

# The Economic Impact of the Children's Museum of Pittsburgh's Museum Lab Expansion

January 2017

Prepared for  
Children's Museum of Pittsburgh by the  
Pennsylvania Economy League of Greater Pittsburgh  
11 Stanwix Street, 17<sup>th</sup> Floor  
Pittsburgh, Pennsylvania 15222

412.281.1890



PENNSYLVANIA  
ECONOMY LEAGUE  
Information, Insight, Integrity.

### **The Museum Lab at the Children's Museum of Pittsburgh**

Children's Museum of Pittsburgh (CMP) is a popular cultural and educational destination in Pittsburgh, attracting 302,000 visitors in 2016. The Museum serves as a community anchor on Pittsburgh's North Side neighborhood since its establishment in the basement of the Allegheny Post Office in 1983. Since then, CMP has invested significantly in the community. CMP wants to continue this investment by leasing and renovating the vacant Carnegie Library Building adjacent to the Museum. Much like its 2004 renovation of the Buhl Planetarium and Old Post Office, to house the current museum, CMP seeks to make the old Carnegie Library Building a model of historic preservation and design. Adding the Carnegie Library Building to the Museum footprint will make the Children's Museum of Pittsburgh the largest cultural campus for children in the U.S.

The Children's Museum has increased its attendance 70% in the last 15 years, including a nearly 10% growth just last year. Not only has the number of visitors increased, but the scope of CMP's influence has greatly expanded. The interactive learning exhibits developed in-house have toured nationally, both showcasing CMP and providing a dedicated revenue stream for the Museum. Additionally, the collaborative *MAKESHOP initiative* has brought in regional and national partners to CMP. CMP has also helped to incubate several non-profit partners, including the New Hazlett Theater (NHT) and continues to work in close collaboration with NHT and many organizations.

With the growth in attendance and exhibits, CMP has outgrown its space. CMP plans to create the Museum Lab in the vacant Carnegie Library Building and relocate its partner organizations there. Currently, the Saturday Light Brigade (SLB) and Reading is FUNDamental (RIF) lease space from the Museum and have both grown significantly in staff and programming capacity. Following the building renovation, the second floor of the library will be the permanent home to Manchester Academic Charter School's (MACS) middle school. CMP hopes that having the Museum Lab along with these child-centered institutions under one roof will reinvent formal and informal learning on the North Side and serve as a national model.

### **The Pittsburgh Metropolitan Statistical Area**

The Pittsburgh Statistical Metropolitan Area (MSA) is a 7-county region with the city of Pittsburgh as its hub. The seven counties are Allegheny, Armstrong, Beaver, Butler, Fayette, Washington, and Westmoreland. The Museum Lab will be located on the Children's Museum's campus in Pittsburgh's North Side neighborhood in Allegheny County. PELGP chose to analyze the impact on the Pittsburgh MSA because the project will likely have employment and value added effects throughout the region, not limited to Allegheny County.

### **Economic Impact - Methodology**

The renovation and operation of the Museum Lab has direct, indirect, and induced impacts on the economy of the Pittsburgh MSA through employment and total value added. To estimate the economic impact of the CMP expansion, the Pennsylvania Economy League of Greater Pittsburgh (PELGP) used IMPLAN – an input-output model.

There are several input-output models commonly used by economists to estimate multiplier effects. Because of the difficulty of measuring multiplier effects, all of the models have limitations. Still, economists generally agree that the models can provide an approximate measure of the indirect and induced employment generated in a particular geographic area by a planned or actual economic event.

The analysis results for the renovation and permanent employment of CMP’s expansion into the Carnegie Library Building are reported in the following summaries and tables. Definitions for the IMPLAN values are also provided. The model uses years 2017 to 2018 for construction, and 2018 for operations of the Museum Lab and partners.

**Economic Impact of Construction**

Renovation and historic preservation of the old Carnegie Library Building is expected to occur between January 2017 and December 2018. Cost of the project is estimated at **\$X million** for the construction phase of the project. The IMPLAN sector *maintenance and repair construction of nonresidential structures* captures \$X, with the \$Y million for developing exhibits captured under *museums historical sites, zoos, and parks*. These values were entered in Event Year 2017 and outputs analyzed in year 2018.

- During the construction phase of the museum expansion, the project will have a positive impact on the Pittsburgh MSA economy of almost **\$X million in total value added**. This includes:
  - Almost \$X million in labor income and \$Y million in other property-type income, and \$Z in indirect business taxes.
- The construction phase will result in about **X full- and part-time jobs**.

<b>CONSTRUCTION IMPACT SUMMARY - (temporary employment at site)</b>		<b>Direct Impact</b>	<b>Indirect Impact</b>	<b>Induced Impact</b>	<b>Total Impact</b>
Employment		-	-	-	-
Total Value Added		\$-	\$-	\$-	\$-
Labor Income		\$-	\$-	\$-	\$-
	Employee Compensation	\$-	\$-	\$-	\$-
	Proprietors Income	\$-	\$-	\$-	\$-

Other Property Type Income	(\$-) <sup>1</sup>	\$-	\$-	\$-
Indirect Business Taxes	\$-	\$-	\$-	\$-

**Economic Impact of Operations**

The Children’s Museum of Pittsburgh has estimated that about **X full- and Y part-time** positions will be added as part of the expansion. The full time positions are directly related to museum operations; therefore, the IMPLAN sector *museum, historical sites, zoos and parks* was used for those positions.

Due to having a permanent space for its 132 middle school students, MACS plans to add **X full- and Y part-time** positions to its staff, captured under *elementary and secondary schools* in the model. SLB plans to hire **X full- and Y part-time positions**, captured within *radio and television broadcasting*. They also plan to add \$X to their budget for studio upgrades and programming expenses.

The operation of the new Museum Lab and partner organizations will have an ongoing impact of over **\$X million in total value added per year**. That amount supports:

- o Almost \$X million in annual employee compensation (labor income), \$Y in other property-type income, and \$Z in indirect business taxes.

<b>OPERATIONS IMPACT SUMMARY - (permanent employment at site)</b>		<b>Direct Impact</b>	<b>Indirect Impact</b>	<b>Induced Impact</b>	<b>Total Impact</b>
Employment		-	-	-	-
Total Value Added		\$-	\$-	\$-	\$-
Labor Income		\$-	\$-	\$-	\$-
	Employee Compensation	\$-	\$-	\$-	\$-
	Proprietors Income	\$-	\$-	\$-	\$-
Other Property Type Income		\$-	\$-	\$-	\$-
Indirect Business Taxes		\$-	\$-	\$-	\$-

**Definitions**

**Direct Impact** - Economic activity directly attributable to core industry.

<sup>1</sup>In this model, a negative “Other Property Type Income” would indicate a loss in profits during the construction phase of the project. A negative OPI or a loss in profits doesn’t necessarily mean anything bad for the industry; OPI is considered a leakage in IMPLAN and does not affect the end result.

**Indirect Impact** - Economic activity generated by expenditures by core industry to other businesses.

**Induced Impact** - Household expenditures generated by employees of core industry.

**Multiplier** - Total Impact divided by Direct Impact

**Employment** – Includes both full and part time workers.

**Total Value Added** – The difference between an industry’s total output and the cost of its intermediate inputs (consumption of goods and services purchased from other industries or imported). Value added consists of Labor Income, Other Property Type Income and Indirect Business Taxes. The Total Value Added represents an industry's contribution to Gross Regional Product.

**Labor Income** – Combination of Employee Compensation and Proprietors Income.

**Employee Compensation** – Payroll costs for the industry including salaries and benefits.

**Proprietors Income** – Payments received by self-employed individuals as income, including income received by private business owners.

**Other Property Type Income** – Payments for rents received on properties, royalties from contracts, dividends paid by corporations and corporate profits earned by corporations.

**Indirect Business Taxes** – Taxes on production and imports less subsidies. Includes excise taxes, property taxes, fees, licenses and sales taxes paid by businesses, but excludes employer contributions for social insurance and taxes on income.

### **Additional Impacts**

While this report documents the impacts of construction and expected part- and full-time workers, there are other economic benefits of the Museum Lab that are not quantifiable using the IMPLAN model at this time. The partners in this project anticipate that having Children’s Museum of Pittsburgh, Manchester Academy Charter School, Saturday Light Brigade, Reading is FUNDamental, and The New Hazlett Theater all sharing space will lead to collaboration and innovation that is difficult to predict due to the novelty of the project.

#### *Children’s Museum of Pittsburgh*

- This project will help CMP to become more self-sufficient, with dedicated revenue streams.
  - CMP will develop exhibits that will tour to other museums and libraries around the nation; these organizations pay CMP to display their world-class exhibits
  - The CMP will rely less on grants and public monies by investing in its endowment and growth capital fund. CMP plans to allocate \$X million for an endowment and growth capital fund as part of the project, along with \$Y million for a building reserve fund.

- CMP will have more space to develop its *Makeshop+* programming, collaborating with MACS and other local and regional partners.

*Manchester Academy Charter School*

- MACS has struggled to find a permanent home on Pittsburgh's North Side. Having a permanent dedicated space will provide stability for students and their families.
- MACS will help to activate this space in the North Side on weekday evenings, hosting a variety of child and family-centered events and learning opportunities.

*The Saturday Light Brigade*

- Having a more functional and flexible space will allow the SLB to offer new programming. The organization plans on using the space to expand after school offerings for youth media programs, host roundtable discussions for broadcast, organize youth open mic nights at the space, and develop an oral history program to engage North Side residents.

*Reading is FUNdamental*

- Reading is FUNdamental has grown from a grassroots initiative to one of the largest RIF programs in the country. Larger, more flexible space will enable RIF to engage more volunteers and interns and provide on-site programming.

*The New Hazlett Theater*

- The Theater's Technical Director currently spends significant time on building management and maintenance issues. Under the new CMP agreement with this project, CMP will provide facilities management. The Technical Director's hours could be spent on developing new earned revenue sources and expanding technical vocational training for theater technicians.
- The Theater looks forward to opportunities to collaborate with partner organizations
  - Recording with the Saturday Light Brigade
  - Providing matinee tickets for MACS students
  - Offer theater space for use by partners

The Museum Lab project will be the first of its type. The historic preservation and renovation of the old Carnegie Library Building to create a home for collaboration between the Children's Museum of Pittsburgh, MACS middle school, and other partners will provide a laboratory of innovation for the future of learning both regionally and nationally.