A STUDY OF THE ECONOMIC IMPACT OF THE
RELOCATION OF THE NEWSEUM IN THE DISTRICT
OF COLUMBIA

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2. INTRODUCTION

2.1 Background

The key objective of the Newseum is to bring to the notice of the public the past and present news events of the nation as well as the world. It is an effort to educate the visitors on media issues and journalism. It provides a forum for the news media and the public to improve their mutual understanding. The Newseum currently operates from Arlington in Virginia and attracts around 500,000 visitors a year. The lease on the building in which the Newseum is located expires in 2003 and its relocation in the District of Columbia is under consideration.

Facility development trends in the museum business stress the importance of significant levels of exhibition space, technological amenities, first-rate service and high degrees of facility functionality. A city that addresses these factors, besides having the potential to attract a large number of tourists, will be the most successful in attracting museums and its logical location. Given the potential within the District of Columbia to attract tourists and having regard to the fact that several world class museums are already located within the city, the District appears to be well qualified to be one of the nation’s most important location for museums.

In recent years, the development of larger and state-of-the-art museums has steadily increased and so has competition among various potential locations. In decisions involving choice of location in any particular town or city, it is necessary to focus on these issues:

- the projected capacity of the museum in terms of the numbers of visitors that are likely to visit the museum each year;
- the opportunity cost of locating the museum in the proposed site;
- capability of the city’s infrastructure, in terms of transportation, hotels and restaurants, parking spaces etc. to support the proposed facility;
- the synergy with other existing museums and tourist attractions;
- environmental considerations;
- the impact of the museum on the economic development of the city; and
- financial aspects of operating a large facility – capital cost requirements and operating revenues and expenditure.

2.2 The Newseum

The Newseum is at present operated by the Freedom Forum and is located in the Freedom Forum World Center headquarters in Arlington, Virginia. The Freedom Forum was established in 1991 under the direction of Founder Allen H. Neuharth as successor to the Gannet Foundation.

The Freedom Forum is a nonpartisan international foundation dedicated to free press, free speech and free spirit for all people. The foundation pursues its priorities through conferences, educational activities, publishing, broadcasting, online services, fellowships, partnerships, training, research and other programs. Besides the Newseum, the Forum supports the First Amendment Center at Vanderbilt University in Nashville, Tennessee, the Media studies Center in New York City, and the Pacific coast Center in San Francisco. The Freedom Forum also has operating facilities in Cocoa Beach, Florida; Hong Kong; Johannesburg in South Africa and London.

The Newseum started functioning from its present location in April 1997. At present the Newseum occupies approximately 72,000 square feet. It employs 142 employees. The number of visitors to Newseum was 321,555 in 1997 (figures for 8 months operation), 413,932 in 1998, 463,932 in 1999 and 242,805 in the first five months of 2000. A total of 1.5 million have visited the Newseum since opening. From March 2000, the Newseum is open for six days a week, instead of five as was the case till then.

2.3 Current Visitor Profile
Newseum visitors fall into two categories: individual walk-in visitors (local residents and out-of-town visitors) and tour-group visitors (again both local schools/groups and out-of-town groups). Roughly 66% of the visitors belong to the first category and group-visitors account for the rest. Adult walk-in visitors are evenly distributed among the age cohorts: 18-34, 35-49, and 50 and above. About 30 percent of the tourists who visit the Newseum are accompanied by children under the age of 18. Lastly, 47 percent of walk-in visitors were metro-area residents, 45 percent were visiting from other parts of US and 8 percent were international visitors.

A May 1998 survey of walk-in visitors to the Newseum found that 74 percent were highly educated (college +), 83 percent were white, and 28 percent had annual household income of over $75,000.

2.4 Details of Present Proposal

With a floor area of only 720,000 square feet and around 500,000 visitors annually, the Newseum is believed to have outgrown its current location. The current lease on the building in which it is located expires as of 2003. These two factors together forced the Freedom Forum to look for an alternative site to relocate the Newseum. A site selection committee was formed in early 2000 to search for a new location in one of the three cities - Arlington, VA., the District of Columbia and New York. The selection committee identified the District of Columbia as the most suitable location and made its recommendations accordingly.

Following this decision, LORD Cultural Resources Planning & Management Inc. conducted a site evaluation and attendance projections study. The study analyzed the implications to attendance levels at the Newseum in two alternative locations – at 6th Street and Pennsylvania Avenue and at the former Woodward and Lothrop Department store at 10th and F Streets. Sixteen weighted evaluation criteria were used to compare the strengths and weaknesses of the two sites. The study concluded that the site at 6th Street and Pennsylvania Avenue was more likely to attract larger attendance.
Following this finding, the Freedom Forum made an offer to the District of Columbia a financial package totaling $100 million to purchase the land at 6th Street and Pennsylvania to relocate the Newseum, the Freedom Forum’s foundation headquarters, and the International Conference Center from its current location in Arlington, VA.

The Freedom Forum’s total package for the property includes:
- A total of $100 million all-cash offer with no financing contingencies. A $100 million cash account has been established with Northern Trust Co., the custodian of the Freedom Forum’s investment.
- $75 million of $100 million would be toward the purchase of land
- the remaining $25 million would be a grant to the District of Columbia to assist with development of low and middle income housing in the district. The $25 million may be used in such manner and geographical locations as determined by the District authorities. The grant is contingent on the transaction being completed by the end of the year
- The Freedom Forum also offers to waive its right as a nonprofit 501(c ) (3) organization to an exemption from real estate taxes.

2.5 Site Plan

The Freedom Forum proposes to build a multi-use development in accordance with District of Columbia zoning and Pennsylvania Avenue Development Corporation guidelines and would include:
- Approximately 250,000 square feet to house an expanded Newseum about 3.5 times the present area of 72,000 square feet) including exhibit and gallery spaces, theaters, broadcast facilities, education center and class rooms and administrative offices.
- Approximately 55,000 square feet to house the headquarters of the Freedom Forum and its executive and administration offices.
- Approximately 20,000 square feet for the Freedom Forum’s international conference center.
- Approximately 5000 square feet for the museum store.
- Approximately 10,000 square feet for restaurant.
- Approximately 150,000 square feet of residential housing units - about 100 condominiums.
- Approximately 140,000 square feet of parking space - two floors below grade – for the use of condo owners and staff of the executive offices of the Freedom Forum.

With due regard to the aesthetic aspects and demands of the proposed location, the Freedom Forum will select a world class architect to design the building and a developer with proven record to build the condominiums in the District.

2. 6 Anticipated Cost and Date of Construction

The total construction cost is anticipated to be around $250 million - $75 million for land, $150 million to build the museum and related facilities, and $25 million to build the residential component. It is proposed to have the construction completed by 2003.

2. 7 Projected benefits to the District of Columbia

It is expected that the benefits that flow to the District of Columbia include:
- Gives the District the best offer for the site and, in turn, the best, neighborhood-supported use for the site.
- Adds a world-class cultural and educational facility to the Nation’s capital. It is expected to create unique and valuable educational opportunities for D.C. students and families.
- Draws millions of visitors to the site, for daytime visits and evening programs, contributing to the economic base of the city.
- Ensures a continuing revenue stream, in the form of real estate and D.C. sales taxes on retail sales.
- Carries the potential to create a considerable number of full and part-time jobs.
- Adds to the housing stock in the District.
- Contributes to the creation of a signature, architecturally striking building along the
Historical Pennsylvania corridor.
- Provides numerous educational and internship opportunities for students from District schools and colleges.
- Brings the world headquarters of the largest private, nonprofit, international foundation devoted to media and diversity issues to the District of Columbia.

2.8 Views and Comments on the proposed Project

The proposal has been welcomed by the District administration, media and the public. Noting that this offer hits all of the objectives of the city, the Mayor heralded this as “a magical, major moment for the city.” Sen. Patrick Moynihan, D-N.Y, stated “the Newseum proposal for Sixth Street and Pennsylvania Avenue is exactly what the location calls for - outstanding architecture and a public purpose. The city and the Avenue will be much the better for it.” Dorn McGrath, Director of the Institute for Urban Environmental Research at George Washington University, also commented that the Newseum is “unquestionably a tourist attraction of high quality.”

According to the Washington Post “supporters of a living downtown filled with thriving retail business and restaurants, pedestrian traffic and tax paying condo owners have to be thrilled with the Freedom Forum’s offer to relocate its headquarters and the highly successful Newseum to Pennsylvania Avenue. City revenue officers ought to be all smiles, too. The Freedom Forum’s proposed all-cash deal of $100 million for the land at Sixth Street and Pennsylvania Avenue, NW, would not only bring a renowned state-of-the-art museum to a key site on the city’s grand boulevard; the project is also expected to provide a future revenue stream of much needed city income, property and sales tax.”

The Washington Times notes “the D.C. Financial Control Board, the D.C. Council, the Pennsylvania Avenue Development Corporation and all other federal agencies that must
sign off on this proposal should jump on board as quickly as possible to keep the museum and the foundation here.

Several neighborhood development leaders have also supported the project. Charles Doctor, Chairman of Downtown Housing Now, called it a win-win offer, further noting ‘ [the project] will create housing and retail business in the downtown area while adding to the city’s tax revenues.”

2.9 Structure of the Report

Chapter 1 of this summary presents an executive summary of the discussions and findings included in the report. Chapter 2 discusses the details of the current Newseum profile, the proposal under consideration, and the views of the D.C. administration and the public in the matter of the relocation of the Newseum in the Sixth and Pennsylvania streets. Chapter 3 examines the current characteristics and trends in museum location, facilities provided, architecture, number of visitors and visitor profiles. This chapter also discusses the state of hospitality industry and the employment situation in the District of Columbia. Chapter 4 analyses the facility program and projected museum attendance. Chapter 5 discusses the financial operations details and Chapter 6 attempts to estimate the impact of the proposed facility in the District of Columbia.