

An Economist's Consideration of Delaware River Port Authority Funding for a Philadelphia Barnes Foundation facility.

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Introduction

On January 15, 2003, the Delaware River Port Authority (DRPA) authorized a \$500,000 grant for a capital expansion project involving the Barnes Foundation. The focus of the project is removal of the Barnes art collection from its home in Merion, Pennsylvania for the purpose of installing it in a new facility on a site on the Benjamin Franklin Parkway in Philadelphia.

There is a distance of approximately five miles between the 12-acre Merion site and the 4.5 acre Philadelphia site.

Since the approval of the grant funding in 2003, a number of circumstances have changed that impact the Barnes project.

Although the design of the new facility has not been released or approved, plans call for construction to begin in the Fall of 2009, some six-and-a-half years after authorization of the DRPA grant.

There is no available evidence that established economic criteria have been employed to assess the project's desirability by any of the parties involved. This Statement focuses on the importance of the DRPA applying its own Guidelines on the Economic Impact of the move before awarding the \$500,000 DRPA grant for the Barnes project.

Background

Both Merion and Philadelphia are geographically situated within the jurisdiction of the Delaware River Port Authority; they both lie in what is commonly known as the Greater Philadelphia Region. A map of the area including both sites is attached.

Permission for the proposed dismantling of the Barnes art collection was granted in 2004 by Montgomery County Orphan's Court. A review of a broad spectrum of professional literature indicates that the proposed plan to dismantle the Barnes Foundation's Merion site remains a highly controversial topic in the national and international art, art law, trust law, public policy, and cultural heritage communities.

A citizens' advocacy group that leads the organized opposition to the plan to dismantle the Barnes Foundation is called Friends of the Barnes Foundation (The Friends). The Friends have asked that I review the proposed award of public funds by the DRPA, and opine on whether the planned expenditure of public funds by DRPA meets established economic criteria for funding regional projects.

The enclosed *curriculum vitae* contains my qualifications as an economist. Should I be unable to present my Statement in person, a notarized copy will be forwarded to the Delaware River Port Authority.

Overview

This Statement will describe some of the economic impact policy issues raised by the allocation of \$500,000 by the DRPA for the proposed relocation of the Barnes from Merion to Philadelphia. The following information was available for use in preparing this Statement: Summary Statement of the DRPA Commissioners Meeting of January 15, 2003 and The DRPA Economic Development Grant Guidelines. Copies of these documents are attached for reference.

Economic Impact

- The DRPA is a regional governmental agency, which allocates limited public resources among competing Economic Development Projects, which it is asked to support. To ensure that the decision it reaches are rational and objective, it is essential that the DRPA evaluate the Barnes project by applying its own Economic Impact Criteria as set forth in its Guidelines.
- To date, no evidence has been presented that the \$500,000 grant approved by the DRPA Commissioners was based on a study using the DRPA Economic Impact Criteria. The Summary Statement referenced above indicates that the DRPA relied upon endorsement of the Barnes plan by third parties, whose objectives and criteria may differ from those of the DRPA.
- The need to apply objective economic criteria is especially important in this case since the current location of the Barnes and the proposed new location are both in the same region within the jurisdiction of the DRPA.
- Therefore, in applying its Economic Impact criteria, the DRPA should consider the impact on both a Philadelphia Barnes as well as the impact on the Merion Barnes. In particular, the DRPA's study needs to determine the net impact of the relocation on the region's economy. For example, if a Philadelphia Barnes will generate 40 new, permanent jobs and the Merion Barnes will lose 28 new jobs, the net benefit of the Philadelphia Barnes is only 12 jobs. When the net effect on job creation is measured in the context of the lump sum investment required for the relocation, it is likely that the overall cost of creating the new jobs is significantly higher than otherwise assumed.
- Placement of the Barnes among other established cultural institutions may cause a shift in attendance with minimal or no accompanying net gain in overall regional visitation. Therefore, projections should be undertaken of the effect of a Philadelphia Barnes on total visitation, total enrollment in art education programs, and total philanthropic support in regional institutions, such as the Philadelphia Museum of Art. This function needs to be undertaken if the DRPA is to meet its mandate of allocating scarce financial resources objectively.
- The study should specifically measure the net impact of the relocation on tourist-related industries, in particular, hotel stays and restaurants. It is likely that the hotels and restaurants that would serve visitors to a Philadelphia Barnes would mostly be the same as those that would serve visitors to the Merion Barnes since there are no tourist facilities in Merion. If this is determined to be the case, tourism to the area can be increased by a relatively modest investment in professional marketing and promotion programs for the Merion Barnes without undertaking the enormous investment contemplated for the relocation of the Barnes to Philadelphia.

- Ultimately, once the regional benefits of relocation are properly calculated, the question that needs to be asked is: Can the perceived benefits be attained at the Merion location at a lower net cost to the public. For example, if tourism at the new location is expected to increase to 150,000 annually for a lump sum investment of, say, \$150,000,000 and the tourism at the existing location can increase to 140,000 annually for only a fraction of this investment, the net Economic Impact of the relocation is clearly uneconomical.

Summary and Conclusions

The DRPA needs to apply established, scientific, objective criteria to the Barnes project before it approves financial support for the relocation. This is all the more necessary because of the intense competition for funding among existing regional institutions for potentially worthwhile projects.

The responsibility of DRPA in this instance is heightened since the Barnes at the Merion location is a treasured cultural and historical monument that is eligible for National Historic Landmark status.

Alternatives to the current plan for dismantling the existing Barnes, likely at substantially lower cost, need to be seriously explored.

We recognize that in 2003, the DRPA Commissioners who approved the \$500,000 grant might not have been aware of the controversy, risks, and multi-institutional impacts of the Philadelphia Barnes project.

At present, however, the highly controversial aspects of the project are widely recognized, while many questions about net economic impact remain unanswered.

An overarching question for the DRPA Commissioners must therefore be whether it is appropriate for the DRPA, as a public agency committed to the economic development of the region, to support a project that requires a choice between two cultural assets within the same region.