



City of Seattle
Office of Economic Development

Memorandum

Date: August 7, 2012

To: Councilmember Sally Clark
Councilmember Tom Rasmussen
Councilmember Richard Conlin
Councilmember Jean Godden

CC: David Yeaworth, Legislative Assistant to Councilmember Sally Clark

From: James Keblas and Rachel Sawyer (Office of Film + Music)
Denise Movius (FAS)
Hallie Kuperman (Owner, Century Ballroom)
Edward Maloney (Owner, Highway 99 Blues Club)
Alex Kochan (Vice President, AEG Live and Vice Chair, Seattle Music Commission)

Re: Live Music in Seattle

This memorandum provides a report on the general health of live music in Seattle and a progress report on the effectiveness of Seattle's Admissions Tax exemptions for live music venues.

Background

The live music admission tax exemption was initially proposed in 2008/09 under the belief that live music is at the cultural, artistic and economic core of every great American music city, allowing musicians to hone their craft and establish themselves with an audience. Live music venues bring large groups of people into diverse areas of the city, enriching local communities and serving to bolster economic development. Seattle's vitality and culture is greatly enhanced by its ability to attract and retain local music venues.

The incentive was also in response to the lack of private investment in new live music venues, the closing of six established venues (such as the OK Hotel, RCKCNDY, Fenix Underground and the Crocodile Café), the trend of live music venues morphing into "canned" entertainment establishments, and to grow Seattle's competitive edge over other northwest cities as a destination for touring performers.

Seattle, calling itself the **City of Music**, had been under scrutiny at the time as well with the closing of the legacy-music-venue the Crocodile Café, density issues pushing music activity away from the city and damaging regulatory and policy actions, including:

- A new state law requiring sprinkler systems, which costs on average \$50,000 - \$70,000
- A proposed nightclub ordinance from the City of Seattle
- "Operation: Sobering Thought"

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- Enforcing “decency” and new interpretations of occupancy
- Threatening noise restrictions
- Inequitable business environment for for-profit music venues to compete with nonprofit venues, which already enjoyed an admission tax exemption option

Additionally, operating a live music venue is an expensive operation with very little profit margin compared to simple “canned music” entertainment establishments. Live music venues must designate a significant amount of their physical space to a performance stage, pay more performers, hire more technical staff and offer more elaborate sound and lighting systems than non-live music venues. All this gives very little incentive for investors to open live music venues in the city and drives current business owners towards other types of entertainment establishments that simply use prerecorded music.

“Live music” is defined as an active performance of music by an individual or individuals who, at the time of and during the performance, creates music or engages in an audible form of artistic expression, other than, or in addition to, any pre-recorded music, for an audience through the use or manipulation of voice, instruments, or electronic or computerized equipment or formats.

The live music incentive applies to operators that:

1. Have a certificate of occupancy of fewer than 1,000 persons
2. Hosts live music on average at least three days a week
3. Hire at least one or more musicians to perform the equivalent of sixteen individual performances per week
4. Is in compliance with City rules, licenses and fees

Work to Date

The live music incentives and business advocacy the City offers live music venues have been an undeniable success. Since 2009, the City gained 12 more fulltime music venues, including:

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|-------------------------|---------------------------|
| • The Crocodile | • Lucid Jazz Lounge |
| • Hard Rock Café | • The Highline |
| • The Royal Room | • The White Rabbit |
| • Barboza | • Electric Tea Garden |
| • The Neptune | • The Kraken Bar & Lounge |
| • Columbia City Theatre | • The Skylark Cafe |

The City’s live music incentives now benefit 19 for-profit venues, 16 not-for-profit venues and 52 music organizations (see attachment). These are all full-time music organizations in addition to the hundreds of other establishments across the city offering music in a variety of ways as well.

The incentives have been supported by the *Seattle Times* saying, “[the live music incentive] is a tough request in a tight economy, but the money has the feel of an investment, not a loss to the treasury. By the way, the shows and clubs that feature live music — not canned tunes to drink by — are not the source of the rowdy behavior that make the headlines and upset urban neighborhoods. The proposal is most appealing where it proposes to help a valued piece of the economy help itself.” (November 7, 2008)

Seattle's investment in live music and music industry jobs has also had indirect benefits that were cited in a *Wall Street Journal* study that ranked Seattle #1 in the nation for attracting educated young people after they leave college (September 30, 2009).

The music industry in Seattle directly creates 11,155 jobs, with 2,618 businesses generating an annual \$1.2 billion in sales and \$487 million in earnings. It is estimated that the industry in Seattle generates \$90 million annually in state and local sales and B&O taxes. Within the larger King County economy the music industry directly creates 20,193 jobs, with \$2.2 billion in sales and \$840 million in earnings. The industry in King County generates at least \$148 million in tax revenues.

Challenges

While legislative and advocacy efforts have encouraged the establishment of well-managed concert venues of various sizes and styles, challenges still remain. Density and expensive rental agreements can push music activity away from the city and neighborhoods, increased regulatory requirements put more financial burden on business owners, competition with other forms of entertainment, and musicians still struggle to make a living making music. These are areas we will be focusing on in the future as we continue building Seattle as the **City of Music**.