

---

# Free Library of Philadelphia

---

## An Economic Impact and Activity Analysis of the Central Branch Expansion and Renovation

**April 2004**

Prepared by:  
Pennsylvania Economy League – Eastern Division  
1700 Market Street, Suite 3130  
Philadelphia, PA 19103  
[www.peleast.org](http://www.peleast.org)

On Behalf of:  
Free Library of Philadelphia  
1901 Vine Street  
Philadelphia, PA 19103  
[www.library.phila.gov](http://www.library.phila.gov)

---

# Table of Contents

|   |           |
|---|-----------|
| <b>Introduction .....</b>   | <b>1</b>  |
| Background.....   | 1         |
| Research Goals .....  | 3         |
| Key Definitions, Concepts, and Assumptions.....                             | 3         |
| <b>Economic Impact of Construction Spending.....</b>                        | <b>5</b>  |
| Direct Spending Estimates .....   | 5         |
| Economic Impact: Output, Employment, and Labor Income.....                  | 5         |
| Economic Impact: City Tax Revenues.....                                     | 6         |
| <b>Economic Activity Generated by Visitor Spending.....</b>                 | <b>8</b>  |
| Direct Visitor Spending Estimates .....                                     | 8         |
| Economic Activity: Output, Employment, and Labor Income .....               | 8         |
| <b>Beyond Economic Impact: The Economic Value the Free Library..</b>        | <b>10</b> |
| Tourism Development.....  | 10        |
| Business Development.....   | 10        |
| Cost-Benefits Analysis: Ascribing the True Value of the Free Library.....   | 11        |
| <b>Conclusion .....</b>   | <b>12</b> |
| <b>Appendix A: Detailed Tables of Economic Impact of Construction</b>       |           |
| <b>Appendix B: Detailed Tables of Economic Activity of Visitor Spending</b> |           |

## Introduction

### Background

The Free Library of Philadelphia (FLP) is embarking on a major capital project for its Central Branch as part of a multi-year, multi-million dollar effort to renovate the FLP's system of branches. In the past few years, more than \$65 million has been spent on the renovation of the FLP's neighborhood branches. Commencing in early 2005, the FLP's "capstone investment" will be a \$120-million expansion/renovation of its Central Branch, with expected completion of the project by mid 2008. The project will expand the FLP's Central Branch by 180,000 square feet, bringing the total square footage to 480,000 square feet (a 38 percent increase in space). This expansion will make the FLP's Central Branch the 7<sup>th</sup> largest library branch in the country (see Figure 1).

**Figure 1: Ten Largest Central Branches (based on total square footage)**

| City   | Total Central Branch Square Footage |
|--|-------------------------------------|
| 1. Boston                                      | 900,000                             |
| 2. Chicago                                     | 756,000                             |
| 3. Dallas Public Library                       | 647,000                             |
| 4. Cincinnati & Hamilton County Public Library | 543,000                             |
| 5. Los Angeles Public Library                  | 538,000                             |
| 6. Cleveland Public Library                    | 529,000                             |
| <b>7. Free Library of Philadelphia</b>         | <b>480,000*</b>                     |
| 8. Detroit Public Library                      | 420,000                             |
| 9. Buffalo & Erie County Public Library        | 403,000                             |
| 10. Houston Public Library                     | 381,000                             |

Source: Public Library Data Service (PLDS) Statistical Report (2003). \*After expansion.

The FLP's existing Central Branch facility was built in 1927, a Beaux Arts structure designed by Philadelphia's most important black architect at the time, Julian Abele. Over the decades, the Central Branch's collection and service offerings grew significantly as did visitor usage, and the quest for more space was an ever-growing demand. While the facility could accommodate the growth to a certain extent over time, at some point the Central Branch largely grew "inward" usually at the expense of seating, storage space, and display areas. In particular, city fiscal troubles in the 1970s, 80s and 90s limited resources for libraries to use in expanding their facilities, just at a point when the need for space and the call for new services was acute.

With the advent of the electronic age and especially the internet in the 1980s and 1990s, public libraries across the US have been faced with a host of new questions about their public service role in the 21<sup>st</sup> century. Furthermore, the spread of large book store chains has introduced a new source of competition for public libraries, forcing a reevaluation in particular of the services and amenities they offer patrons.

While these trends have impacted libraries at all levels, the most visible debate appears to revolve around the very tangible issue of building and renovating new facilities, particularly library systems' central branches. Library officials are increasingly articulating their visions in bold terms, calling for central branches to become the "cultural/educational/entertainment

gathering place” in the 21<sup>st</sup> century.<sup>1</sup> Such is the case for FLP officials and their vision for the expansion and renovation of the Central Branch facility. As reported by the *Philadelphia Inquirer* in late 2003, right after an architect for the expansion/renovation project was announced: “[FLP officials] know they want the new wing to serve as a community living room where people can go for both ‘guided research’ and sociability. Think of the new library as an intellectual rec center, equally irresistible to the stroller set, disaffected teens, and knowledge-hungry adults.”<sup>2</sup>

With the forthcoming expansion and renovation of the Central Branch, the FLP will be able to address many of these problems, while at the same time introduce a host of new offerings in keeping with a 21<sup>st</sup> century library. These new offerings include:

- **New seating space, especially for young readers** – the children’s library (in the top 10 of city libraries in terms of circulation) will be greatly expanded and a new young adult library is expected to be added as well.
- **New, dedicated space for teenagers**, providing this important group an important new resource.
- **More and better-suited space for technology** – expansion/renovation will allow the library to add more than 300 computers to the 80 it currently has. The Central Branch will also be able to accommodate technology more easily, such as data ports for laptops brought in by library users.
- **Expanded services for business users**, such as better access to databases (on-site and remote), especially important to small businesses.
- **A bigger auditorium**, allowing the FLP to expand its programming.
- **A complex of meeting spaces**, expanding the Central Branch’s usefulness to a wide variety of organizational users.
- **New space to display special collections** – this includes space to display world-class collections, such as the Central Branch’s Automobile Reference Collection, which is rated 2<sup>nd</sup> best in the country after Detroit’s collection. In another example, 90 percent of the Government Publications Department’s collection is currently “hidden” due to space constraints. Expansion/renovation will allow this department, an official city depository, to display its rich collection of historical and modern documents related to the city’s history.
- **New amenities** – while the building design has not been finalized, it is likely that the new Central Branch will offer visitor-enhancing services such as a café and possibly a gift/book store.
- **Ancillary development and services** – the project’s architect has proposed building a new 300-car parking facility and a day-care facility on the property, perks that undoubtedly will boost visitation to the library. Furthermore, the Central Branch expansion will likely leverage significant private development in the area. Possible ancillary development includes street-level retail and residential housing.

---

<sup>1</sup> Ripley, Cynthia, “The Power of Libraries,” *Urban Land*, October 2003, pp. 96-98.

<sup>2</sup> Saffron, Inga, “Changing Skyline: Library designs, but little vision,” *The Philadelphia Inquirer*, November 7, 2003.

## Research Goals

Economic impact is a useful tool for measuring the one-time “hit” of a major capital project on the local economy. This report quantifies the economic impact and activity generated by the FLP’s expansion and renovation of its Central Branch facility, specifically:

- The economic *impact* generated by the FLP’s spending on construction of the Central Branch, as well as spending on anticipated ancillary construction activities adjacent to the expanded Central Branch. For the purposes of this analysis, anticipated ancillary construction is assumed to be a 300-car parking facility and 25,000 square feet of street-level retail space.
- The economic *activity* generated by visitor spending on new services resulting from an expanded/renovated Central Branch. For the purposes of this analysis, these anticipated new services are assumed to be an on-site café/restaurant and gift shop, as well as off-site activities associated with ancillary development of retail space.

Lastly, this report describes (in qualitative terms) anticipated economic *value* generated by the expanded/renovated Central Branch, particularly its increased value as a regional asset for tourism and business development.

## Key Definitions, Concepts, and Assumptions

The analysis of the construction project’s economic impact is based on the following definitions, concepts, and assumptions:

**Study areas.** Throughout the analysis, economic impact and economic activity are measured for the following three geographic study areas:

- **City of Philadelphia:** Philadelphia County
- **Southeastern Pennsylvania:** Philadelphia + Bucks, Chester, Delaware, and Montgomery Counties in Pennsylvania
- **Philadelphia, PA-NJ Metropolitan Statistical Area (PMSA):** Southeastern PA + Burlington, Camden, Gloucester, and Salem Counties in New Jersey

**Total construction budget.** Based on the FLP’s current estimates, the construction budget for the expansion and renovation of the Central Branch that contributes economic impact is approximately \$101.4 million.<sup>3</sup> The construction budget breaks down between \$92.5 million in hard costs (91%) and \$8.8 million in soft costs (9%).<sup>4</sup> Hard costs include all construction materials and supplies, as well as the labor associated with the actual construction of the building. Soft costs are primarily construction-related services, such as management, architecture, consulting, and debt service on financing.

**Only “local” spending counts.** The measure of economic impact is limited to “local” spending, i.e., expenditures within the three defined study areas (city of Philadelphia, Southeastern PA, and the Philadelphia, PA-NJ PMSA). Examples of construction

---

<sup>3</sup> Note that the full construction budget for the Central Branch expansion and renovation as estimated by the Free Library is \$120 million. The following budget items (and their estimated costs) were not included in the economic impact analysis, as these are local transfers of dollars and therefore do not generate economic activity: land acquisition (\$2 million), art purchases (\$700,000) permit fees (\$700,000), relocation fees (\$200,000), development (\$5 million), and program endowment (\$10 million).

<sup>4</sup> Notes: 1) estimated hard and soft costs do not add up exactly to total construction budget of \$101.4 million due to round-off error; 2) estimates include contingency expenses.

spending done *outside* the city of Philadelphia study area include hiring a contractor or subcontractor from a suburban location; examples of *outside* spending for the Southeastern Pennsylvania study area include hiring a contractor or subcontractor from another part of Pennsylvania or any part New Jersey; examples of *outside* spending for the Philadelphia, PA-NJ PMSA study area include hiring a contractor or subcontractor from the rest of Pennsylvania, from Central or Northern New Jersey, or from outside either state. This outside spending is not counted since it has no effect on the study areas' economies.

Based on similar construction projects in the region, the following table summarizes estimates of local spending for each study area, broken down by hard versus soft costs<sup>5</sup>:

**Figure 2: “Local” Spending for Three Study Areas, Broken Down by Hard vs. Soft Costs**

| <b>Study Areas</b>   | <b>Percent “Local” Spending</b> |                   |
|----------------------|---------------------------------|-------------------|
|                      | <b>Hard Costs</b>               | <b>Soft Costs</b> |
| City of Philadelphia | 34%                             | 50%               |
| Southeastern PA      | 74%                             | 60%               |
| Phila., PA-NJ PMSA   | 80%                             | 65%               |

Source: PEL estimates

**Direct + indirect = the “multiplier effect.”** The total economic impact of the construction project is the sum of direct, indirect, and induced effects. The first round of spending in the process – for example, hiring the subcontractor who will pour concrete – is known as the *direct* effect. This is followed by several rounds of spending that encompass the *indirect* effect, as the concrete subcontractor purchases cement, truck fuel, and other supplies within the three study areas. These firms likewise make their own purchases of goods and services within the study areas, and the cycle continues for several rounds until all the direct expenditures eventually leak out of the study areas' economies. The wages paid by subcontractors and the subsequent spending their employees do within the study areas count as the *induced* effect. All these rounds of spending that ripple through the study areas' economies can be measured with what are commonly known as multipliers.<sup>6</sup>

The resulting impacts are created over the estimated construction interval of 3.5 years (beginning in 2005 and ending in mid-2008) and aggregated for a final impact estimate for each of the study areas. In this analysis, economic impact is expressed in three ways: spending, employment, and labor income. In addition, the tax revenue impact of construction activities has been estimated for the city of Philadelphia.

<sup>5</sup> Note that estimates of local versus non-local spending of this construction project are currently not available, given the project's early stage. As a basis for its estimates, PEL drew from an economic impact analysis of the construction of the Regional Performing Arts Center or RPAC (now known as the Kimmel Center for the Performing Arts), a project similar in scope and duration. The estimates used for the construction and renovation of the Free Library's Central Branch were finalized in consultation with FLP officials and their project manager (Becker & Frondorf).

<sup>6</sup> Economic impact and activity was calculated with the assistance of the Economic Development Research Group (EDR Group), based out of Boston, MA. EDR Group used the IMPLAN economic impact model to generate multipliers specific to the economies of the three study areas.

## Economic Impact of Construction Spending

The economic impact of construction is quantified for two general sets of activities: 1) spending on the actual expansion/renovation of the Central Branch, and 2) spending on anticipated ancillary development adjacent to the Central Branch facility. For the purposes of this report, ancillary development is defined as a 300-car parking facility and 25,000 square feet of street-level retail space. Note that this economic impact is a one-time “hit” for the study areas’ economies (as opposed to an on-going, annual economic impact).

### Direct Spending Estimates

Estimated direct spending on construction activities and the amount estimated to be spent “locally” (i.e., within the three study areas) for these two sets of activities are as follows:

**Figure 3: Direct Spending on Construction Activities**

| Construction Activity        | Total Estimated Costs (m 2003\$) | Amount Spent Locally* |               |               |
|------------------------------|----------------------------------|-----------------------|---------------|---------------|
|                              |                                  | Phila. City           | SE PA         | Phila. PMSA   |
| CB Expansion/Renovation      | \$101.4                          | \$35.9                | \$73.7        | \$79.7        |
| Ancillary – Parking Facility | \$7.5                            | \$2.8                 | \$5.2         | \$5.7         |
| Ancillary – Retail Space     | \$5.0                            | \$1.9                 | \$3.5         | \$3.8         |
| <b>TOTAL Direct Spending</b> | <b>\$113.9</b>                   | <b>\$40.6</b>         | <b>\$82.4</b> | <b>\$89.2</b> |

Source: PEL and EDR Group. \*See Figure 2 for percentages applied to direct spending to determine “amount spent locally,” broken down by hard and soft costs.

### Economic Impact: Output, Employment, and Labor Income

Economic impact is expressed in three ways: in terms of dollars of output (i.e., business sales), employment supported by construction activities (directly and indirectly), and labor income stemming from this employment. Note that many of the jobs supported by this spending are in the construction sector and are only present for the duration of the project. The total economic impact is the combination of direct (i.e., estimated project costs), indirect (i.e., numerous cycles of supplier transactions among area business), and induced effects (i.e., household spending of wage income initiated by construction activities).

The estimated economic impact for the three study areas is as follows (see Figure 4 for a summary table and Appendix A for detailed tables):

- **Output:** \$64.2 million within the city of Philadelphia, \$146.5 million within Southeastern Pennsylvania, and \$170.0 million within the Philadelphia, PA-NJ PMSA.
- **Employment:** 537 jobs within the city of Philadelphia, 1,229 jobs within Southeastern Pennsylvania, and 1,497 jobs within the Philadelphia, PA-NJ PMSA
- **Labor Income:** \$27.8 million within the city of Philadelphia, \$63.6 million within Southeastern Pennsylvania, and \$76.7 million within the Philadelphia, PA-NJ PMSA

**Figure 4: Summary of Economic Impact for Three Study Areas**

|   | <b>Output<br/>(m 2003\$)</b> | <b>Employment<br/>(no. of jobs)</b> | <b>Labor Income<br/>(m 2003\$)</b> |
|---|------------------------------|-------------------------------------|------------------------------------|
| City of Philadelphia                            | \$64.2                       | 537                                 | \$27.8                             |
| Southeastern Pennsylvania<br>Phila., PA-NJ PMSA | \$146.5                      | 1,229                               | \$63.6                             |
|   | \$170.0                      | 1,497                               | \$76.7                             |

Source: PEL and EDR Group

### **Economic Impact: City Tax Revenues**

In addition to economic impact in terms of output, employment, and labor income, the tax revenue impact of construction activities for the city of Philadelphia has been estimated. Note that the city of Philadelphia is the only study area for which the tax revenue impact is estimated, given it is one jurisdiction with discrete taxing powers. The other two study areas – Southeastern Pennsylvania and the Philadelphia, PA-NJ PMSA – are comprised of multiple jurisdictions, state and local, making them too complex in nature to assess.

The direct and indirect spending associated with the construction project will generate a variety of tax revenues for the City of Philadelphia. The tax revenues that can be estimated with some level of precision for the city of Philadelphia are from sales and wage taxes. Wage tax revenues are calculated using the labor income generated by the \$40.6 million in output generated within the city (see Figure 3). Combined with a series of assumptions about the residency of employees and the share of income that goes toward taxable purchase, it is possible to estimate the wage-induced consumer spending portion of sales tax revenues.<sup>7</sup>

The other component of sales tax revenues originates from the purchase of construction materials and supplies in the first round of construction spending. (Note that subsequent rounds of construction spending do not yield any significant sales tax revenues because the supplies and materials being purchased are largely intermediate in form, and are therefore not taxable under the City's sales tax regulations.) The amount of taxable construction purchases is determined by taking the taxable portion of in-city purchases of supplies and materials. It is expected that about \$34.2 million (34 percent of the project's total hard costs) will be spent in the city of Philadelphia in the first round of construction spending (see Figure 3).<sup>8</sup> About half this amount (\$17.1 million) will go toward actual purchases of supplies and materials, with the remainder allocated for labor costs and profit.<sup>9</sup> Based on a 1% sales tax rate, this spending yields approximately \$171,000 in city sales tax revenue.<sup>10</sup>

The total estimated tax revenue impact of construction activities on the city of Philadelphia is \$1.34 million, stemming from three streams: the city wage tax (\$1.13 million), the city sales tax on construction purchases (\$171,000), and the wage-induced consumer spending portion of the city sales tax (\$40,000). The following table summarizes the tax revenue impact of construction activities within the city of Philadelphia:

<sup>7</sup> The City sales tax rate is 1%. The city wage tax rate is projected to be 4.31% for residents and 3.8% for commuters (based on the average of projected wage tax rates from 2005 to 2008, according to the City's five-year plan).

<sup>8</sup> The project's soft costs consist primarily of services, which are not taxable.

<sup>9</sup> Based on assumptions made in PEL's RPAC analysis.

<sup>10</sup> It is possible that the \$17.1 million in purchases of materials and supplies within the city of Philadelphia includes non-taxable items. However, the current project budget does not include this level of precision in specific line items. Therefore, sales tax revenues are estimated for the \$17.1 million spending figure.



**Figure 5: Tax Revenue Impact within City of Philadelphia**

| <b>Type of Tax</b>                      | <b>Tax Revenue<br/>(m 2003\$)</b> |
|---|-----------------------------------|
| City wage tax                           | \$1.13                            |
| City sales tax – construction purchases | \$0.17                            |
| City sales tax – consumer spending      | \$0.04                            |
| <b>TOTAL City Tax Revenue</b>           | <b>\$1.34</b>                     |

Source: PEL and EDR Group

## Economic Activity Generated by Visitor Spending

Economic activity generated by visitor spending is quantified for two new services expected with the expanded/renovated Central Branch: 1) an on-site café/restaurant and gift shop, and 2) off-site retail activities associated with anticipated ancillary development. Annual revenue generated from visitor spending at the on-site café/restaurant was estimated based on market segmentation of existing and anticipated new visitors.<sup>11</sup> Annual revenue derived from the off-site retail was estimated based on average sales for a Philadelphia retail worker.<sup>12</sup> Note that this economic activity (after construction is completed) is an on-going, annual infusion of dollars into the study areas' economies (as opposed to a one-time economic impact, as is produced with construction activities).

Note that in the case of visitor spending economic *activity* is being measured, as opposed to economic *impact*. Visitor spending is not necessarily introducing “new” dollars into the study areas' economies (unlike spending for construction activities), but rather represents shifts within the study areas' economies, as this spending would likely be taking place regardless (e.g., instead of patronizing the on-site café, visitors might have gone to a local café off-site).

### Direct Visitor Spending Estimates

The estimated economic activity of visitor spending for the three study areas is as follows (summarized in Figure 6):

**Figure 6: Estimated Annual Revenue Generated by Visitor Spending**

| Type of Visitor Spending    | Annual Revenue<br>(m 2003\$) |
|-----------------------------|------------------------------|
| Café/restaurant & gift shop | \$2.1                        |
| Off-Site Retail Activities  | \$2.2                        |
| <b>TOTAL Annual Revenue</b> | <b>\$4.3</b>                 |

Source: PEL and EDR Group

### Economic Activity: Output, Employment, and Labor Income

Like economic impact, economic activity is expressed in three ways: in terms of dollars of output (i.e., business sales), employment supported by construction activities (directly and indirectly), and labor income stemming from this employment. Unlike construction activities, many of the jobs supported by visitor spending are permanent in nature and result in on-going economic activity. The total economic activity is the combination of direct (i.e., estimated project costs), indirect (i.e., numerous cycles of supplier transactions among area business), and induced effects (i.e., household spending of wage income initiated by construction activities).

The estimated economic activity for the three study areas is as follows (see Figure 7 for a summary table and Appendix B for detailed tables):

<sup>11</sup> Assumptions made about visitor spending: 1) Twenty percent of new visitors are assumed to be drawn to the expanded facility for special exhibits and spend on average \$12 per visit between the café (60%) and gift shop (40%). Ten percent of existing visitors and remaining new visitors using the library are assumed to spend \$4 per visit in the café.

<sup>12</sup> Based on analysis conducted by the federal Bureau of Economic Analysis (BEA). Estimates derived for 25,000 square feet of retail space.

- **Output:** \$6.0 million within the city of Philadelphia, \$6.5 million within Southeastern Pennsylvania, and \$6.7 million within the Philadelphia, PA-NJ PMSA.
- **Employment:** 118 jobs within the city of Philadelphia, 125 jobs within Southeastern Pennsylvania, and 127 jobs within the Philadelphia, PA-NJ PMSA
- **Labor Income:** \$2.5 million within the city of Philadelphia, \$2.8 million within Southeastern Pennsylvania, and \$2.8 million within the Philadelphia, PA-NJ PMSA

**Figure 7: Summary of Annual Economic Activity for Three Study Areas**

|                           | <b>Output<br/>(m 2003\$)</b> | <b>Employment<br/>(no. of jobs)</b> | <b>Labor Income<br/>(m 2003\$)</b> |
|---------------------------|------------------------------|-------------------------------------|------------------------------------|
| City of Philadelphia      | \$6.0                        | 118                                 | \$2.5                              |
| Southeastern Pennsylvania | \$6.5                        | 125                                 | \$2.8                              |
| Phila., PA-NJ PMSA        | \$6.7                        | 127                                 | \$2.8                              |

Source: PEL and EDR Group

## **Beyond Economic Impact: The Economic Value the Free Library**

While one-time “hits” from major capital projects such as the Central Branch expansion/renovation can have a significant impact on the local economy, libraries generally are not regarded as traditional engines of economic growth. After all, these “legacy” projects only occur every 50 to 100 years and their comparative impact is not as high as other major capital projects (such as stadiums or convention centers). Furthermore, libraries are primarily funded with local resources and, as such, do not draw significant “new dollars” into the region to stimulate real economic growth.

Despite these observations, it is clear that libraries are increasingly playing an important role in creating value for local economies. In Chicago, for example, libraries are a key component in downtown revitalization strategies, including a plan to revitalize the south end of the State Street retail corridor is anchored by a new central branch facility. The presence of the new central branch is expected to spur on the development of at least 10,000 new residential units, including units that accommodate families (e.g., 3-bedroom apartments). To help drive demand for these units, the Chicago Public Library System will be offering a host of new family-oriented services.<sup>13</sup>

In Philadelphia, the timing of the Central Branch expansion/renovation could not be more opportune in light of other developments and initiatives taking place in the city and region. While all facets of the Central Branch’s operations will undoubtedly be positively impacted by the expanded/renovated facility, the most dramatic results in terms of economic value are like to be in the areas of regional tourism and business development. Economic impact analysis has only limited usefulness in assigning an economic value for these areas; rather, a more appropriate tool for measuring their value would be a cost-benefits study.

### **Tourism Development**

Since the 1990s the region has made tremendous strides toward promoting itself as a destination for tourists and conventioners. With its prime location along the Benjamin Franklin Parkway, regarded as the city’s original “avenue of the arts,” the Free Library’s Central Branch is poised to enhance the appeal of the Parkway for residents and tourists by thoughtful melding of old and new architecture and the lure of resources from as far back as the printed word to as far forward as technology will take us.

A new architecturally-significant building, new services and amenities (e.g., café and gift shop), and space to host special events and meetings will allow the FLP to contribute to the development of the region’s tourism industry and generate new revenue and exposure for its Central Branch. And as new cultural institutions join the Parkway – such as the Calder Museum and possibly the Barnes Foundation’s collection – the potential for the FLP to reap the gains becomes more likely.

### **Business Development**

With regards to the new services that can now be offered as part of an expanded/renovated Central Branch facility, perhaps the greatest benefit to the city *and* region will be stronger support of business development, particularly small businesses. More computers, more

---

<sup>13</sup> Presentation by Mary Dempsey, Commissioner of the Chicago Public Library System, at the Urban Library Council Conference, Chicago, IL, December 9, 2000.

computer connections, and more information resources (printed and on-line) mean a stronger competitive edge for business owners and entrepreneurs who choose to start and grow their business in the Philadelphia region.

Furthermore, as the Central Business District continues to expand outward, particularly with the proposed construction of two new office towers north of Market Street (and south of the Central Branch), the Central Branch will literally become a more integrated part of the region's strongest concentration of business and industry. The key for the FLP moving forward is to tailor its new service offerings to existing economic development initiatives that seek to promote the region's industry strengths, which include: biotech and life sciences, business services, financial services, and higher education.

**Cost-Benefits Analysis: Ascribing the True Value of the Free Library**

The true economic value of the FLP is the longer-term role it plays in local economic development. With regard to public institutions like the FLP, economists generally agree that economic impact analysis is of only limited value in expressing the institution's benefit to the community. As described by the head of the St. Louis Public Library (SLPL):

“...like school districts, community colleges, and area universities, libraries are critically important to the long-term economic health of the regions they serve. Along with these and other critical education and information institutions, libraries sustain the human capital that enriches a region in the long run.”<sup>14</sup>

Residents share this strong sentiment with library officials – in St. Louis, for example, 88% of cardholders refused to consider closing down the library at any cost.<sup>15</sup>

As a next step to this economic impact analysis, a cost-benefit analysis of the FLP (its Central Branch and system-wide) would be an effective way to measure the true value of the public library to the region, including the new developed areas serving tourists and businesses. Pioneered by the SLPL, methodologies are being successfully implemented to measure the benefits derived from public libraries, particularly direct benefits derived by actual users (as opposed to 3<sup>rd</sup> party or societal benefits).

The heart of such a study would be a “benefits valuation,” an exercise that seeks to place a quantifiable measure on the benefits derived by users for each “bucket” of services they use. Such a benefits valuation could then be held up against the costs of having a public library (operation and capital costs), resulting in a “return on investment.” In cities where this methodology has been implemented, the return on investment has consistently yielded greater benefits than costs on a per tax dollar basis (see Figure 8).

**Figure 8: Cost-Benefit Analysis of Public Libraries in Other Major Cities**

| City/Library System                  | ROI - benefits (in \$) per \$1 in taxes spent on libraries |
|--------------------------------------|--|
| Baltimore County Public Library      | \$3.00 - \$6.00  |
| Birmingham Public Library            | \$1.30 - \$2.70  |
| King County Library System (Seattle) | \$5.00 - \$10.00   |
| Phoenix Public Library               | > \$10.00  |
| St. Louis Public Library             | \$2.50 - \$5.00  |

Source: SLPL website, section on “Public Library Benefits Valuation Study”

<sup>14</sup> Holt, Glen, e. al., “Placing a Value on Public Library Services,” *Public Libraries*, March/April 1999, pp. 98-108.

<sup>15</sup> Holt, Glen and Donald Elliot, “Proving Your Library’s Worth: A Test Case,” *Library Journal*, November 1998, pp. 42-44.

## Conclusion

The construction and renovation of the Free Library's Central Branch will have a significant economic impact on the local economy – a one-time hit (over a 3.5 year period) stemming from construction activities related to the actual facility and anticipated ancillary development adjacent to the facility. Direct construction spending of \$113.9 million (\$101.4 on the Central Branch and \$12.5 million on ancillary development external of the Library project) will result in a \$64.2 million economic impact on the city of Philadelphia, a \$146.5 million economic impact on Southeastern Pennsylvania, and a \$170 million economic impact on the bi-state Philadelphia metropolitan area.

This output will support 537 jobs in the city, 1,229 jobs in Southeastern Pennsylvania, and 1,497 jobs in the Philadelphia metro area (mostly in the construction sector). For the city of Philadelphia, the expected tax revenue impact will be \$1.34 million stemming from three streams: the city wage tax, the city sales tax on construction purchases, and the wage-induced consumer spending portion of the city sales tax.

Visitor spending on new services introduced by the Central Branch expansion/renovation will also result in subsequent on-going annual activity for the local economy. Based on estimated annual revenue of \$4.3 million generated by these new services, visitor spending is expected to generate \$6.0 million in output for the city of Philadelphia, \$6.5 million in output for Southeastern Pennsylvania, and \$6.7 million in output for the bi-state Philadelphia metro area. This output will support an estimated 118 jobs for the city, 125 jobs for Southeastern Pennsylvania, and 127 jobs for the Philadelphia metro area. Given most of this visitor spending is not new to the local economy (i.e., it would have been done elsewhere within the study areas), there is no tax revenue impact of visitor spending.

In addition to the economic benefits and what will certainly be added value based on improved services, dramatically increased usage of the Central Library as a result of the expansion project will contribute to:

- **The revitalization of the Benjamin Franklin Parkway**, as increased usage will spill over to other cultural institutions and area businesses
- **Tourism development and services**, by serving a new role as a possible information gateway to entire Parkway cultural area
- **Neighborhood development**, through the potential development of high rise residential apartments and condominiums
- **Business development and retention**, by providing Center City businesses with an expanded and valuable business collection and conference center, as well as promoting workforce literacy.

## Appendix A: Detailed Tables of Economic Impact of Construction

Figure 9: Economic Impact for the City of Philadelphia

| Economic Impact                 | CB Expansion/<br>Renovation | Ancillary<br>Development | Total Construction-<br>Related Impact |
|---------------------------------|-----------------------------|--------------------------|---------------------------------------|
| <b>OUTPUT (m 2003\$)</b>        |                             |                          |                                       |
| • Direct effect                 | \$35.9                      | \$4.7                    | \$40.6                                |
| • Indirect effect               | \$10.2                      | \$1.3                    | \$11.5                                |
| • Induced effect                | \$10.8                      | \$1.2                    | \$12.0                                |
| <b>TOTAL Output</b>             | <b>\$56.9</b>               | <b>\$7.2</b>             | <b>\$64.2</b>                         |
| <b>EMPLOYMENT (no. of jobs)</b> |                             |                          |                                       |
| • Direct effect                 | 281                         | 34                       | 315                                   |
| • Indirect effect               | 89                          | 11                       | 100                                   |
| • Induced effect                | 110                         | 12                       | 122                                   |
| <b>TOTAL Employment</b>         | <b>480</b>                  | <b>57</b>                | <b>537</b>                            |
| <b>LABOR INCOME (m 2003\$)</b>  |                             |                          |                                       |
| • Direct effect                 | \$16.5                      | \$1.8                    | \$18.3                                |
| • Indirect effect               | \$4.5                       | \$0.5                    | \$5.0                                 |
| • Induced effect                | \$4.1                       | \$0.5                    | \$4.5                                 |
| <b>TOTAL Labor Income</b>       | <b>\$25.1</b>               | <b>\$2.8</b>             | <b>\$27.8</b>                         |

Source: PEL and EDR Group. Note: Columns and rows might not add due to round-off error.

Figure 10: Economic Impact for Southeastern Pennsylvania

| Economic Impact                 | CB Expansion/<br>Renovation | Ancillary<br>Development | Total Construction-<br>Related Impact |
|---------------------------------|-----------------------------|--------------------------|---------------------------------------|
| <b>OUTPUT (m 2003\$)</b>        |                             |                          |                                       |
| • Direct effect                 | \$73.7                      | \$8.7                    | \$82.4                                |
| • Indirect effect               | \$25.8                      | \$3.4                    | \$29.3                                |
| • Induced effect                | \$31.4                      | \$3.5                    | \$34.8                                |
| <b>TOTAL Output</b>             | <b>\$130.9</b>              | <b>\$15.6</b>            | <b>\$146.5</b>                        |
| <b>EMPLOYMENT (no. of jobs)</b> |                             |                          |                                       |
| • Direct effect                 | 553                         | 68                       | 621                                   |
| • Indirect effect               | 221                         | 27                       | 248                                   |
| • Induced effect                | 324                         | 36                       | 360                                   |
| <b>TOTAL Employment</b>         | <b>1,098</b>                | <b>131</b>               | <b>1,229</b>                          |
| <b>LABOR INCOME (m 2003\$)</b>  |                             |                          |                                       |
| • Direct effect                 | \$33.9                      | \$3.6                    | \$37.5                                |
| • Indirect effect               | \$11.2                      | \$1.4                    | \$12.6                                |
| • Induced effect                | \$12.2                      | \$1.3                    | \$13.5                                |
| <b>TOTAL Labor Income</b>       | <b>\$57.3</b>               | <b>\$6.3</b>             | <b>\$63.6</b>                         |

Source: PEL and EDR Group. Note: Columns and rows might not add due to round-off error.

**Figure 11: Economic Impact for Philadelphia, PA-NJ PMSA**

| <b>Economic Impact</b>          | <b>CB Expansion/<br/>Renovation</b> | <b>Ancillary<br/>Development</b> | <b>Total Construction-<br/>Related Impact</b> |
|---------------------------------|-------------------------------------|----------------------------------|---|
| <b>OUTPUT (m 2003\$)</b>        |                                     |                                  |   |
| • Direct effect                 | \$79.7                              | \$9.5                            | \$89.2  |
| • Indirect effect               | \$32.7                              | \$4.0                            | \$36.6  |
| • Induced effect                | \$40.2                              | \$4.0                            | \$44.2  |
| <b>TOTAL Output</b>             | <b>\$152.5</b>                      | <b>\$17.5</b>                    | <b>\$170.0</b>                                |
| <b>EMPLOYMENT (no. of jobs)</b> |                                     |                                  |   |
| • Direct effect                 | 652                                 | 74                               | 726   |
| • Indirect effect               | 283                                 | 31                               | 314   |
| • Induced effect                | 415                                 | 42                               | 457   |
| <b>TOTAL Employment</b>         | <b>1,350</b>                        | <b>147</b>                       | <b>1,497</b>                                  |
| <b>LABOR INCOME (m 2003\$)</b>  |                                     |                                  |   |
| • Direct effect                 | \$39.7                              | \$3.9                            | \$43.6  |
| • Indirect effect               | \$14.3                              | \$1.6                            | \$15.9  |
| • Induced effect                | \$15.6                              | \$1.6                            | \$17.2  |
| <b>TOTAL Labor Income</b>       | <b>\$69.6</b>                       | <b>\$7.0</b>                     | <b>\$76.7</b>                                 |

Source: PEL and EDR Group. Note: Columns and rows might not add due to round-off error.



## Appendix B: Detailed Tables of Economic Activity of Visitor Spending

Figure 12: Economic Activity for City of Philadelphia

| Economic Activity         | Café/Restaurant & Gift Shop | Off-Site Retail Activities | Total Visitor Spending-Related Activity |
|---------------------------|-----------------------------|----------------------------|---|
| OUTPUT (m 2003\$)         |                             |                            |   |
| • Direct effect           | \$2.1                       | \$2.2                      | \$4.3                                   |
| • Indirect effect         | \$0.4                       | \$0.4                      | \$0.8                                   |
| • Induced effect          | \$0.4                       | \$0.4                      | \$0.8                                   |
| <b>TOTAL Output</b>       | <b>\$2.9</b>                | <b>\$3.0</b>               | <b>\$6.0</b>                            |
| EMPLOYMENT (no. of jobs)  |                             |                            |   |
| • Direct effect           | 50                          | 54                         | 104                                     |
| • Indirect effect         | 3                           | 3                          | 6                                       |
| • Induced effect          | 4                           | 4                          | 8                                       |
| <b>TOTAL Employment</b>   | <b>57</b>                   | <b>61</b>                  | <b>118</b>                              |
| LABOR INCOME (m 2003\$)   |                             |                            |   |
| • Direct effect           | \$0.9                       | \$1.0                      | \$1.9                                   |
| • Indirect effect         | \$0.1                       | \$0.2                      | \$0.3                                   |
| • Induced effect          | \$0.1                       | \$0.2                      | \$0.3                                   |
| <b>TOTAL Labor Income</b> | <b>\$1.2</b>                | <b>\$1.3</b>               | <b>\$2.5</b>                            |

Source: PEL and EDR Group. Note: Columns and rows might not add due to round-off error.

Figure 13: Economic Activity for Southeastern Pennsylvania

| Economic Activity         | Café/Restaurant & Gift Shop | Off-Site Retail Activities | Total Visitor Spending-Related Activity |
|---------------------------|-----------------------------|----------------------------|---|
| OUTPUT (m 2003\$)         |                             |                            |   |
| • Direct effect           | \$2.1                       | \$2.2                      | \$4.3                                   |
| • Indirect effect         | \$0.5                       | \$0.5                      | \$1.0                                   |
| • Induced effect          | \$0.6                       | \$0.6                      | \$1.2                                   |
| <b>TOTAL Output</b>       | <b>\$3.2</b>                | <b>\$3.3</b>               | <b>\$6.5</b>                            |
| EMPLOYMENT (no. of jobs)  |                             |                            |   |
| • Direct effect           | 50                          | 54                         | 104                                     |
| • Indirect effect         | 4                           | 4                          | 8                                       |
| • Induced effect          | 6                           | 7                          | 13                                      |
| <b>TOTAL Employment</b>   | <b>60</b>                   | <b>65</b>                  | <b>125</b>                              |
| LABOR INCOME (m 2003\$)   |                             |                            |   |
| • Direct effect           | \$0.9                       | \$1.0                      | \$1.9                                   |
| • Indirect effect         | \$0.2                       | \$0.2                      | \$0.4                                   |
| • Induced effect          | \$0.2                       | \$0.2                      | \$0.5                                   |
| <b>TOTAL Labor Income</b> | <b>\$1.3</b>                | <b>\$1.4</b>               | <b>\$2.8</b>                            |

Source: PEL and EDR Group. Note: Columns and rows might not add due to round-off error.

**Figure 14: Economic Activity for Philadelphia, PA-NJ PMSA**

| <b>Economic Activity</b>        | <b>Café/Restaurant &amp; Gift Shop</b> | <b>Off-Site Retail Activities</b> | <b>Total Visitor Spending-Related Activity</b> |
|---------------------------------|--|-----------------------------------|--|
| <b>OUTPUT (m 2003\$)</b>        |  |                                   |  |
| • Direct effect                 | \$2.1                                  | \$2.2                             | \$4.3  |
| • Indirect effect               | \$0.6                                  | \$0.6                             | \$1.1  |
| • Induced effect                | \$0.6                                  | \$0.6                             | \$1.3  |
| <b>TOTAL Output</b>             | <b>\$3.3</b>                           | <b>\$3.4</b>                      | <b>\$6.7</b>                                   |
| <b>EMPLOYMENT (no. of jobs)</b> |  |                                   |  |
| • Direct effect                 | 50                                     | 54                                | 104  |
| • Indirect effect               | 4                                      | 4                                 | 9  |
| • Induced effect                | 7                                      | 8                                 | 14   |
| <b>TOTAL Employment</b>         | <b>61</b>                              | <b>66</b>                         | <b>127</b>                                     |
| <b>LABOR INCOME (m 2003\$)</b>  |  |                                   |  |
| • Direct effect                 | \$0.9                                  | \$1.0                             | \$1.9  |
| • Indirect effect               | \$0.2                                  | \$0.2                             | \$0.4  |
| • Induced effect                | \$0.2                                  | \$0.3                             | \$0.5  |
| <b>TOTAL Labor Income</b>       | <b>\$1.4</b>                           | <b>\$1.5</b>                      | <b>\$2.8</b>                                   |

Source: PEL and EDR Group. Note: Columns and rows might not add due to round-off error.