

# THE ECONOMIC IMPORTANCE OF THE ARTS & CULTURAL INDUSTRIES IN SANTA FE COUNTY

## PART II: QUALITATIVE ANALYSIS OF RELATIONS BETWEEN ARTS & CULTURAL INDUSTRIES AND OTHER SECTORS OF THE SANTA FE COMMUNITY

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June 2004

Revised November 2004

UNIVERSITY OF NEW MEXICO  
BUREAU OF BUSINESS AND  
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## EXECUTIVE SUMMARY

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### Background and Objectives

Part 1 of this research project quantified the contribution of Arts and cultural industries (A&CIs), including cultural tourism, to Santa Fe's economy. The results, based on 2002 data, were impressive: A&CIs are responsible for nearly 4 of every 10 dollars that flow into Santa Fe county; one out of every 6 workers in the county are directly or indirectly employed by the A&CIs, including cultural tourism; Santa Fe's A&CIs rank as one of the top industries in New Mexico, comparable to Intel and UNM in terms of direct, indirect and induced employment and wages; public revenues far exceed expenditures for arts and culture – a nearly 400% return for City and 40% return for State government expenditures.

The purpose of Part 2 of this project is to look behind these numbers and examine the social and economic dynamics that link arts and culture to other sectors of the community of Santa Fe. The premise of this work is that a better understanding of underlying dynamics will enable industry leaders and the community to leverage the assets of the arts & culture sector to create a broader pattern of economic growth and increase benefits to the city's population. To investigate these dynamics BBER conducted nearly 100 in-depth interviews with people representing various sectors of the community; analyzed demographic and historical economic data; and reviewed academic and planning literature on issues relevant to experiences and challenges faced by Santa Fe.

### Challenges

The findings of this research highlight several challenges facing Santa Fe's A&CIs and its overall economy and point to key areas where the assets of arts & culture can be leveraged to create a more cohesive and dynamic regional economy. Among the principal challenges are:

1. Economic and demographic changes have created a crisis of affordability that threatens the conditions of success of Santa Fe's creative economy.

Wages in Santa Fe are 20% lower than the national average but the median value of owner-occupied housing is 53% higher than the national level; the value of housing units are increasing at nearly 3 times the national rate. The increase in the relative cost of living disproportionately affects artists, young adults and traditional Hispanic and Native American populations, many of whom are forced to relocate

out of Santa Fe to more affordable locations. These demographic changes undermine the diversity of the community and the environment of creativity in Santa Fe.

2. Evidence suggests a growing disconnect between the creative & commercial aspects of Santa Fe's art industry.

Data collected in Part of this research project shows that only 8% of art (by value) sold in Santa Fe galleries is produced by artists who live in the county; more than 90% of Santa Fe gallery revenues come from art delivered out-of-state, and hence are exempt from gross receipt taxes. The consequence of these trends is that much of the wealth generated by A&CIs is leaving in Santa Fe, diminishing the resources available for reinvestment in the creative and productive capacity of the community.

3. To date, Santa Fe has failed to establish A&CIs in new media and emerging industries and markets.

Technical and social innovation has created new outlets for the delivery of cultural products, increasing competition and necessitating innovation. To its advantage, Santa Fe possesses a high level of technical capacity, complementing the region's rich cultural resources. However, a weak tradition of entrepreneurship, a poorly developed investment networks and limited institutional support have impeded collaboration between the creative and technical communities of Santa Fe, restricting the development of products in new media and markets.

4. Santa Fe has lost nearly one-third of its share of the national tourism market since the mid-1990s.

The decline is part of a statewide pattern, but is most pronounced in Santa Fe. Available evidence suggests that tourism industry in Santa Fe is supported by an increasingly narrow market of repeat visitors, and is failing to expand its appeal to more rapidly growing market segments. Declining market share is problematic because it tends to increase the volatility of the industry during periods of change and market instability; it limits the capacity of Santa Fe to leverage its success in tourism in other industries; and more generally, it raises questions regarding the value of the Santa Fe 'brand' over the longer term.

## Opportunities

BBER's research also points to crucial dynamics that have the potential to contribute to a fundamental restructuring and rejuvenation of Santa Fe's economy: All sectors of the community express pride in Santa Fe's tradition in the arts and emphasize the importance of the region's cultural heritage and diversity to the future and development of the community. This commonality may serve as a rallying point to unite the community, to provide a basis for an open exchange of ideas, and to develop and implement a plan for economic development that benefits all Santa Feans.

Other communities appear to have successfully confronted challenges similar to in Santa Fe and successfully rejuvenated their arts & culture-based economies. Researchers have examined the cyclical trends of culture-based development, including art communities, tourism and amenity migration, and have noted predictable patterns known as 'life cycles'. According to these models, a period of stagnation commonly follows periods of discovery, growth and maturation. However, communities can overcome stagnation and experience rejuvenation if early signs of stagnation are acknowledged and leaders emerge to engage the community in a process of redefinition, restructuring and long-term strategic planning. Venice, Italy; Lancaster County, Pennsylvania; Niagara Falls, New York; and various communities in New England are among the many places that have successfully confronted the 'life cycle' dilemma.

## Strategies for Rejuvenating Santa Fe's Art & Culture-based Economy

To confront these challenges, Santa Fe should renew its commitment to the communities and resources that are necessary for creativity and production while also repositioning itself in regional, national and global markets. In broad terms, these measures should include the following:

1. Embrace and invest in the diversity and creativity of the community.

To confront the crisis of affordability and support the diversity and creativity that is the foundation of the A&CIs, Santa Fe should pursue educational policies that simultaneously achieve several objectives – deepening the community's sense of ownership of A&CIs; ensuring that the diverse resources and traditions of the community are fully engaged in the creative process; and preparing students for employment in the creative economy of the future. In addition, Santa Fe should implement policies that provide affordable space for housing and work for the communities currently under pressure. To finance these investments, Santa Fe

should consider mechanisms to capture a portion of the wealth created by A&CIs, especially the art market, cultural tourism and amenity migration. The use of such mechanisms should be seen in the common interest of all stakeholders insofar as the capacity of A&CIs to generate revenues owes, in part, to the endowment of public assets – the region's culture, heritage and environment.

2. Santa Fe can and should strengthen its regional connections.

Underlying many of the challenges described above is Santa Fe's relative small size and geographical isolation. The City and County lack a sufficiently large and specialized labor force, spaces for collaborative work, a research university and a major regional airport. Further, the restricted supply of natural resources, particularly water, constrains the capacity of Santa Fe to grow beyond its present limitations. These are critical constraints in a highly competitive national and global creative economy. However, Santa Fe can overcome many of its constraints by improving its connections with Albuquerque and other communities in Northern New Mexico. Santa Fe should assume a leading role in establishing a corridor of creativity and cultural diversity, strengthening regional relationships and cultivating a new 'geographical division of labor'. Within this regional framework, Santa Fe can better specialize as a creative and organizational center and principal point of exchange while providing new opportunities and markets to other parts of Northern New Mexico.

3. Santa Fe should utilize its prestige, 'brand' identity and cultural resources to redefine itself within a national and global context.

Although relatively small, Santa Fe has a global presence as a center for the arts and cultural enterprise. Its prestige and the associated resources should be used to broaden the community's role in the creative economy beyond the existing A&CIs to establish Santa Fe as a center for creativity and innovation. This initiative would require a long-term plan that addresses not only the area's existing advantages in cultural tourism and amenity migration, but also the possibility of developing industries that combine Santa Fe's cultural and technical resources. Initiatives might include centers for the development of art in education; creative problem-solving and conflict resolution; environment-friendly development; and cultural preservation and collaboration.

## ACKNOWLEDGEMENTS

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Jeffrey Mitchell



## INTRODUCTION

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Phase 1 of this research project quantified the contribution of arts & cultural industries, including cultural tourism, to the economy of Santa Fe. The results were outstanding: arts and cultural industries are responsible for \$2 of every \$5 that flow into Santa Fe county; almost one out of every six workers in the county are directly or indirectly employed by the arts & cultural industries; the City of Santa Fe receives a 500 percent return on its expenditures on arts and culture; by nearly measure, Santa Fe has been shown to have one of the strongest arts and cultural industries of any US of its size.

Part 2 of this project looks beyond these numbers to examine the social and economic dynamics that link arts and culture to other sectors of the local economy. The premise of this work is that performance of the economy is a function of underlying social and economic relationships, and that in Santa Fe arts and cultural activities are central to these relationships. By studying the role of arts and culture along these lines, we believe that we can begin to identify strategies that better leverage the strengths of the community's cultural sector to improve social conditions and broaden economic opportunities in Santa Fe.

To address these questions, BBER conducted nearly 100 in-depth interviews with people from various sectors of Santa Fe's community and reviewed academic and planning literature on issues relevant to experiences and challenges faced by Santa Fe. Interviews were concentrated with the following groups: artists, artisans, service providers, members of the business and economic development community, recent migrants to Santa Fe, and members of the established communities of Santa Fe. These interviews yield a complex account regarding the broad impacts of A&C industries in Santa Fe. In some regards, the account is predictable and straightforward; in other regards, the account is surprising and contradictory; in some ways, the account is positive and optimistic; in other ways, the findings are critical and cautionary. Overall, our findings are that A&C industries are every bit as important to the economy of Santa Fe as might have been expected based on the quantitative analysis in Phase I. However, significant challenges exist in leveraging the strength of A&C to create a broader dynamic of growth and development in Santa Fe.

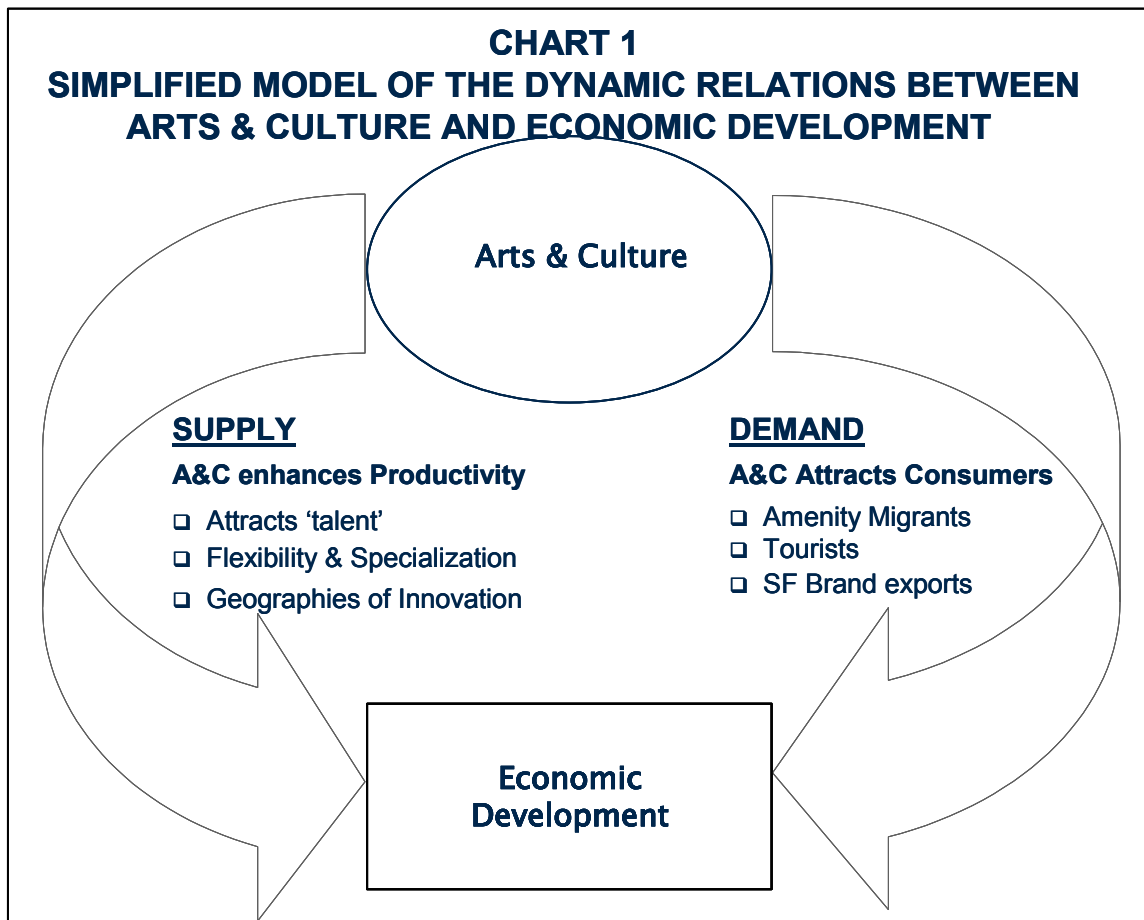
Section 1 of this paper provides a brief discussion of the framework used in the analysis of relations linking arts & cultural activities to other sectors of the

community. Section 2 summarizes the principal findings of our research. Section 3 considers in broad terms some of the principal challenges that Santa Fe and its economy are likely to face during coming years. The fourth section bridges the second and third parts with an analysis of the potential contribution of arts & culture in addressing the challenges facing Santa Fe. The final section offers a few concluding remarks.

**A FRAMEWORK FOR THE ANALYSIS OF ART & CULTURE- ECONOMIC RELATIONS**

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The purpose of this phase of work is to examine the impact of arts and cultural activities on Santa Fe's economy at large. There are various channels through which this impacts can be transmitted. In the broadest sense, arts & cultural activities can stimulate the local economy either by increasing the demand for goods and services or by enhancing the productivity of the economy. Chart 1 is a simplified diagram of these channels and the relationships between art & cultural and other sectors of a creative economy.



The demand side is relatively straightforward. Arts and culture draws money into an economy by attracting tourists and amenity migrants who rent hotel rooms, eat and drink in restaurants, visit museums, shop in galleries and retail, purchase land

and construct homes, buy groceries, gas and a wide range of other goods. This spending supports investment and growth. The demand side of culture-economy relationship is relatively non-dynamic. The increase in demand and spending generates few gains in the efficiency and productivity of economy, although like all economic activity it does produce indirect and induced activities to the extent that money circulates within the local economy.

The supply side is somewhat more complex and potentially yields more dynamic benefits in terms of increased efficiency and productivity. One mechanism by which arts and culture enhances the productivity of the economy is by contributing an environment of diversity, tolerance and creativity that is attractive to entrepreneurs and talented, skilled and highly desired workers. In effect, arts and culture in this model function as an amenity that in economic terms services as a supplement to a worker's compensation. This is the argument that many have taken from the widely read book *The Rise of the Creative Class* (2002) by Richard Florida.

The second mechanism by which arts and culture enhances efficiency and productivity is internal to the creative process itself. During the 19<sup>th</sup> and early 20<sup>th</sup> centuries, planners and business leaders realized that the concentration of complementary industrial facilities in regions generates something similar to an economy of scale. By sharing costs of labor and infrastructure, by reducing transportation costs and time lags inherent in trade, the concentration of facilities makes each facility more efficient and cost effective than if it were to operate by itself. The same dynamic is evident in the concentration of retail and service establishments. The concentration of restaurants in one area of a city, for example, creates market benefits that outweigh any expected cost of competition. This dynamic, in industrial, retail and service applications, is known as *agglomeration*.

Today, agglomeration of industrial facilities is of secondary importance because the decline in the cost of transportation and communication. However, economic geographers, economists and planners recently have come to identify benefits of agglomeration in the creative process that is so important in today's economy (Scott 2004). One instance is in the production of small batches of highly specialized, high value products such as software, design and media. In such cases, where demand for a specific product is insufficient to sustain a large integrated facility, small firms that specialize in particular functions group together to work as highly flexible but loosely organized production unit that is

able to continuously reconstitute itself as market demands shift (Piore and Sabel 1984). This is known as the "Hollywood model" and places where the system takes hold are referred to as "new industrial spaces" (Scott 2004; 2002; 1988). Santa Fe's *Infomesa* could serve as an example of this model.

A second, more general example of agglomeration in the creative process is found in "geographies of innovation" (Angel 1994). Geographers and planners have begun to consider the question of why some regions and some cities demonstrate such a remarkable capacity to easily adapt new technologies and generate innovation (Camagni 1991; Saxenian 1994; Storper and Salais 1997; Cooke and Morgan 1998; Hospers 2003). The answer includes obvious factors such as education but goes further to identify the importance of diversity and openness, where ideas are constantly tested, improvement occurs daily and learning is continuous—something akin to the Japanese concept of "kaizen" or continuous improvement (MacKinnon, Cumbers and Chapman 2002). This vision is complementary to the ideas of Richard Florida, where talented people attracted to diverse and innovative places, but at the same time people become more talented and innovative in these places. These dynamics are common to large cities such as San Francisco, Seattle and Boston, but also smaller communities such as Bellingham, Washington, Asheville, North Carolina, and one might expect Santa Fe.

The interviews conducted for this research focused on the three mechanisms described above. The interviews were differently structured depending on the group being investigated. Interviews with amenity migrants, for example, questioned the importance of arts and culture in decisions to relocate to Santa Fe; asked about the involvement of new residents in the community, including local spending and investment practices, their work as volunteers and mentors, and more general patterns of community interaction. Discussions with members of science, technology and business community focused on the creative conditions of their environment, the nature their interactions, and the role that Santa Fe's art and cultural resources play in their work. Similar questions were asked of member of the established community, of artists and artisans, of service providers and all other interviewed. In each case, an attempt was made to tailor the questions and discussion to explore the specific mechanisms Santa Fe's arts and cultural resources shaped their economic life. The objective was not to quantify these relations, but to uncover what might otherwise be overlooked.

## **PRINCIPAL FINDINGS OF PART 2**

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### **Artists**

More than a century after Santa Fe established itself as a center for the arts, the arts scene in Santa Fe remains vibrant. Artists continue to find inspiration in the beauty of the natural environment and support in the community of fellow artists. A few members of the arts community are commercially very successful and nationally known, but most 'get by' by piecing together opportunities that are unique to Santa Fe. Indian Market, Colonial Spanish Market, Contemporary Spanish Market, local art collectors, even the Flea Market and Farmer's Market provide outlets for many of the area's working artists. The prestige and recognition of Santa Fe also allows local artists to sell their work outside of the region. In addition, some artists are able to ply their skills as artisans in the construction of custom-built homes.

Many artists emphasize the importance of informal networks and active self-promotion as the key element to gain access to galleries, juried exhibits/markets and commissions. Opportunities to work outside the art world are often related to construction, landscaping or build on skills used in their art (e.g. welding). Many find opportunities to teach at the Santa Fe Community College. Many also find employment in Santa Fe's large service industry, particularly in local restaurants. Some artists, most likely those who have achieved success in Santa Fe, note the importance of acceptance within informal networks as crucial to success.

Although most speak positively of the Santa Fe art scene, some question whether artistic creativity in Santa Fe is suffering from over-commercialization. This possibility has been raised in the national press, including the New York Times. Locally, Santa Fe artist Andrew Leo Lovato argued in a UNM doctoral dissertation (2000) that preconceptions of folk art limit opportunities for many Hispanic artists to broaden their work creatively. Jury standards used by both Indian and Spanish markets, designed to protect artistic traditions, may inadvertently enforce these preconceptions. The rapid growth of the Contemporary Spanish Market may signal a new opening within Santa Fe markets.

The principal challenge facing Santa Fe's artists is the cost of real estate. Housing of any kind is expensive in Santa Fe, and for many artists the cost of studio space is prohibitive. For these reasons, many artists are forced to leave Santa Fe for outskirts and other parts of northern New Mexico, including Albuquerque. The out-migration of artists from Santa Fe suggests a need for caution in interpreting findings concerning artists in Santa Fe. The interviews used in this study were mostly focused on those residing and working in Santa Fe. Consequently the findings could be biased in favor of those whose success and/or allows and encourages them to remain in Santa Fe. The experiences of artists who have left Santa Fe, possibly including those who work outside of networks or whose aesthetic conflicts with established Santa Fe styles, are largely excluded from this study.

### **Artisans:**

A small group of talented artisans finds an unusually strong market for their skills in Santa Fe. In general, the work of local artisans is supported by affluent newcomers who build custom homes in Santa Fe, and by commercial enterprises such as galleries, restaurants and other high-end outlets that remodel their space on a semi-regular basis.

Typically, artisans begin as artists who apply their skills (e.g. stonework, glasswork) to support their avocation as artists. For most, flexibility is a key to survival – an artisan must balance and integrate their work with other projects, including their artwork. For some, work as an artisan can become a full-time endeavor. Usually, this requires that an artisan establish herself within a niche market, commonly defined by a unique and identifiable style. As the work becomes better known, 'word-of-mouth' generates new opportunities and, for some, an ongoing relationship with one or more established contractors working in custom-built markets. In the best of circumstances, an artisan arrives at a point where they are able to employ assistants to support them in their work. However, even in these best of circumstances, the artisan must have a skill for promotion and flexibility to survive the instability of the market.

### **Independent Businesses**

This group consists of managers and owners of independent businesses in Santa Fe including restaurant and gallery owners, massage therapists and alternative healers, management consultants and others. The central theme that emerged from these discussions is that informal networks and personal relationships are crucial

to success in Santa Fe's business community, and that arts and cultural forums play an integral role in the fostering of these networks. Networks allow businesspeople to identify opportunities, to draw on creative resources, and to create partnerships that encourage businesses to confront what is often perceived as a 'tumultuous' business climate in Santa Fe.<sup>1</sup> Attending gallery openings, events at the Lensic, the opera and other Santa Fe social events are listed as key venues for this informal networking. The respondents that report business success stated that they support these arts and cultural events; those that stated they did not support these events considered themselves 'outsiders' in Santa Fe, and saw the inability to penetrate this network as interfering with their success.

Aside from networking, many of the members of the independent business community draw on arts and cultural industries for their businesses. Some businesses employ artists on a contractual basis to provide creative input. For instance, one consultant stated that she always hires local artists to assist with training seminars, and hires tribal leaders to discuss the "Native American ways of communicating in business situations." Others stated that they employed artists and benefited directly from their creativity.

Among business owners, creativity resounded as a central theme. Some stated they enjoyed living in Santa Fe because of the creative atmosphere. Others saw Santa Fe as limiting their creativity. Architects in particular stated that the limits imposed by Santa Fe codes both restricted their creativity and encouraged it, by limiting certain things that they could do, and forcing them to make more creative use of space that would meet the demands of their customers while staying within the city code.

### **Science, Technology and Economic Development Community:**

Since the early 1970s, Santa Fe has developed a small but tightly knit community of scientists, technologists and related entrepreneurs, broadly known as *Infomesa*. The institutional center of Santa Fe's science and technology community is the Santa Fe Institute; substantive core of the community are the so-called 'complexity sciences.' The application of complexity sciences is best developed in the modeling of complex systems in biological and decision sciences.

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<sup>1</sup> Complaints mainly focused on regulatory policies: liquor laws that now require galleries that wish to provide adult beverages at openings must obtain liquor licenses and must have visible security at every entrance; new facilities must use low water toilets, and find and replace 8 toilets for each new one being installed.



Infomesa gained notoriety and a modicum of commercial success during the dot.com boom of the 1980s and 1990s, but has fallen on hard times since the end of the boom. Several of the more successful companies within Infomesa (e.g., Lizard Tech and Bios) have either relocated to larger cities or merged with larger companies and suspended local operations. With few exceptions (e.g., Complexica), what remains are individual 'refugees' of the earlier firms working in flexible collaboration on a contract-by-contract basis.

Cultural amenities have been significant to the development of Infomesa, but they are of secondary importance. The principal reason for the location of Infomesa in Santa Fe is the prestige and influence of the *Santa Fe Institute*, which in turn is due to the city's proximity to Las Alamos National Laboratories (LANL). Complexity sciences were originally developed at LANL and in the early 1970s. The Santa Fe Institute established in response to policy concerns of scientists at the national lab. Since its establishment, Infomesa has continued to benefit from the prestige of the Santa Fe Institute and its proximity to LANL. The resources and prestige of the Institute and the national lab attract a small but talented workforce to Santa Fe. Although many noted the natural beauty of Santa Fe, the relaxed pace of life and cultural amenities of the city contributed to their decision to work in Santa Fe.

Scientists, technical workers, investors and artists were asked about the participation of artists in the work of technology industries. While there seems to be a general opinion that artists and scientists of Santa Fe are excited about each other's company, and that the culture of Santa Fe offers an environment of openness and tolerance that promotes innovation and scientific work, no clear examples illustrating the direct participation of artists in the technical sector were offered. In the simplest terms, the work of the technology industries is too specialized to allow for significant participation of non-specialists.

Scientists, technical workers and investors were also asked whether the amenities of Santa Fe attract entrepreneurs and skilled technical workers to the area. The consensus opinion is that while amenities can encourage entrepreneurs, scientists and skilled technologists to choose one location over another, it is a first order condition that the factors necessary for business and/or professional success are satisfied by a locale. Unfortunately, beyond the needs of the existing cluster and perhaps related niches, there are several essential factors absent in Santa Fe, constraining the long-term development of Santa Fe's technological sector.

First, Santa Fe lacks an institutionalized and coordinated business development network, particularly in the areas of venture financing and mentoring. Mature venture capital firms note that Santa Fe's tech startups typically lack necessary leadership skills and a coherent business plan – i.e., that startups are not 'market ready'. The *Santa Fe Business Incubator*<sup>2</sup> is beginning to address these needs, but in communities with higher rates of success for startup firms, these functions are provided by so-called 'angel networks' – individual investors with proven track records, industry connections, access to venture financing and a direct investment in the success in the initiative. This network is relatively undeveloped in Santa Fe, not for the lack of qualified individuals, but because those with the experience and resources (usually 'amenity migrants') are comfortable, retired and not engaged in the local business community.

Second, it was often noted that many of the people engaged in Santa Fe's tech sector are, in the first instance, scientists and technologists rather than people with experience in the business world. An important aspect of this is that Santa Fe's scientists and technologists tend to focus on the development of ideas, technology and process, with little interest in the creation of new products. From the perspective of potential investors, this is problematic because only products can be 'scaleable' – that is, they can be mass produced or replicated, thus allowing for a possibility of a high rate of return. Because venture capitalists expect success from only one of several investments, a high rate of return is necessary to offset the otherwise low rate of success. Process-oriented businesses, where the product is work that is performed on an ongoing basis, do not hold such potential.

Associated with the process-orientation of Santa Fe's science and technology sector is a general but strong sense among potential investors and business development experts that the technology community in Santa Fe is in too many respects similar to the community of artists. Investors and managers complain that Santa Fe's scientists and technologists are 'independent to a fault,' unwelcoming of professional guidance and ultimately unwilling to accept an orientation toward market.

Third, discussions reveal that, with few exceptions, cross-pollination among the various sectors of Santa Fe's creative economy is limited. There are virtually no examples of collaborative work between artists and scientists/technologists,

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<sup>2</sup> Information on the Santa Fe Business Incubator is available at their website: <http://www.sfbi.net/>

despite the apparent richness of possibilities. At this point, it is unclear whether this is a result of an institutional failure to support collaborative work or, conversely, a function of rigidities among Santa Fe's informal networks. The need to promote a greater degree of creative cross-pollination is addressed in the final section of this report.

Fourth, while many of Santa Fe's top-level technical workers are talented and skilled, the overall size of this labor force is inadequate. The experience of successful tech communities demonstrates that success requires a skilled labor force that is at once *broad* and *deep* – innovation emerges from a density of interaction, and development requires a vast network of skilled specialists who are flexible and available in all niches of expertise (Scott, 1988; Angel, 1994). This is a matter of scale and agglomeration that can be found in larger cities like New York, Los Angeles, San Francisco, Seattle or Boston. Constraints on Santa Fe's growth preclude the possibility of achieving this scale.

Finally, Santa Fe lacks a local research university and a major regional airport that is integral to the development of successful technical industries. Albuquerque offers some of these assets, but currently relations between Santa Fe's tech community and Albuquerque's resources – particularly the university – are inadequately developed for promoting such partnerships.

Apart from the technology sector, Santa Fe is also home to a small number of firms working in the areas of publishing, graphic design and financial services. Publishing and graphic design benefit directly from the strength of Santa Fe's cultural industries by drawing upon the talents and resources of the arts and cultural industries.

In a general sense, the financial sector benefits from the strength of the cultural sector. As an example, the decision by Thornburg Financial Services to locate in Santa Fe is attributed to a simple decision by its founder to locate in an area that he enjoyed. As a profitable business, Thornburg Financial Services would be able to attract employees that it require to any location that it may choose, though company officials acknowledge that the rich cultural environment of Santa Fe makes recruitment that much easier for the company.

To summarize the findings, the role that the cultural sector plays in promoting business development in Santa Fe varies according to the requirements of the

business in question. For some, such as design and publishing, the contribution of the cultural is direct – industries utilize and depend on talents and resources made available by cultural industries. For others, such as the financial sector, profitable businesses can choose from any number of locations, secure that its profitability will enable the company to recruit as many qualified employees as needed. The cultural amenities that Santa Fe offers are an added bonus to the firm, making recruitment that much easier. However, for some industries, such as those in the technology sector, locational requirements are significant and binding, and typically cannot be offset by benefits associated with a rich cultural environment. Innovation has geographical requirements such as a large and diverse skilled labor force, proximity to universities and research facilities, transportation hubs and dense networks of investors and business services. In general, these are a function of scale.

A final note concerning the relationship between arts & culture and business development concerns differences between arts & culture in general and arts & cultural *industries* in particular. In the first case, arts & culture exist as a generalized, almost environmental, good. Here, the strength of arts & culture benefits everyone in community, helping them to be more creative, more flexible, better connected. In the second case, the institutionalization of arts and culture as an industry is more specific and more targeted in the way that it benefits the community. As an industry, the benefits arts & culture accrue to specific groups and economic interests, such as firms that use arts & culture to create a product for the market. The significance of this distinction is evident in the development of policies designed to leverage the assets of arts and culture. Some policies that support arts & culture create benefits are general to the community, fostering an atmosphere of creativity; other policies may be more on target, supporting specific art & cultural products that benefit specific industries. In considering policies that promote arts & culture, it is important to understand the nature and the scope of the impact of the benefits that are being created.

### **Amenity Migrants<sup>3</sup>:**

For the purposes of this study, amenity migrants are defined as persons who relocate to Santa Fe because of the perceived high quality of life. Arts & Culture, along with climate and natural beauty, are the factors that migrants most commonly reference to explain their decision to relocate to Santa Fe. A large proportion of migrants drawn to the area by A&C are retired or semi-retired persons supported by savings generated in other parts of the country. On average, the net wealth of amenity migrants to Santa Fe is well above the local and national median<sup>4</sup>.

The largest expenditure made in Santa Fe by wealthy migrants is for housing. Many of these migrants build custom homes, employing local artisans such as wood-, stone- and metal workers at rates that provide high wages by local standards. Apart from housing, expenditures in the local economy by amenity migrants tend to increase with the time spent in Santa Fe: full-time (year round) migrants tend to spend more locally than part time (seasonal) migrants; long established migrants tend to make a higher percentage of their non-housing related expenditures in Santa Fe than newer arrivals.

Apart from expenditures, participation by amenity migrants in local community focuses mainly on charitable giving and involvement in civic affairs, most commonly in art & cultural institutions and environmental causes. Many are also engaged in philanthropic activities (e.g., the Buckaroo Ball), which combine community work with social activity. Very few apply their experience or resources in economic development in Santa Fe. Amenity migrants seldom invest in local businesses or start-ups, preferring instead to invest in their home community where their knowledge of business and community networks is greater. Mentoring of local entrepreneurs is also very rare. Of those who are involved in Santa Fe's business-community, the most common activity is to work

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<sup>3</sup> Phase 1 of this research quantified the contribution of Arts & Culture to Santa Fe's economy. For the purposes of that work arts & culture were defined as activities that directly creation and commercialization of art and culture, and tourism that results from the strength of Santa Fe's arts and cultural industries. That study did not include the economic role of arts & culture in attracting migrants to Santa Fe. Thus, including the economic impact of migrants would increase all measures of economic impact. For example, including culture-related migration would mean that arts & culture are responsible for more than 39% of the county's monetary inflow.

<sup>4</sup> According to Census data, the share of total income earned from interest, dividends and rent in Santa Fe County is among the highest of any county in the U.S.

as a consultant providing business services (e.g., marketing, financial management, management consulting, organizational development).

In sum, arts and cultural are a strong attraction for amenity migrants; the most substantial impact of amenity migrants to the local economy is through the purchase of custom homes, which provides employment for skilled artisans; beyond this, economic and community involvement tends to be concentrated in the area of arts & culture.

### **The Established Community:**

For the purposes of this study, the established community refers to long-term residents of Santa Fe, usually more than one generation, who have no direct relationship with formal arts and cultural community. The people who were interviewed were Hispanic, Native American and Anglo. The objective of these interviews was to better understand the ways in which arts & culture variously benefit and compromise the quality of life, and more specifically, the economic conditions of the broader community of Santa Fe.

Several themes emerged from these discussions:

First, nearly all persons interviewed felt that the arts were important to their community and expressed some pride in Santa Fe's tradition in the arts; many felt a personal connection to the arts, whether in creative work of their own, in artwork passed down through the family or in community gatherings; some volunteered that the arts helped to create a sense of cooperation or shared identity among members of their community. Whether or not they directly participated, most Hispanic and Native American people who were interviewed felt that the museums, markets and other activities (e.g., performances at the Lensic Theatre) are real benefits to living in Santa Fe.

Second, the degree of involvement in the formal arts community varied widely among established residents – many visited Indian and Spanish markets, some visited museums, and only a few said that they never participated in the arts. Among members of the Native American and Hispanic communities, Santa Fe's art galleries were generally perceived in a negative light. Most felt that they existed only for Anglos, that the quality of the artwork was poor, and that they failed to represent their community fairly.

Third, most residents were concerned about the quality of public education in general, and some expressed concerns over the lack of arts in public education. This was mainly related to a concern that children would lose an appreciation for something they felt was important and part of their heritage. It is interesting to note that while members of the more affluent Anglo community, including amenity migrants, discussed the importance of art in education mainly in terms of the development of creative and analytical thinking (so-called left-brain/right-brain dynamics), this specific concern was not mentioned by members of the established community.

Fourth, for most, the arts were matters limited to their personal and community life, and did not extend to careers or professional lives. A few acknowledged that their interest in the arts fostered a creativity that benefited them professionally. Many had friends or family that were engaged in the arts, but few could identify friends or family whose livelihood was tied to the arts.

Fifth, those interviewed generally understood arts and culture in specific terms, and did not extend their definition of arts and cultural industries to encompass tourism and the migration of affluent people into their community. Some decried the forfeiture of community assets such as the plaza to tourism ("the plaza was where we used to gather but now only tourists go there"), but this was seen as an issue related to tourism that did not necessarily directly translate to negative implications of arts and culture in the minds of the established community. Responses of residents to the growing presence of affluent migrants ranged from frustration over their perceived overuse of resources such as water to anger that their presence has increased property taxes and the cost of living in Santa Fe. Affluent migrants were thought responsible for many ills of the community. It was acknowledged, however, that these amenity migrants brought a substantial amount of money and resources to the community. Many of the established community stated that the longer-term amenity migrants were much more involved with the community than newcomers. Again, these were seen as issues that focused migrants entering their community, and the issue was considered somewhat separately from matters of arts and culture. Some members of the established community also placed responsibility for the problems associated with tourism and rising costs of living due the growth of the amenity migrant population on the failure of political leaders to implement policy necessary to minimize impacts.

In summary, members of the established community in Santa Fe saw the arts as a matter of personal and community identity, and valued the arts accordingly. However, few extended their understanding of the arts to the commercial aspects – arts are considered separately from the tourism and amenity migration; those problems are mainly political and are not necessarily problems of the arts.



## **CHALLENGES FACING SANTA FE'S CULTURE-BASED ECONOMY**

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The findings of this research highlight several challenges facing Santa Fe's A&CIs. Among the principal challenges that BBER has identified are:

**1. Economic and demographic changes have created a crisis of affordability that threatens the conditions of success of Santa Fe's creative economy.**

According to the *Santa Fe Living Wage Baseline Study*<sup>5</sup> conducted by BBER earlier in 2004, average wage per employee in Santa Fe County is 80% of the U.S. average. On the other hand, income from interest, dividends and rent per capita in the County are 50% higher than the national average. The significance of the increasing disparity between wage-dependent workers and growing population of financially independent Santa Feans is manifest in an emerging crisis of affordability. According to a 2004 BBER survey of Santa Fe's cost of living, housing costs exceed the national average by more than 20%. The rising cost of housing is especially pronounced in the market for owner-occupied housing. According the 2000 Census, the median of owner-occupied housing in Santa Fe is 53% higher than the national average; in 2003, median residential property values exceeded \$200,000. The rate of increase in property values in Santa Fe was nearly 3 times the national rate during the 1990-2000 period, and there are no signs of change in this pattern. For current low and middle income homeowners, rising property values result in increased property taxes, forcing some to sell their homes and relocate to more affordable locations. For prospective low- and middle-income homeowners, the rising cost of housing is prohibitive.

The rising cost of living in Santa Fe disproportionately affects Hispanic and Native Americans and young adults. Between 1990 and 2000, the rate of growth of the City of Santa Fe's non-Hispanic, non-Native American population was nearly three times that of the combined Hispanic and Native American population. The proportion of the city's population that is Hispanic or Native American fell from 49.7% to 47.3% during the 10-year period. Still more pronounced is the effect the rising cost of living on the population of young adults in Santa Fe. Between 1990-2000 the number of 20-45 year olds in Santa Fe declined in absolute terms, and as a proportion of the city's total population young adults fell from 41.6% to 35.4%, far exceeding National decline in the relative size of this age cohort.

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<sup>5</sup> Lee A. Reynis, 2004. *Santa Fe Living Wage Baseline Study*. Albuquerque: Bureau of Business and Economic Research, UNM.

These social and demographic changes may have significant long-term implications for the health of the region's A&CIs and service economy. According to Richard Florida, diversity and tolerance for difference are essential characteristics of a creative local economy and serve as core indicators of the success of a region's creative economy. Similarly, young adults constitute the largest segment of the Florida's "creative class", and increasingly their recruitment is a principal focus of metropolitan economic development groups seeking to bolster creative industries. Thus, by Florida's standards at least, Santa Fe, which he ranked number one among America's smaller cities in terms of the potential of the creative economy, is heading in the wrong direction.

A related concern for Santa Fe is the declining supply of low and medium-wage workers. These workers are a foundation of a service-based economy, particularly one such as Santa Fe that emphasizes tourism, amenity migration and creative enterprise. As a result of the crisis of affordability and the declining supply of low- and medium-wage workers, the availability and quality of a wide range of services in Santa Fe – including education, public services, personal and household services, and food, retail and recreational services – are likely to be compromised. Over the long-term, this will likely reduce the attraction of Santa Fe as a destination for tourists and amenity migrants, and further reduce the attraction of the city for talented young professionals.

## **2. There is a growing disconnect between the creative and commercial aspects of Santa Fe's A&CIs.**

By all accounts, the commercial aspect of Santa Fe's A&CIs (including galleries, museums) has been remarkably successful and has been a major draw for the tourism industry. The creative side of the arts industry also remains strong, despite the challenges ahead.

However, relations between the two aspects of the A&CIs are weak. The large and generally profitable gallery industry has become largely disconnected from the local production of art, serving more as a national if not worldwide market for the arts than as a venue for locally produced arts. According to a random survey of 32 galleries by BBER, only about 8% of art by value sold in Santa Fe galleries is produced in the county – much of that outside the city in the Pueblos<sup>6</sup>. The same

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<sup>6</sup> As reported in Phase 1 of this research. An additional 8% of art, by value, sold in Santa Fe's galleries is produced in other counties in New Mexico.

survey indicates that nearly 85% of gallery sales, by value, are to buyers who take delivery outside the State of New Mexico. Because out-of-state deliveries are exempt from taxes in New Mexico, the City and State receive limited direct financial benefit from gallery sales.

The disconnect between the creative and commercial aspects of the A&CIs is important for at least two reasons. The economic reason is that less and less of the wealth created by the industry remains in the community. About one-half of the revenues generated by gallery sales, for instance, are paid to artists, but to the great extent that these artists live outside of Santa Fe (and New Mexico) this represents a significant loss to the economy. Similarly, the exemption of receipts of out-of-state gallery sales from Gross Receipts Taxes means that the City and State have fewer resources to invest. In both ways, opportunities to support creative work is lost – the artist receives few commissions and State and City governments are less able to support education and other activities that enhance the creativity and production of the community.

The second reason why the disconnect is important concerns the social and artistic dynamics of creativity. As the commercial market expands, galleries and other venues face higher costs and are less willing to assume the risks associated with unestablished and unknown art and artists, and are instead motivated by the market to capitalize on the relatively more stable demand for collectable art. The artists and creators, also faced with increasing costs, must often move to a more affordable location. The result of this dynamic is the creative environment that is more averse to risk and less infused with new and diverse perspective.

There are essentially two explanations for the limited representation of local artists by Santa Fe's galleries, suggesting very different prospects of recovery. One perspective is that market has gone so large that it now exceeds the capacity of local artists to provide a sufficient supply of quality art. Similarly, only by introducing art from areas outside Santa Fe has the market been able to grow as large as it has. From this perspective, the glass is only 15% full – Santa Fe's large market offers opportunity for new local artists.

The second perspective is that the commercial success of the market has "crowded out" the creative aspect. Santa Fe's success as a market center has increased the cost of living for artists, particularly for housing and studio space. At the same time, as noted above, commercial success has increased the costs assumed by

galleries, which encourages them to avoid the risks associated with unknown artists and to focus on established markets for collectable art. From this second perspective, the glass is 85% empty – the success of the commercial market migrates against creative process.

**3. To date, Santa Fe has failed to establish A&CIs in new media and emerging industries and markets.**

Technical and social innovation has created new outlets for the delivery of art and cultural products, and the trend is almost certain to continue. Increasingly, art and cultural “content” are consumed remotely– they are delivered to the consumer so that the consumer does not have to go to the art. Of course, there are art and cultural forms that are necessarily place-based, but the growth of new media is certain to continue.

Competition in the development of new media technology is tremendous and, as discussed in the previous section, Santa Fe faces significant structural limitations in its capacity to compete effectively in this market. However, Santa Fe is well positioned to be very competitive in the use of new media in the delivery of creative and cultural content. Santa Fe possesses a high level of technical capacity in numerous small firms, the Santa Fe Institute, as well as underutilized relationships with the national labs. There is specific expertise in the use of new media in these facilities. There are numerous opportunities to employ this technical capacity in collaboration with Santa Fe’s vast wealth of creative and cultural resources. Animation; film post-production and special effects; video game design and development; web design and development; specialized software for design, graphics, visualization and management; and cultural-related content libraries are among the most obvious.

Notwithstanding the opportunities, there are very few examples in which Santa Fe has successfully combined its cultural and technical resources in commercial venture. There are several reasons for the lack of success, many described in the previous discussion of research findings, but these factors are fundamentally social and theoretically surmountable. Among the most commonly cited reasons are weak tradition of entrepreneurship and market orientation, poorly developed investment networks and limited institutional support.

**4. Santa Fe has lost nearly one-third of its share of the national tourism market since the mid-1990s<sup>7</sup>.**

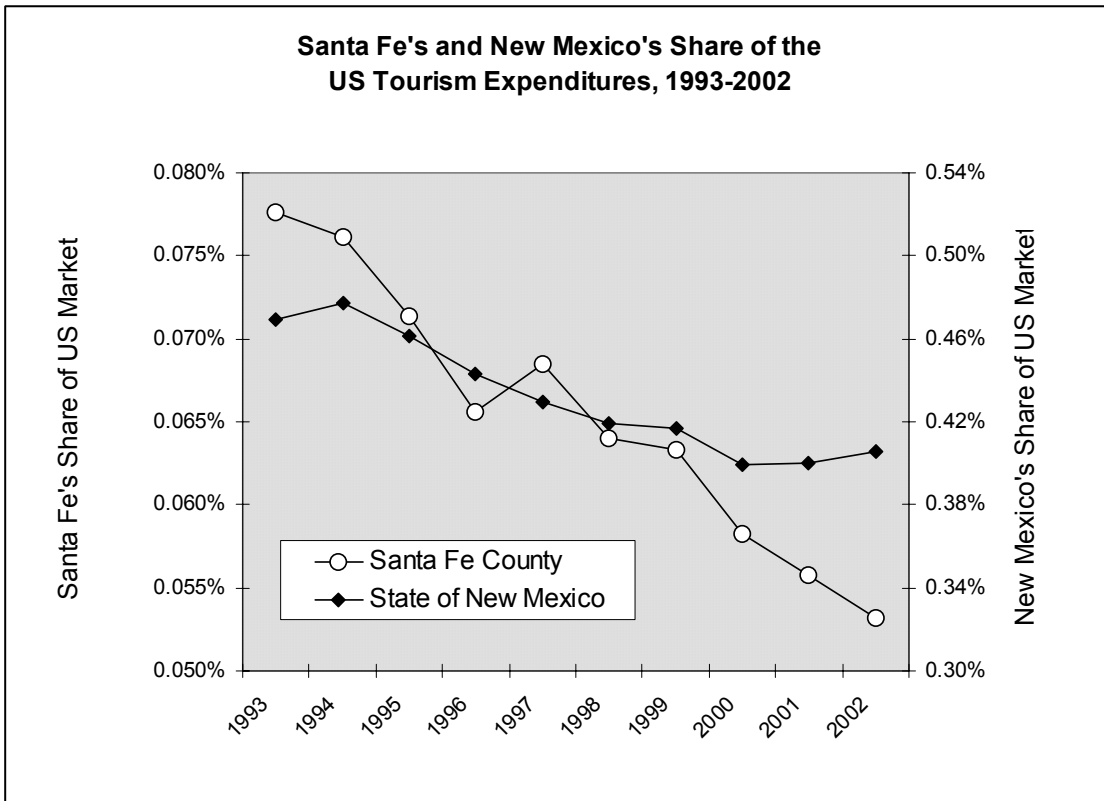
Since the mid-1990s, Santa Fe's major tourism industries – food and drinking establishments, accommodations, and arts, recreation and amusements – have experienced a steady decline in tourism receipts, adjusted for inflation. This decline has several dimensions. First, the growth of the tourism industry for the State of New Mexico lagged behind industry performance for the US as a whole. During the period 1993-2002, the State's tourism industries grew by only 9% in real terms compared to a 25% increase for the US as a whole<sup>8</sup>. As a result, the State has lost nearly 14% of its share of the national market during the period. Santa Fe tourism industry has been particularly weak. Sales by Santa Fe County's tourism industries, adjusted for inflation, have fallen by more than 13% since 1993. This has meant that Santa Fe has lost 21% of its share of New Mexico's tourism market; combined with the relative decline of the State's industry, Santa Fe has lost 31.5% of its share of the national market. Similar patterns in employment data<sup>9</sup>. During the 1993-2002 period, while the share of total employment in leisure and hospitality industries increased for the US as a whole, shares were even for New Mexico and fell relatively sharply in Santa Fe. In general, this data suggests that New Mexico and Santa Fe are experiencing a loss of market share of the national tourism industry.

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<sup>7</sup> The patterns described in this section pertain to Santa Fe's tourism industry in general and are not specific to cultural tourism. With available information, it is not possible to discuss trends in cultural tourism with any certainty. However, given the significance of cultural tourism to Santa Fe's overall tourism, there is no reason to expect that the patterns described here would not apply equally to cultural tourism.

<sup>8</sup> Data Sources: Santa Fe County and the State of New Mexico Total Gross Receipts Tax as compiled by New Mexico Department of Taxation and Revenue. Data for U.S. industries from U.S. Census Bureau Annual Retail Trade Survey. Calculations performed by BBER.

<sup>9</sup> Data sources are: for Santa Fe, MSA and the State of New Mexico, the New Mexico Department of Labor, Economic Research and Analysis Bureau CES Program: "Non-Agricultural Employment by Industry"; for the U.S., the U.S. Department of Labor, Bureau of Labor Statistics. Calculations performed by BBER.



Beyond this aggregate trend are various complex patterns. Although it is difficult to generalize, available data seems suggest that the tourism industries in Santa Fe have not adequately adjusted to a fundamental restructuring of the national tourism market<sup>10</sup>. However, available information does suggest that the tourism industries in Santa Fe have not adequately adjusted to a fundamental restructuring of the national tourism market<sup>11</sup>. Among the patterns is a disproportionate decline in spending on accommodations relative to other aspects of the tourism business. Although to some extent this is part of a statewide pattern, in Santa Fe alone receipts of hotels, motels and other accommodations fell in real terms by more than 25 percent between 1993 and 2002<sup>12</sup>. This may be partially explained by surveys in which travelers report increasingly that visits to family and friends are

<sup>10</sup> This discussion draws in part on a personal communication with John Hendry, Director of Marketing, New Mexico Department of Tourism and Bruce Poster, consultant to the State's Department of Tourism.

<sup>11</sup> This discussion draws in part on a personal communication with John Hendry, Director of Marketing, New Mexico Department of Tourism and Bruce Poster, consultant to the State's Department of Tourism.

<sup>12</sup> New Mexico Tax and Revenue Department: Total Gross Receipts.

a principal reason for their travel to New Mexico<sup>13</sup>. This would relieve some visitors of the expenses associated with accommodations. It is also possible that the development of budget hotels and motels along Cerrillos Road and other areas outside the historical district has enabled visitors to reduce expenditures on accommodations.

Another interesting statistic produced by a 2002 study commissioned by Santa Fe's Visitors and Convention Center is that while the average number visits by tourists to Santa Fe is at an all-time high (nearly 5), the number of first-time visitors has declined steadily since the late-1990s. This suggests that the city depending more exclusively on established clientele and has been ineffective in attracting new visitors. Related to this is evidence that Santa Fe is failing to capture a significant share of the 'Baby Boomer' population – by far the fastest growing segment of the national tourism market<sup>14</sup>. These indicators portend poorly for the future of Santa Fe tourism industry.

Dissecting these patterns and possibilities would require more detailed investigation, but in any case, the aggregate data clearly indicate that U.S. tourists are leaving proportionately less of their money in Santa Fe.

### **Santa Fe in Context: Stagnation or Rejuvenation?**

Researchers have examined the cyclical trends of development based on art and culture, tourism and amenity migration over a period of decades.<sup>15</sup> The research is succinctly summarized in so-called 'life cycle' models. According to these models, an area where development is based on tourism, art and/or amenity migration passes through well-ordered stages of exploration, involvement, maturation and stagnation. The logic of the model is a destination is first discovered; some people remain following discovery and later bring others to the area; over time, an industry emerges to accommodate the growing demand; but ultimately the success of the industry undermines the original conditions (in the case of tourism, visits exceed the area's natural and engineered 'carrying capacity', the physical environment suffers, the community becomes antagonistic toward the industry, overbuilding results in business failures, the high volume of visits results in

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<sup>13</sup> CRC & Associates, 2002.

<sup>14</sup> Personal Communication with John Hendry, Director of Marketing, New Mexico Department of Tourism.

<sup>15</sup> Butler, 1980; Getz, 1992; Rasso, 2002.

market saturation, attractions become over-commercialized and the area loses its cache, and so on). Consequently, the industry and the area begin to stagnate.

Beyond these initial stages, the experiences of individual communities vary greatly. Some communities, continue along a path of stagnation, others find means to rejuvenate their core industries and still others undergo deeper process of redefinition and restructuring, entering a new period of more sustainable growth. Among the destinations for which destination life cycle research is available are Cyprus Gardens, Florida<sup>16</sup>; Niagara Falls<sup>17</sup>; Lancaster County, Pennsylvania<sup>18</sup>; Santa Fe<sup>19</sup>; communities surrounding Yellowstone National Park<sup>20</sup>; Venice, Italy<sup>21</sup>; Singapore<sup>22</sup>. Research has also investigated the implications of life cycle for travel decision-making for German citizens<sup>23</sup>.

Because many processes overlap in the dynamics of regional growth and decline, is difficult to place with certainty a given community at any specific point in its life cycle. However, the preceding discussion suggests that the Santa Fe's core industries of art & culture and tourism may be entering an early period of stagnation. There is a feeling among some that art, tourism and migration have been over-commercialized, compromising the region's attraction. Crowds and the large and growing number of migrants place a great demands on the existing infrastructure and the region's scarce resources, especially water. In addition, community relations are strained, as families grow increasingly concerned about economic opportunities in the future, wondering whether their children will have a place in Santa Fe's future.

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<sup>16</sup> Benedetto and Bojanic, 1993.

<sup>17</sup> Getz, 1992.

<sup>18</sup> Hovinen, 2001.

<sup>19</sup> Messerli, 1993.

<sup>20</sup> Snepenger, Johnson, and Rasker, 1995.

<sup>21</sup> Rasso, 2002.

<sup>22</sup> Toh, Khan and Koh, 2001.

<sup>23</sup> Opperman, 1995.



## **STRATEGIES FOR REJUVENATING SANTA FE'S ART & CULTURE-BASED ECONOMY**

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Whether a community continues along a path of stagnation or rejuvenates its core industries and extends them into new areas depends on community initiative, policy and implementation. In responding to the challenges of stagnation there are no 'off the shelf' solutions, but there are general guidelines. Most importantly, the community and its leaders must identify and acknowledge the challenges early, and begin frank communication and consensus building. From there, a community must identify its core competencies (its unique assets), define its market and identify its competition, and develop strategies that the two are in alignment.

The research reviewed in this paper indicates that art and culture may be a point from which to organize the work in Santa Fe. A central finding of this work is that virtually all sectors of the community of Santa Fe speak of the arts and the local culture with pride and a sense of ownership. What specifically a person or a group may have in mind when they speak of arts and culture may differ, but in interviews conducted by BBER people usually speak of their relations to arts and culture in Santa Fe. For the established community, arts are a matter of identity and heritage; for artists, arts is both an avocation and a vocation; for tourists and new arrivals, art and culture is at the core their attraction to the region; and the economic development community the arts and the local culture are a source of inspiration. Furthermore, though the community is divided along many lines, this research provides no indication that art is ever a significant point of contention or division. Individuals and groups may have a different aesthetic appreciation for art, but generally, there is a tone of acceptance for these differences. In this sense, art may be an arena where diversity and tolerance take form, thus serving a point of entry for addressing the divisions that Santa Fe faces.

The challenge, of course, is in the details – how can Santa Fe's appreciation and competency in art and culture be used to create new and sustainable opportunities for economic development that benefit the community as a whole? This is a challenge that must be met local leadership, but research conducted by BBER does suggest a framework with which to approach the question.

An ambitious but logical approach would be to move simultaneously on three geographical scales – local, regional and national/global. Local action is necessary

to ensure that Santa Fe protect and develop its most fundamental assets – its people and their creativity. Regional action aims to gather and organize the resources that are necessary to employ the creativity of Santa Fe and its people as fully as possible. National and global action is primarily one of redefinition and marketing – leveraging Santa Fe's prestige to open new markets and create new opportunities.

**1. Local – Embrace and invest in the diversity and creativity of the community.**

The principal challenges facing Santa Fe on the local scale are the rising cost of living, the scarcity of living wage employment, and the effects of these developments on the diversity of the population. To confront the crisis of affordability and support the diversity and creativity that is the foundation of the A&CIs, Santa Fe should pursue educational policies that deepen the community's sense of ownership of A&CIs, ensure that the diverse resources and traditions of the community are fully engaged in the creative process, and prepare students for employment in the creative economy of the future. In addition, Santa Fe should implement policies that provide affordable space for housing and work for the communities currently under pressure. To finance these investments, Santa Fe should consider mechanisms to capture a portion of the wealth created by A&CIs, especially the art market, cultural tourism and amenity migration. The use of such mechanisms can be seen in the common interest of all stakeholders in that the capacity of A&CIs to generate revenues owes in part to the endowment of public assets – the region's culture, heritage and environment.

**2. Regional – Santa Fe can and should strengthen its regional connections.**

Underlying many of the challenges described in this study is Santa Fe's relative small size and geographical isolation. Limited space and increased demand is driving up the costs of housing; space for collaborative work is limited and expensive; the City lacks a sufficiently large and specialized labor force to be competitive in technical fields; technical development is also hampered by the absence of a research university; and accessibility is restricted by the absence of a major regional airport. Further, the restricted supply of natural resources, particularly water, ultimately constrains the capacity of Santa Fe to grow beyond its present limitations. By the same token, unrestrained is likely to compromise the quality of life that is foundational to the creativity and attractiveness of the community.

These are critical constraints in a highly competitive national and global creative economy and they cannot be dismissed. The myth of the irrelevance of geography in the new economy has been largely dismissed – location matters as much in the creative economy as it did in the industrial economy. Economies of agglomeration – that the pooling of resources in places promotes efficiency – are still relevant. The experiences of Silicon Valley, Boston, Seattle, Cambridge, Milan and even Mumbai, India make clear that the complementary services and industries, the sharing of infrastructure, the pooling of skilled and unskilled labor, and diversity of social interaction are essential in creating ideas and putting them into action.

Santa Fe can overcome many of its constraints implied by its small size and relative isolation by improving its connections with Albuquerque and other communities in Northern New Mexico. Santa Fe should assume a leading role in establishing a corridor of cultural diversity and creativity by strengthening regional relationships and cultivating a new “geographical division of labor”. Within this regional framework, Santa Fe can better specialize as a creative and organizational center and central point of exchange.

This geographical division of labor need not result in gentrification and homogenization of the individual communities of Northern New Mexico. The opposite is true – improving the integration of the economy of regional will create space for diversity and complementarity in all parts of the region. An improvement in the integration of the regional economy, likewise, need not create winners and losers – the revitalization of the regional economy will provide new opportunities and markets to all parts of Northern New Mexico. Smaller communities in Northern New Mexico that are home to broadly diverse populations (including many artists) would enable the region to reestablish diversity in the exchange of ideas as a foundation of creativity and a central aspect of the region’s history and heritage. Los Alamos and Albuquerque have the national laboratories and highly skilled workforces that can and should be tapped. Albuquerque provides affordable conditions for a large skilled and unskilled labor force, a major research university and a regional airport, and superior business services in the areas of banking, management and legal affairs.

Integration of the regional economy will require a strengthening of relationships among the communities of Northern New Mexico. Initiatives should be undertaken to inventory resources on a region-wide scale; to facilitate productive

collaboration between communities; to develop region-wide development programs; to promote regional transportation systems; and to present a more cohesive picture of the region to national and global markets.

It is common to hear Santa Feans discuss the 'Aspenization' of the community – its transformation into an unproductive playground for the wealthy bereft of services and without a reliable stream of public revenues. Perhaps a better model for Santa Fe would be Boulder, Colorado. Though not without its own problems, Boulder has benefited substantially by improving its relations with nearby Denver and other neighboring communities. Denver provides Boulder with a large labor force, essential services, a large market and national entrée. Denver, in turn, benefits from the creativity and initiative that is found in Boulder.

**3. National & Global – Santa Fe should utilize its prestige, “brand” identity and cultural resources to redefine itself within a national and global context.**

Although small, Santa Fe has a global presence as a center for the arts and cultural enterprise. Its prestige and the associated resources should be used to broaden the community's role in the creative economy beyond the existing A&CIs to establish Santa Fe as a center for creativity and innovation. This strategy would require a long-term plan that not only draws upon the area's existing advantages in cultural tourism and amenity migration, but also offers the possibility of developing industries and initiatives that combine Santa Fe's cultural and technical resources. Reference to existing resources in Santa Fe suggest the following possibilities:

- Santa Fe has a wealth of cultural assets and a remarkably strong endowment of technical resources for a city of its small size. As noted above, thus far little has been done to foster collaboration between these two aspects to establish Santa Fe in large and growing markets for new media and content-related applications. In targeting products and markets for development, consideration should be given to geographical considerations that are intrinsic to the various industries. Some activities, for example set design in film production, require proximity to established centers, in this case Hollywood. Other activities are relatively freer of such geographical constraints. These may include animation; film post-production and special effects; video game design and development; web design and development; specialized software for design, graphics, visualization and management; and cultural-related content libraries, to name a few. Santa Fe's reputation in cultural circles should open

doors for new products from the region, but substantial efforts must be made locally to develop its business development capabilities and investment networks. The great advantage of this strategy is in creating new employment opportunities for talented young adults who have otherwise found little to attract them to Santa Fe. Further, this strategy would potentially offer an opportunity to build local wealth in productive enterprise, creating a positive environment for further investment.

- Centers for the development of art in education. The failure of public education emerges as a central issue in virtually every study and every discussion about Santa Fe and its future. The absence of art in education – both in Santa Fe and in the nation as a whole – is nearly always part of this discussion. Santa Fe has an opportunity to establish itself as a national model for the role of arts in education. This initiative will draw the community together, demonstrate the importance of the arts & culture sector to the community as a whole, improve the quality of education and enhance the creativity of the workforce. In addition, by establishing itself as a national model and creating institutions to fulfill this role, Santa Fe will create new jobs, making demonstrable the connection between arts, education, training and career development.
- A center of education and training in arts & cultural enterprise. As part 1 of this study indicates, Santa Fe employs a large number of professionals in arts & cultural affairs. However, under existing conditions staffing for these positions requires that local organizations look to other areas for trained professionals. The demand for trained professionals in Santa Fe alone makes the establishment of professional development programs economically reasonable. Backing such programs with the Santa Fe's reputation in arts & cultural fields would allow such programs to expand to train professionals for employment in other regions. The State Department of Cultural Affairs and Santa Fe Community College have taken initiative in this area, and these efforts should be supported.
- Creative problem-solving and conflict resolution, cultural preservation and collaboration, art, science and technology, architecture and applied design, alternative energy and environmentally-friendly technologies are other areas where Santa Fe has established expertise and an early foothold. Reference to these and other local initiatives in national and global campaigns may help to signal the fundamental place of creativity in Santa Fe's plans for its future.

## CONCLUDING REMARKS

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Santa Fe is a community with a remarkable history of diversity and creativity. During the early period of the 20<sup>th</sup> century, the community applied these resources to recreate itself (Wilson 1997), establishing the foundations necessary to grow and maintain what is almost universally considered a superior quality of life. Art, culture, tourism and more recently amenity migration have been key elements of the city's model for economic success.

Today, after decades of growth, the suitability of this model is in question. Santa Fe's success has resulted in a sharp increase in the cost of living, causing a demographic shift that has broad and significant consequences. The supply of labor necessary for the growth of the service-based economy is under severe pressure; the diversity that historically has stirred creativity in Santa Fe is being diminished; and market dynamics associated with the rising costs favor commerce and risk aversion over creativity and innovation. In addition, the community thus far has been unable to leverage its creative assets to develop new markets and new industries, and now faces increasing competition in markets for art, cultural and tourism.

But, there is good news as well. Despite its fractures, the community of Santa Fe holds in common a profound and almost universal commitment to art, openness and creativity. These qualities are uniquely suited to the challenges that Santa Fe confronts and the opportunities that the world offers. Ultimately, however, Santa Fe and its leaders must take the initiative, as they did nearly a century ago. The community must acknowledge its challenges and embark on a common project of redefinition and rejuvenation.

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