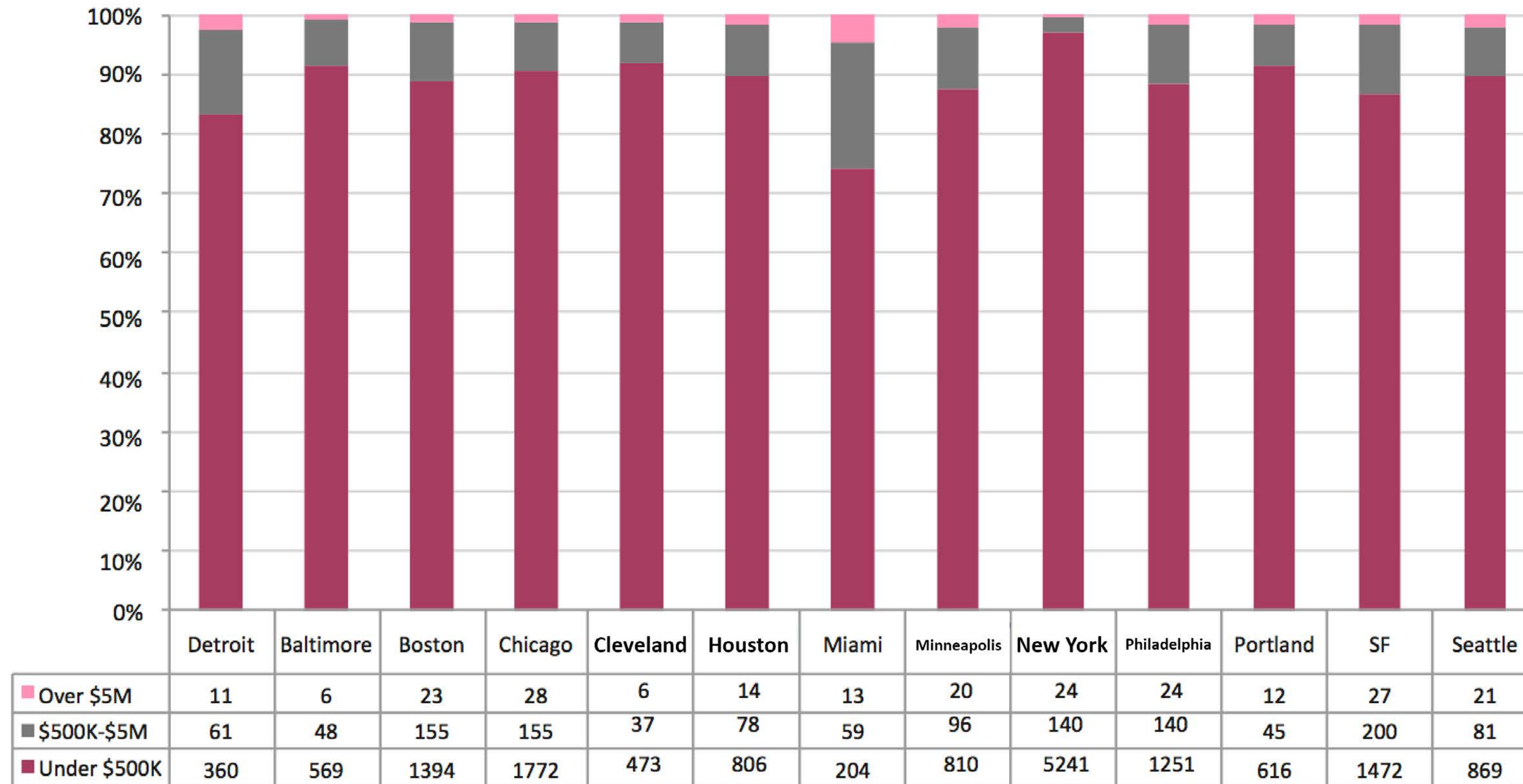
# KEY FINDINGS

## Activity and Availability

### Ecosystem Is Top-Heavy

Though Detroit has fewer arts organizations than most other cities examined, a high share of these organizations operate with larger budgets. With the exception of Miami, Detroit has a greater proportion of arts organizations with budgets of \$500,000 and over than any other city examined.

## Arts Organization Sizes by City



Source: GuideStar. Note: Miami and Detroit data are from 2015; others are from 2012.



# KEY FINDINGS

## Activity and Availability

### **Attendance Grows While Population Remains Flat**

Total attendance—paid and unpaid—grew significantly between 2011 and 2015 for both the city of Detroit and the metropolitan statistical area (MSA). This growth occurred even though population remained flat during this period.

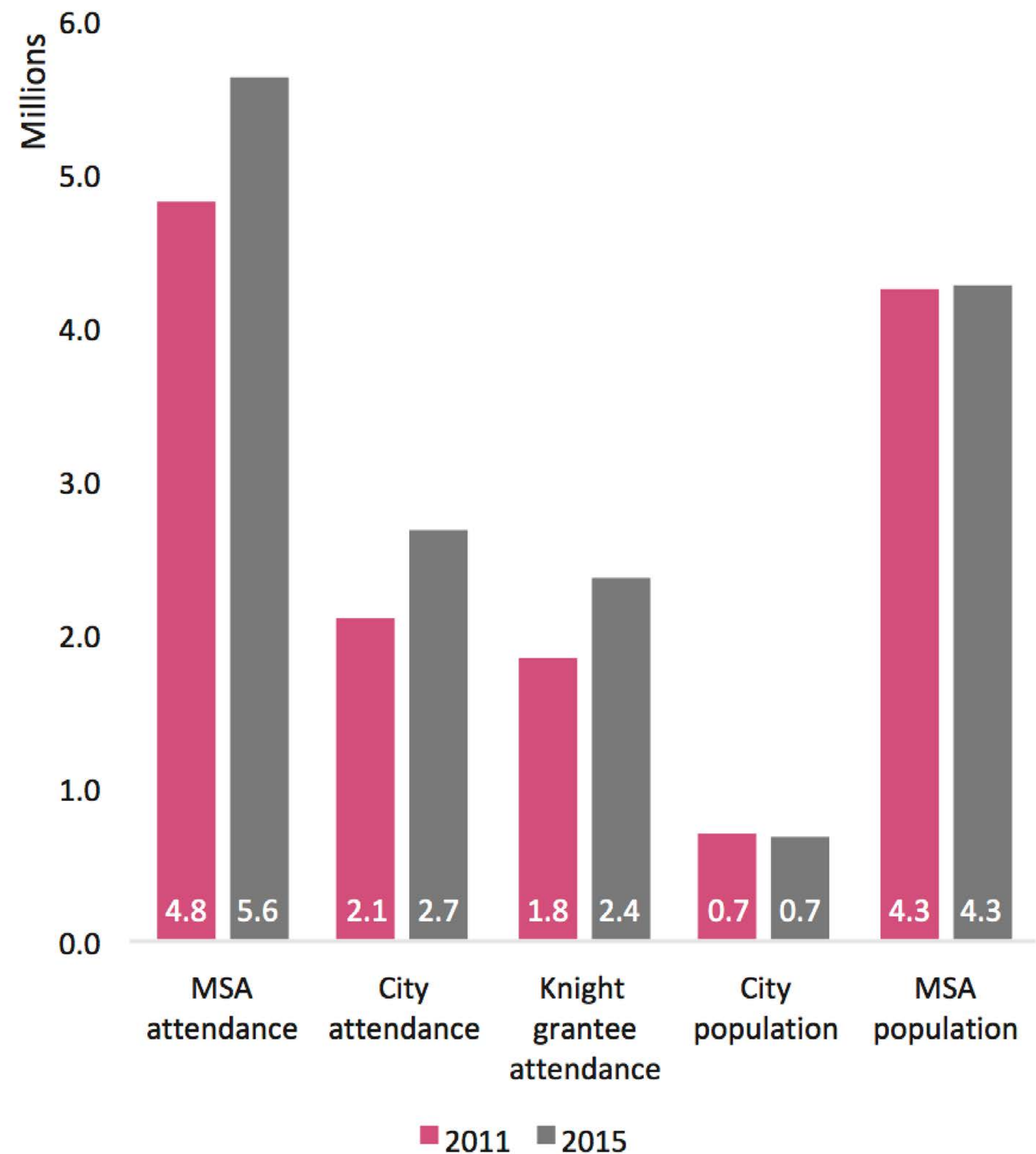
Large museums and history organizations drove much of the attendance growth. Attendance for performing arts organizations declined.

Among Knight grantees, attendance grew 28 percent during this period.

## Audiences for Knight Grantees Grew 28 Percent

Sources: Detroit DataArts 2-year sample; American Community Survey 1-year estimates.

Note: DataArts 2-year sample includes organizations across all disciplines.





# KEY FINDINGS

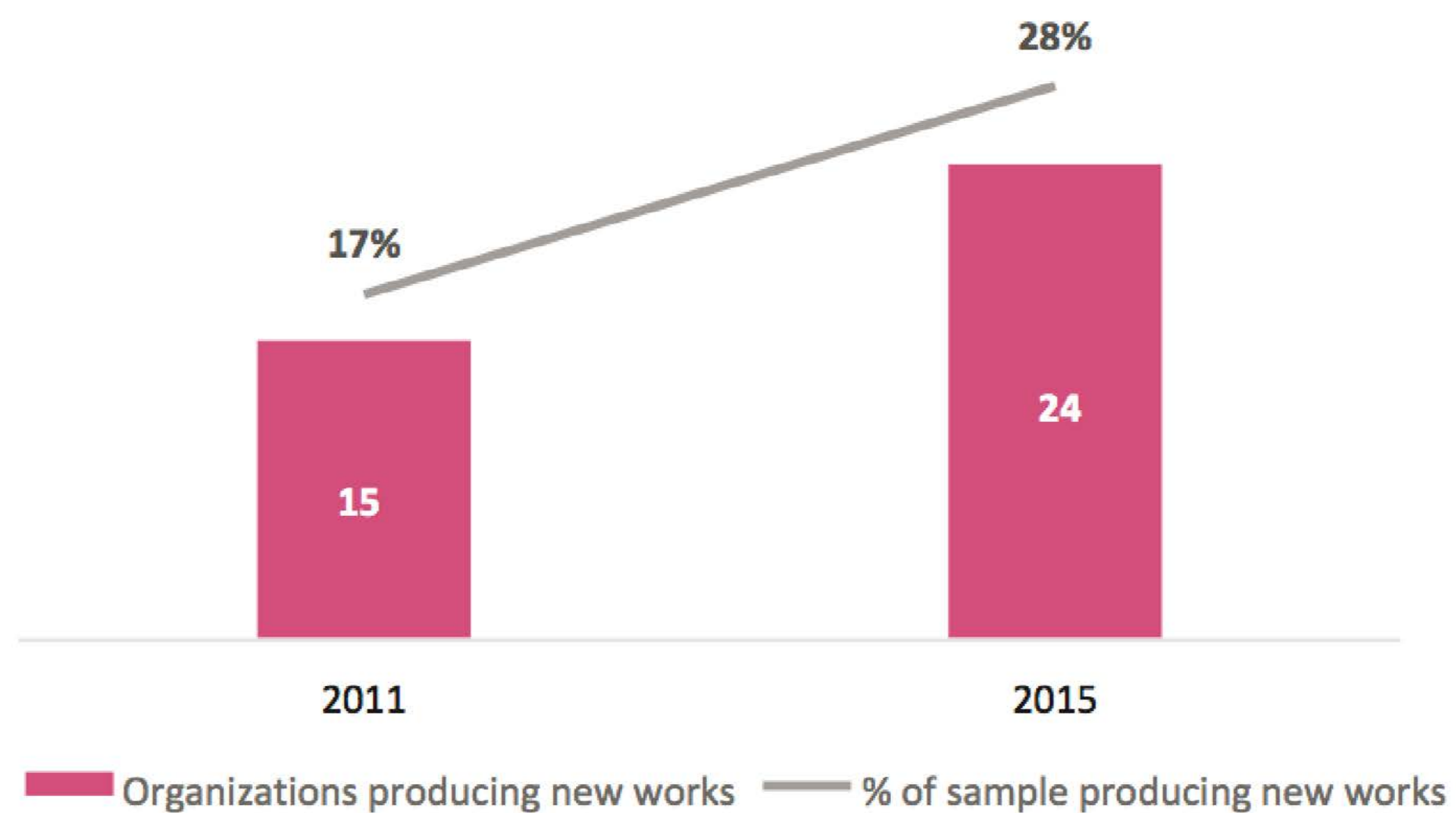
## Activity and Availability

### **Knight-Funded Organizations Are Producing New Works**

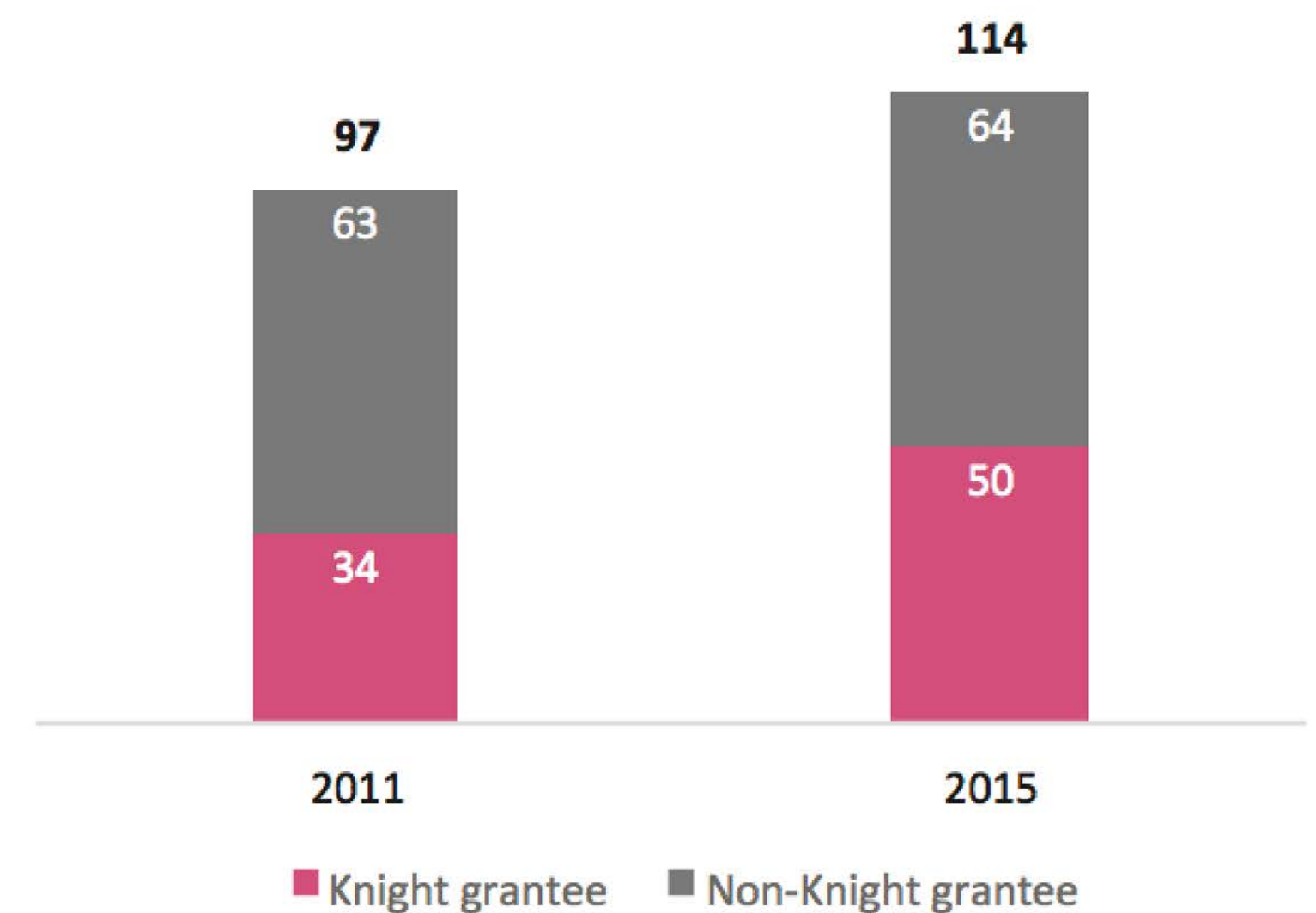
New artistic works are an important barometer for examining the level of artistic innovation, a key factor in driving higher arts participation and the cultural reputation of a community. Not only has the number of new works increased in Detroit, but a greater share of arts organizations also have generated new works (28 percent in 2015 vs. 17 percent in 2011), and new work creation has become more prevalent across organizations of all budget sizes.

Knight has played an important role in spurring new art. The analysis shows that Knight-funded arts organizations fueled much of the increase in new works.

## Organizations Producing New Works



## Number of New Works



Source: DataArts 2-year sample



# KEY FINDINGS

## Activity and Availability

### Spending Rebounds After Recession

Spending by arts organizations declined dramatically between 2005 and 2011, but it recovered by 2015 to surpass 2005 levels. Spending still trails growth as projected by inflation rates.

The decline in 2011 largely stems from decreased spending among large organizations (budgets over \$5 million), though spending by small and midsize organizations grew throughout the decade.

# KEY FINDINGS

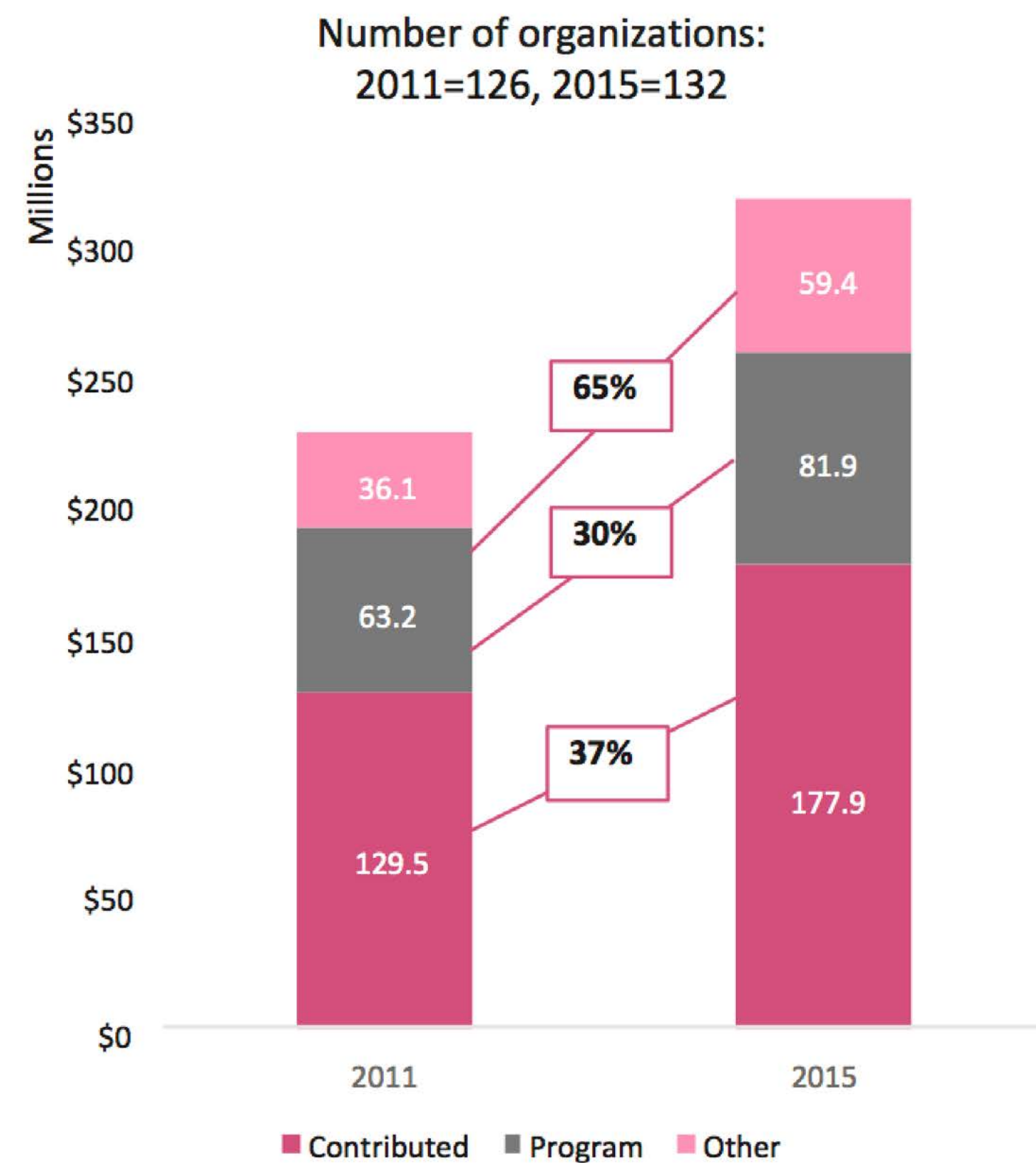
## Activity and Availability

### Revenue Is Growing and Becoming More Diverse

All forms of revenue grew dramatically between 2011 and 2015. The fastest-growing segment was Other, which includes investments, rentals and sales.

Source: GuideStar 2-year sample

### Revenue Trends





# KEY FINDINGS

## Activity and Availability

### **Contributed Revenue Grew From All Sources Except Government**

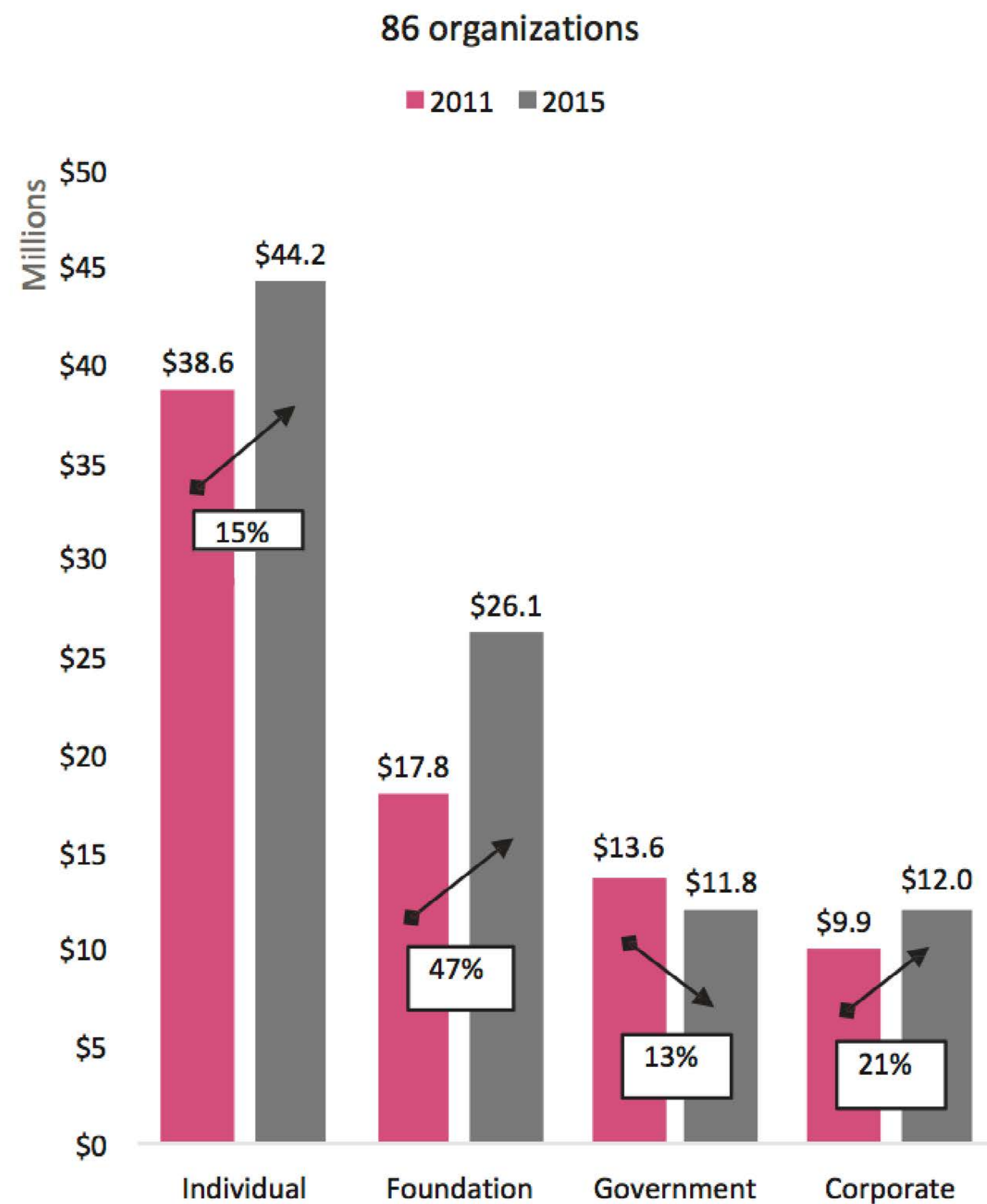
Contributions from individuals, foundations and corporations increased from 2011 to 2015. Government funding declined.

Individual giving growth trailed the national average (15 percent vs. 27 percent), but foundation and corporate giving grew faster than national averages.

Not depicted in the chart is the Grand Bargain, which totaled \$552 million after discounts. The state of Michigan paid its \$194.8 million obligation upfront. Foundations are making payments against pledges over 20 years, with 2015 payments totaling \$20,800,000.

## Contributed Revenue Trends

Source: DataArts 2-year sample





# KEY FINDINGS

## Activity and Availability

### Operating Without a Safety Net

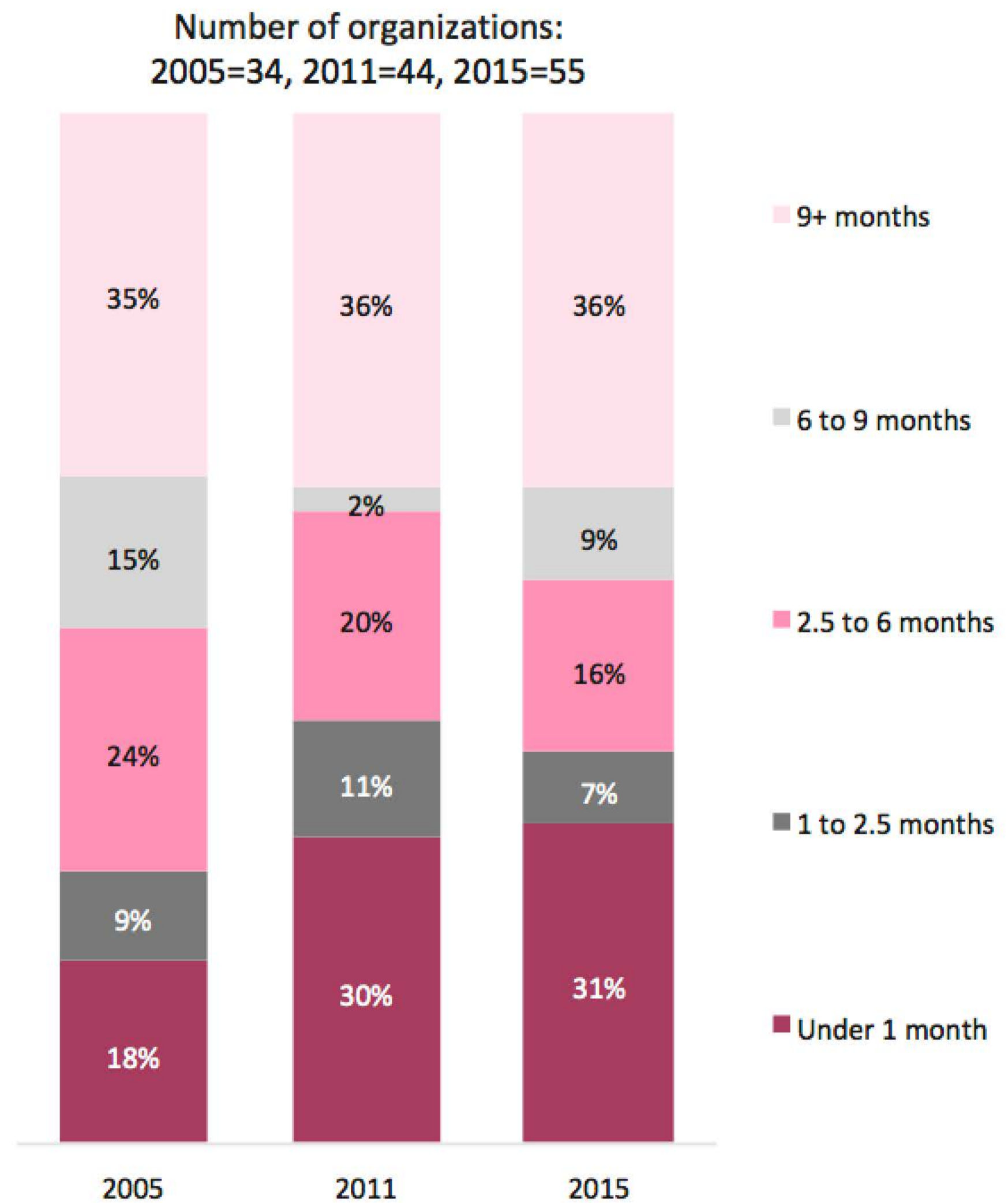
Financial health, as measured by months of unrestricted net assets (URNA), has worsened over time. Available URNA measures the equity, free of donor restrictions and investment in fixed assets, that an organization can use to mitigate risk.

The share of arts organizations in Detroit with less than 2.5 months of URNA increased from 27 percent in 2005 to 38 percent in 2015.

Financial distress was most apparent among the large arts organizations.

## Months of Operating Costs vs. Unrestricted Net Assets

Source: GuideStar 3-year sample





# KEY FINDINGS

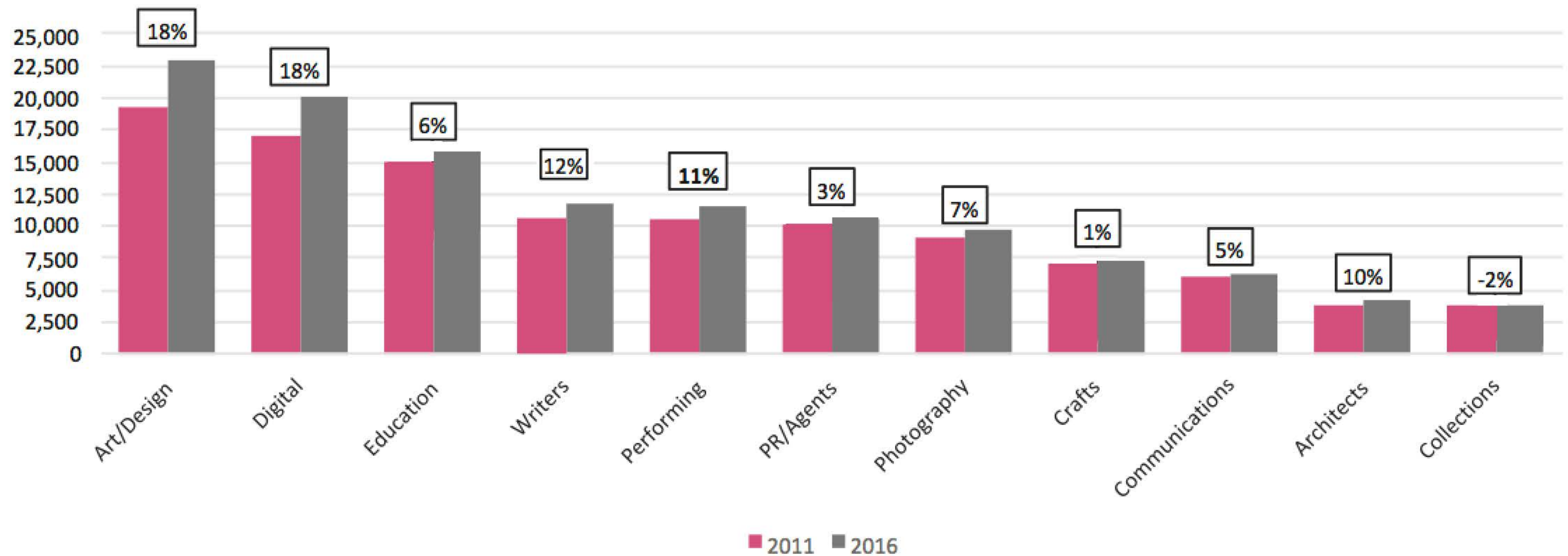
## Activity and Availability

### Growth in Creative Occupations

Creative jobs in the metro area grew 10 percent, from 112,539 in 2011 to 124,041 in 2016. Growth occurred across all occupations except Collections.

Hispanics had the highest overall growth in creative sector employment, while African-American job growth lagged in most areas except Art/Design. Whites made up 81 percent of the creative workforce in 2016, down slightly from 83 percent in 2011.

## Jobs in Creative Fields



Source: Creative Vitality Suite, selected occupations



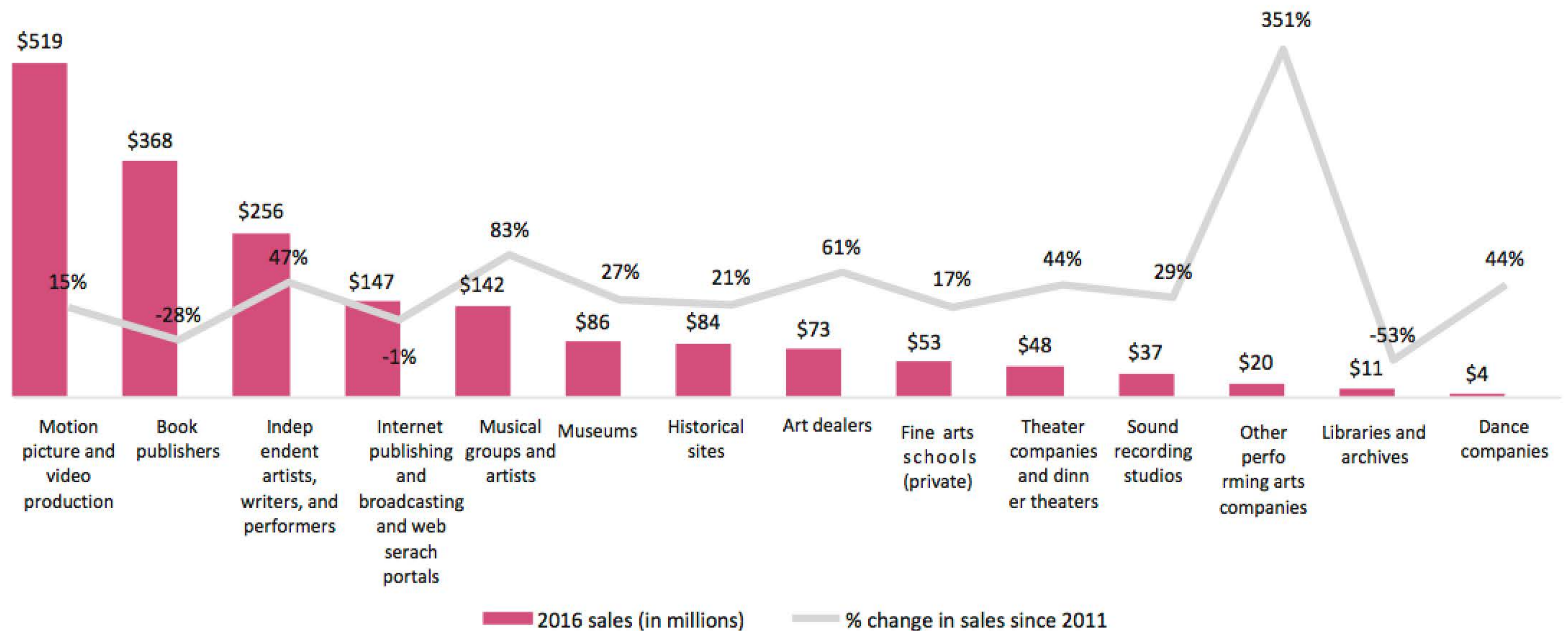
# KEY FINDINGS

## Activity and Availability

### Revenue Grew Across Most Creative Industries

Industries advancing the arts in Detroit and employing creatives have grown as a whole since the start of the decade. Two commercial industries—film and book publishing—are the largest categories by revenue, though publishing was one of the few industries where revenue declined. Meanwhile, the two fastest-growing industries were other performing arts companies and musical groups/artists.

## Sales by Organization Type



Source: Creative Vitality Suite, selected NAICS codes



# CONCLUSION

In Detroit, the arts have forged a common identity and served as a bedrock during a tumultuous period. The number of new works generated and residents participating in artistic experiences has risen dramatically over the past decade. Meanwhile, employment in cultural industries has risen in the face of broader economic declines.

The Grand Bargain undeniably represented a watershed moment for the arts in Detroit and signaled the promise of partnership. Key stakeholders acknowledge Knight's unique role and the importance of its funding in both supporting legacy arts and sparking innovation and new activity. The research points to signs that the arts are indeed becoming more available and accessible to all in Detroit.

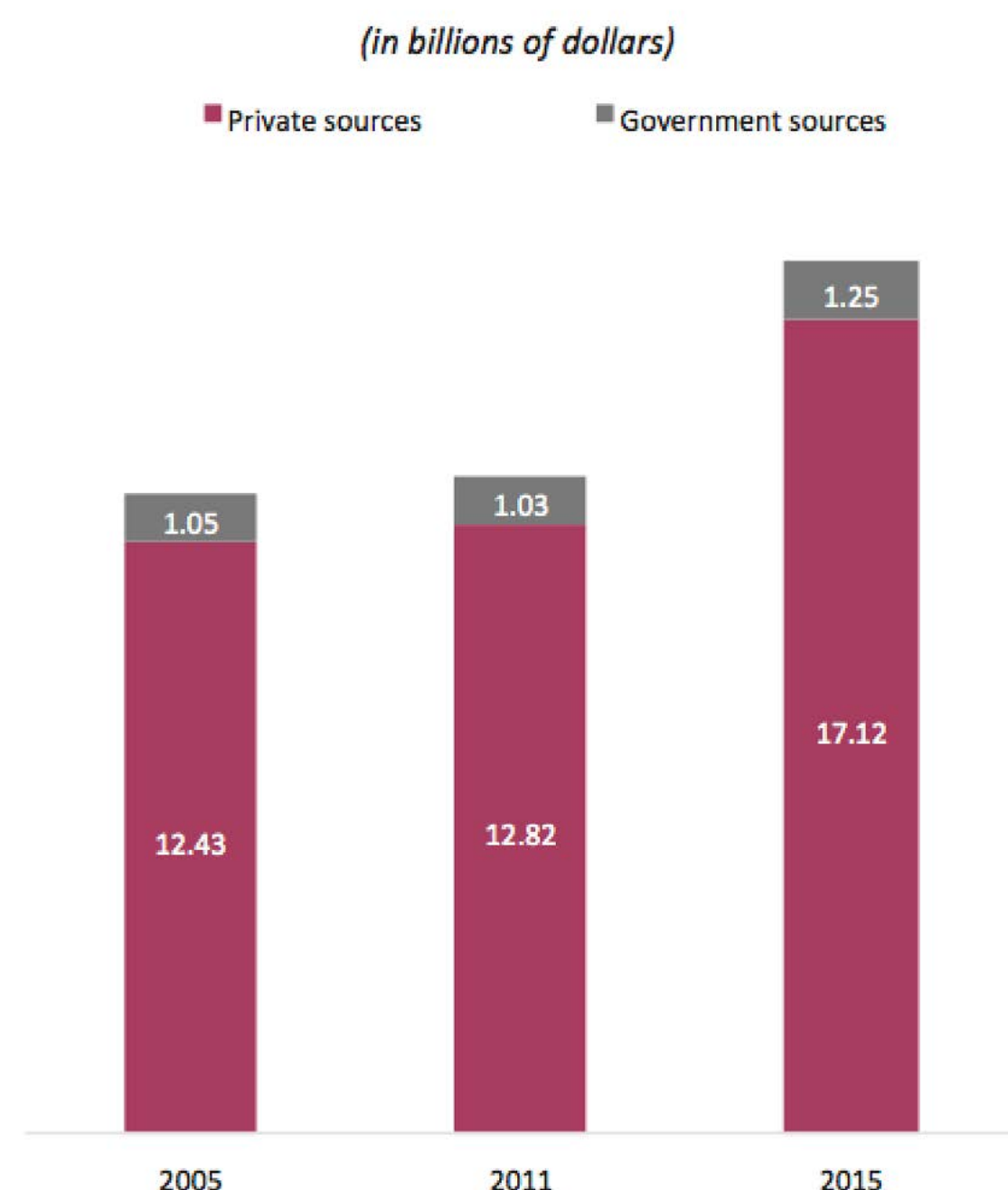
Yet the arts sector in Detroit is not fully secure. Large institutions have limited unrestricted capital, which threatens their long-term sustainability. While the city is home to large legacy institutions and small startups supporting the arts, there's relatively little activity in between. There is an opportunity to identify, nurture and sustain the midsize organizations so that they continue to offer artistic choices beyond the legacy institutions.

The arts in Detroit will continue to play a powerful role in shaping the community. Knight aspires to continue to monitor the health of the arts ecosystem and determine how best to support and collaborate with others to ensure it continues to be a powerful force for promoting the city's success.

# APPENDIX

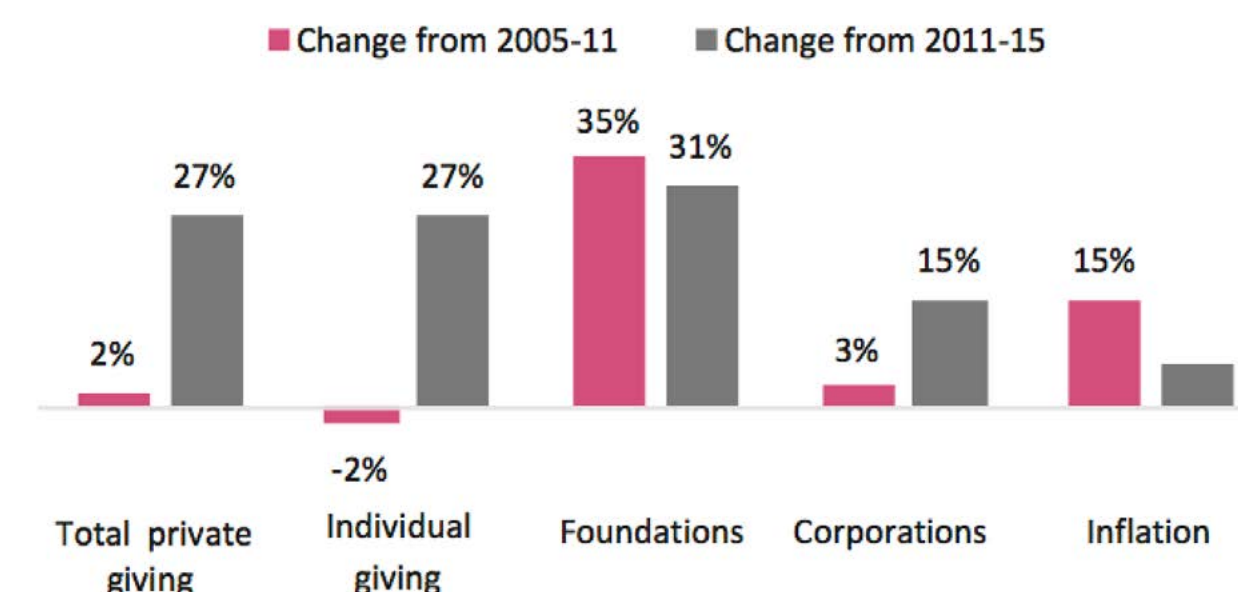
## Supplemental Findings

### Private Sources Powered Arts Funding Growth

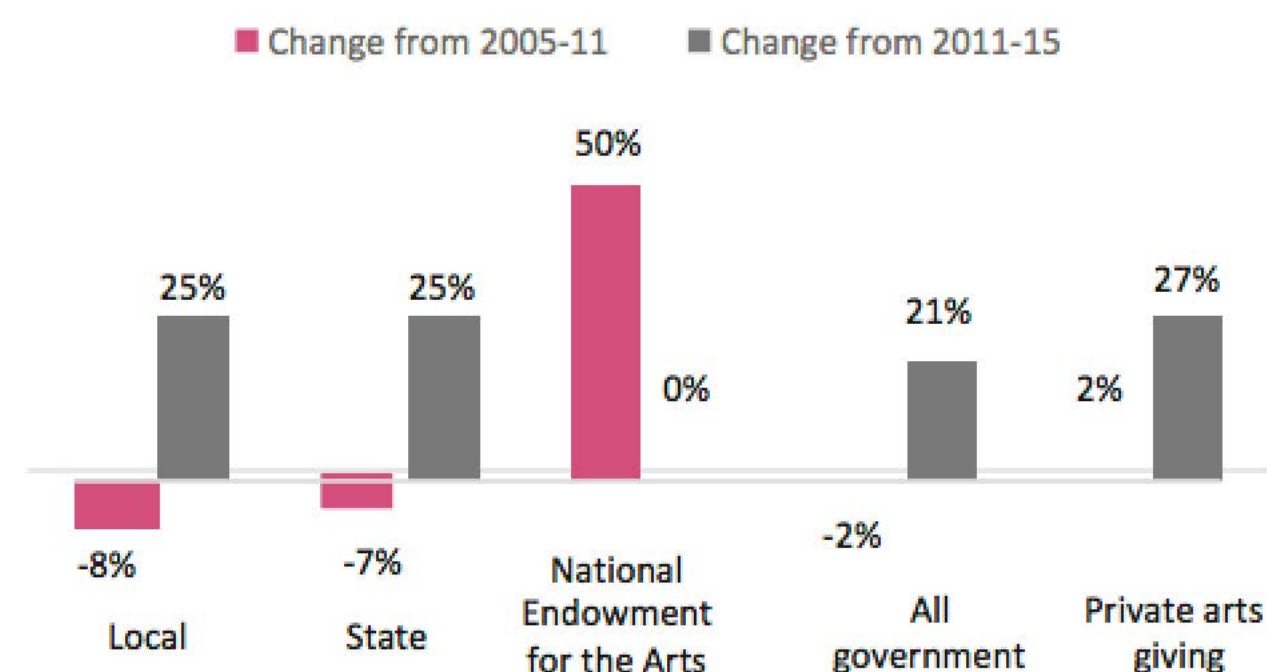


Source: Grantmakers in the Arts, Giving USA

### General Private Philanthropy Surged Since 2015



### State and Local Arts Funding Rebounded Across U.S.





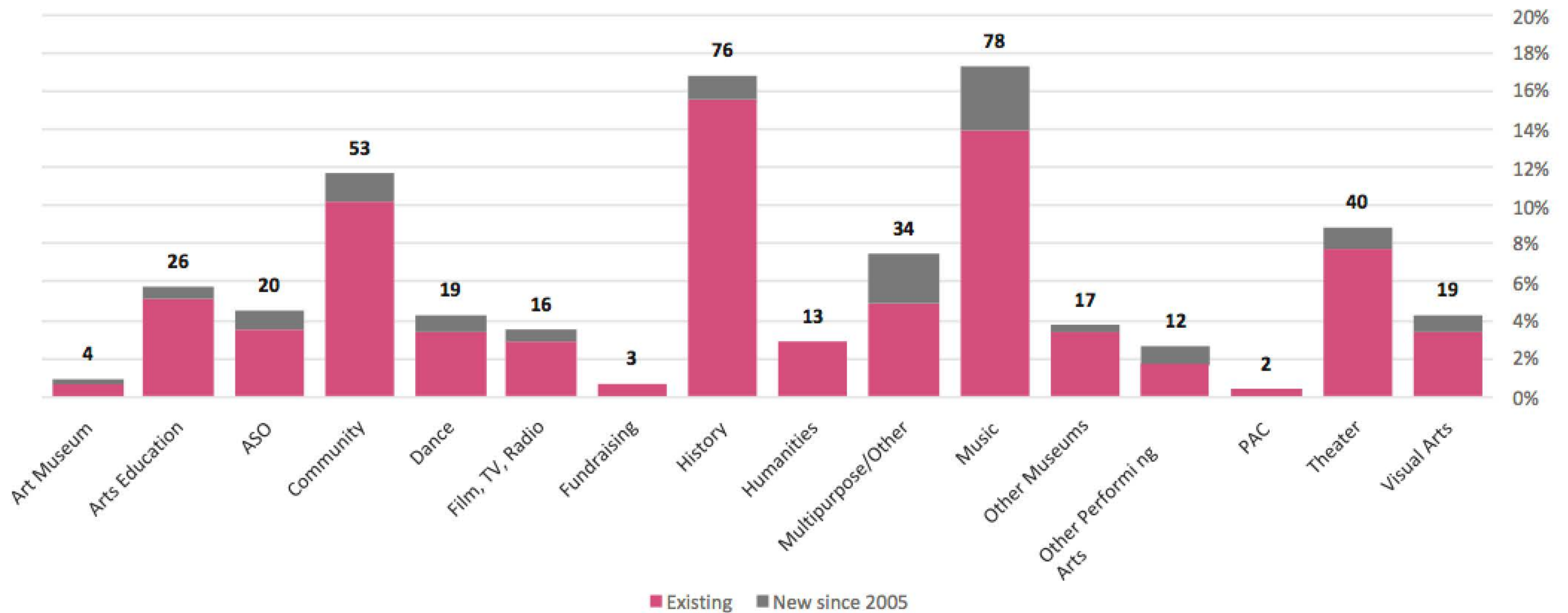
# APPENDIX

## Supplemental Findings

### **Detroit: Arts Organization Universe**

The analysis identified 432 arts organizations operating in Detroit in 2015, with the largest portions classified as Music (78) and History (76). Of these organizations, 70 (16 percent) were formed since 2005. Music and Multipurpose/Other experienced the most growth in organizations formed over the past decade.

# Growths in Arts Organizations



Source: GuideStar. Note: ASO (Arts Service Organization), PAC (Performing Arts Center)

# APPENDIX

## Supplemental Findings

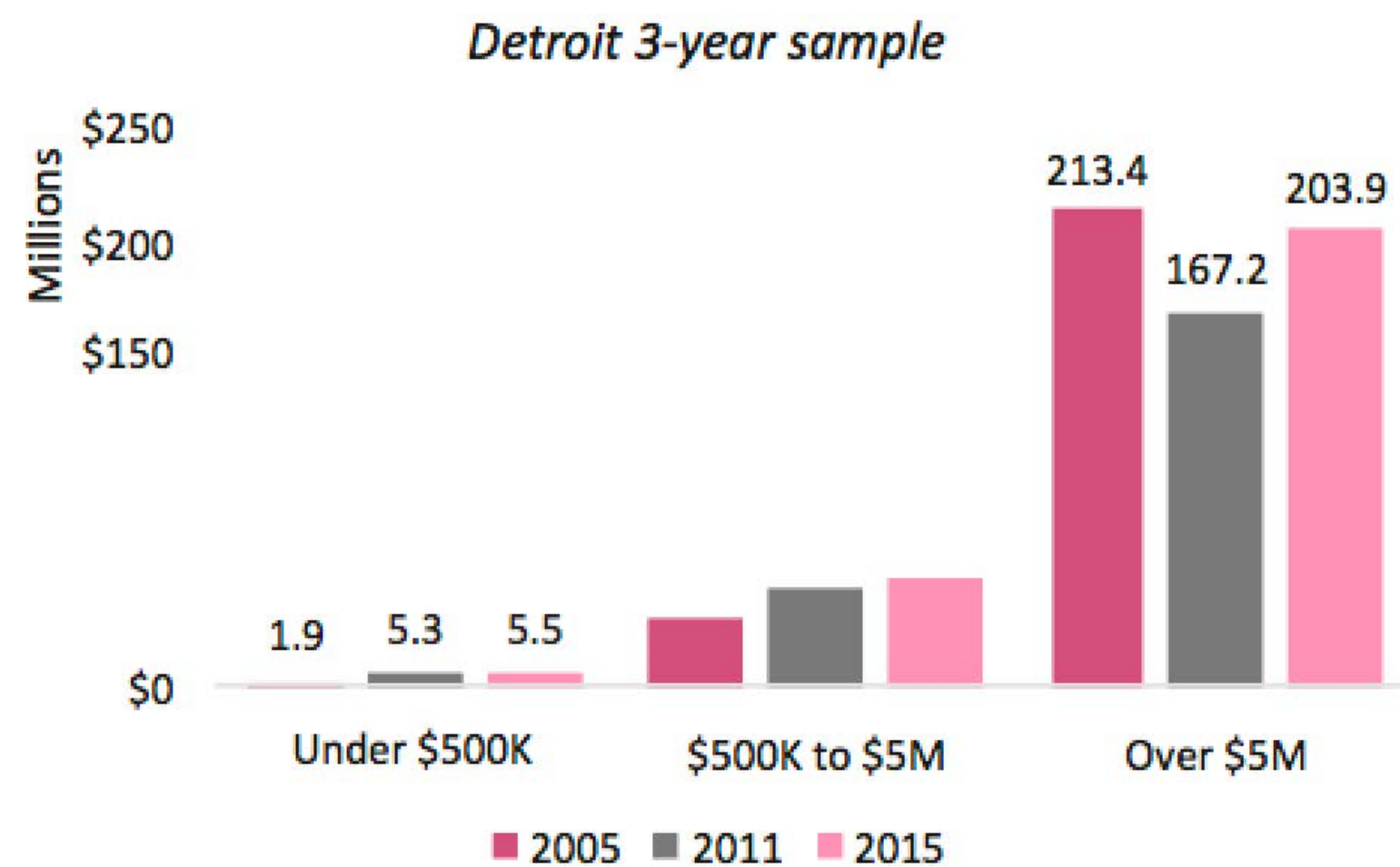
### **Program Spending is Recovering After Being Outpaced By Management and Fundraising**

Spending on programs grew 20 percent from 2011 to 2015, after falling 13 percent from 2005 to 2011. Management and fundraising grew to 21 percent of budgets in 2015, from 17 percent in 2005.

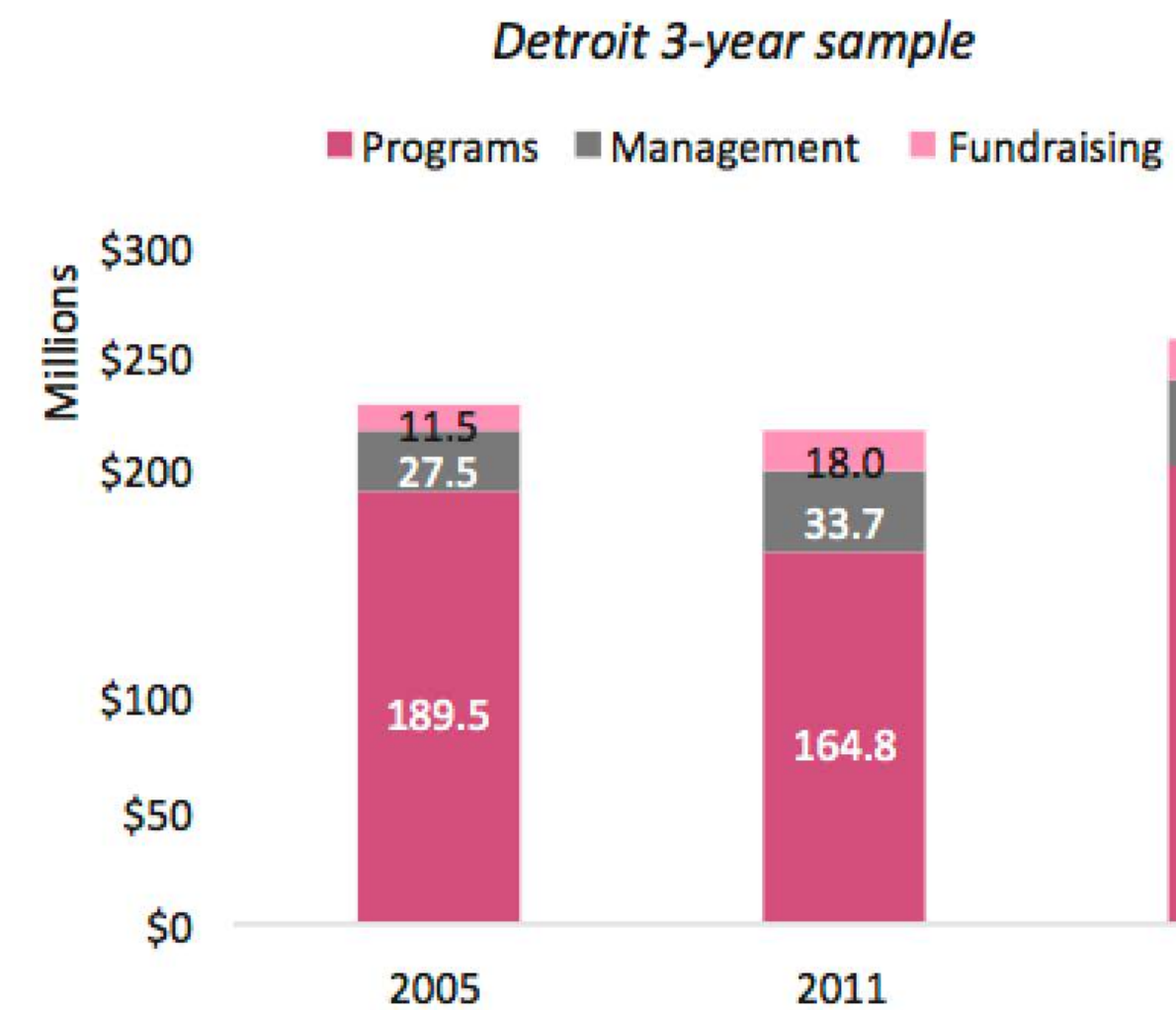


## Spending Trends by Budget Size

## Spending Trends by Category



	N for 2005	N for 2011	N for 2015
Under \$500K	14	26	33
\$500K to \$5M	18	21	25
Over \$5M	8	6	9



	N for 2005	N for 2011	N for 2015
Organizations reporting data	38	53	67

Source: DataArts 2-year sample



# Top Foundation Givers

	2005		2015	
1	Ernest and Rosemarie Kanzler Foundation	40,000,000	Samuel & Jean Frankel Foundation	52,491,705
2	Ford Motor Company Fund	7,596,665	William Davidson Foundation	9,340,000
3	Richard & Jane Manoogian Foundation	7,396,640	Community Foundation for Southeast Michigan	6,408,222
4	The Chrysler Foundation	3,909,500	DTE Energy Foundation	3,610,000
5	The Kresge Foundation	3,100,000	Ford Motor Company Fund	3,442,450
6	McGregor Fund	2,965,000	Bloomberg Philanthropies	1,645,000
7	Community Foundation for Southeast Michigan	2,793,250	The Kresge Foundation	1,568,000
8	Max M. and Marjorie S. Fisher Foundation Inc.	2,761,910	Max M. and Marjorie S. Fisher Foundation Inc.	1,514,617
9	John S. and James L. Knight Foundation	2,475,000	The JPMorgan Chase Foundation	1,275,060
10	Masco Corporation Foundation	2,227,950	The Miami Foundation (Knight Arts Challenge)	1,158,382
11	Hudson-Webber Foundation	2,144,000	General Motors Foundation Inc.	1,100,000
12	The Skillman Foundation	1,612,600	Ford Foundation	850,000
13	General Motors Foundation Inc.	1,532,250	Alex and Marie Manoogian Foundation	800,000
14	Comerica Charitable Foundation	1,104,176	Charles Stewart Mott Foundation	793,000
15	Community Foundation Silicon Valley	1,000,000	The Andrew W. Mellon Foundation	694,000
16	DTE Energy Foundation	790,100	Hudson-Webber Foundation	685,000
17	The JPMorgan Chase Foundation	705,000	The Skillman Foundation	490,000
18	The Eugene Applebaum Family Foundation	540,000	John S. and James L. Knight Foundation	362,000
19	William Randolph Hearst Foundation	450,000	McGregor Fund	310,000
20	NCC Charitable Foundation	375,000	William Randolph Hearst Foundation	250,000

Source: Foundation Center



# Creative Industries

Group	Industry	Sales 2016 (in millions)	% change since 2011	Jobs 2016	% change since 2011	Average earnings per job 2016	% change since 2011
Film	Motion picture and video production	\$519	15%	1,773	60%	\$71,081	10%
Publishing	Book publishers	\$368	-28%	885	-15%	\$87,352	3%
Artists	Independent artists, writers and performers	\$256	47%	11,525	2%	\$12,673	10%
Publishing	Internet publishing and broadcasting and web search portals	\$147	-1%	572	-34%	\$74,608	24%
Performing Arts	Musical groups and artists	\$142	83%	1,401	42%	\$36,260	17%
Film	Motion picture theaters	\$132	42%	2,048	9%	\$16,823	8%
Photography	Photography studios, portrait	\$103	45%	2,527	3%	\$18,272	14%
Collections	Museums	\$86	27%	816	23%	\$42,452	6%
Collections	Historical sites	\$84	21%	1,273	0%	\$26,712	21%
Visual art	Art dealers	\$73	61%	807	29%	\$36,897	6%
Photography	Commercial photography	\$56	31%	832	42%	\$30,503	-2%
Education	Fine arts schools (private)	\$53	17%	3,559	31%	\$8,142	-12%
Performing Arts	Theater companies and dinner theaters	\$48	44%	834	10%	\$21,036	33%
Music	Sound recording studios	\$37	29%	189	4%	\$28,194	18%
Performing Arts	Other performing arts companies	\$20	351%	329	199%	\$22,151	100%
Collections	Libraries and archives	\$11	-53%	143	-49%	\$35,186	25%
Music	Integrated record production/distribution	\$9	3%	66	14%	\$21,337	-23%
Music	Music publishers	\$7	-13%	27	-47%	\$32,907	83%
Music	Record production	\$5	-60%	12	-75%	\$51,439	22%
Performing Arts	Dance companies	\$4	44%	142	25%	\$10,154	-9%

Source: Foundation Center



# APPENDIX

## Methodology

### Data Sources

- IRS Form 990 data from GuideStar (2005, 2011, 2015)
- Cultural Data Profiles from DataArts (2011, 2015)
- Creative Vitality Suites from WESTAF (2011, 2016)
- Foundation Center FC1000 (2005, 2011, 2015)
- “Arts & Economic Prosperity” Knight grants database
- American Community Survey (ACS) from U.S. Census
- “How Boston and Other American • Cities Support and Sustain the Arts”
- Grantmakers in the Arts Giving USA

### Key Stakeholder Interviews

Name	Organization
Erik Howard	Alley Project (Young Nation)
Devon Akmon Ismael Ahmed	Arab American Museum
Rick Rogers	College for Creative Studies
Mariam Noland	Community Foundation for Southeast Michigan
Cezanne Charles	Creative Many
Jane Schulak	Culture Lab
Omari Rush	CultureSource
Olga Stella	Detroit Creative Corridor Center
Robert Bury	Detroit Historical Society
Jo Anne G. Mondowney	Detroit Public Library
Anne Parsons	Detroit Symphony Orchestra
Daniel Carmody	Eastern Market Corp.
Patricia E. Mooradian	The Henry Ford
Liza Bielby	The Hinterlands
John Bracey	Michigan Council for Arts and Cultural Affairs
Elysia Borowy-Reeder	Museum of Contemporary Art Detroit
Wayne S. Brown	Michigan Opera Theatre
Roula David	Murals in the Market
Maurice Cox	Planning and Development Department, City of Detroit
George Jacobsen	The William Davidson Foundation

# APPENDIX

## Methodology

### Data Analysis Methodology

TDC collected and merged data from several sources to get a picture of 10 years of history

#### ■ GuideStar 990 digitized records from 2005, 2011 and 2015

	2005	2011	2015
<b>3 year sample:</b> organizations that filled in the full 990 in 2005, 2011, and 2015, or consistently in the years after formation	40	55	67
<b>2 year sample:</b> organizations that filled in the full 990 in 2011 and 2015, or just in 2015 if founded after 2011	N/A	129	180

#### ■ DataArts survey data from 2011 and 2015

<b>DataArts 2 year sample:</b> organizations that filled out the <u>DataArts</u> survey in 2011 and 2015	N/A	86	86
<b>DataArts 2015 sample:</b> organizations that filled out the <u>DataArts</u> survey in 2015	N/A	N/A	119
<b>2015 sample:</b> all organizations that reported data through the 990s and/or <u>DataArts</u> in 2015	N/A	N/A	432

#### ■ Foundation Center data on foundation giving

#### ■ Knight grantee data



# APPENDIX

## Methodology

### Data Analysis Methodology

- Removed all non-arts organizations, supporting organizations, and organizations not in Michigan
- Combined net assets of organizations with supporting foundations  
Reassigned disciplines as necessary
- Filled in data of missing anchor institutions from 990s
- Adjusted Detroit Institute of Arts' 2005 data to remove Grand Bargain-related revenues and expenses

In tandem, TDC collected and analyzed data from WESTAF CVSuites on creative industries and workforces .