

Investments in the creative economy will help drive an inclusive COVID recovery

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In the month since SXSW canceled its annual arts and tech festival in Austin, Texas, artists and other creatives have been on the front line of COVID-19 economic collapse.

Investments in food, fashion, media and creative manufacturing and community spaces will be key to an inclusive economic response and recovery.

Social distancing and sheltering in place in response to the health crisis has cost the creative economy thousands of jobs and millions in earned revenue. Art fairs around the world were cancelled. Ditto for dozens of fashion weeks and film festivals. Museums and theaters were among the first spaces to close in the current pandemic. Restaurants followed. The economic downturn has significantly shrunk the endowments of America's cultural institutions, which previously totaled more than \$58 billion.

The US creative economy is \$878 billion or 4.5% of the US economy, responsible for 10 million jobs, and an annual \$25 billion trade surplus. The value added by arts, culture and creativity to the U.S. economy significantly exceeds that of the construction industry, the transportation industry – and is five times greater than the value from the agricultural sector.

Upstart Co-Lab, an advocate for the creative economy, recently surveyed our network of businesses, real estate projects and impact funds to understand how the COVID-19 crisis is affecting entrepreneurs in the creative economy (i.e. architecture, artist housing, AR/VR, fashion, film/TV, food, galleries, graphic design, industrial design, jewelry, light manufacturing facilities, literature, music, photography, studio and maker space, theater, toys, video games, visual art).

With more than 50 responses in so far, what we've learned with other small and growing businesses:

Before COVID19:

- 70% of respondents employed 10 or fewer workers;
- 74% were raising growth capital.

Today:

- 23% of these businesses are not operational;
- 33% has experienced significant changes, such as moving online;
- 63% have made staff layoffs, cut hours, or reduced pay; and
- 68% report having fewer than 8 weeks of cash on hand.

While unsurprising – and not unique to the creative sector – this is not good news.

But creative people solve problems, and some of these same entrepreneurs are pivoting, doubling down and working to get their communities through this tough time – and ready for the recovery.

- Jen Guarino started Industrial Sewing and Innovation Center to train low income Detroiters for work in the 21st century apparel manufacturing industry. ISAIC is administering a consortium of apparel manufacturers including Shinola and Hanes, and is starting with the production of hospital approved sewn surgical masks.
- Shift Capital in Philadelphia has launched the MaKers MarKetplace, an online directory, to help tenants of the Maken Studios Art District connect with customers. There you can find Càphê Roasters, a women-owned and immigrant-owned business, which is delivering Joy Boxes to local residents packed with the “essential non-essentials” including craft beer, artisanal cheese, locally-roasted coffee and small batch ice cream.
- Headquartered in Los Angeles, Seed&Spark is a philanthropic crowdfunding platform supporting filmmakers who are telling stories that “celebrate diverse voices and foster vibrant conversation”. 82% of projects feature women, and 50% feature people of color and LGBTQ in key roles. To date, Seed&Spark has helped filmmakers raise \$25 million for more than 2,000 movies and TV shows. In response to Covid-19, founder Emily Best is asking distributors to relax industry standards that prevent festivals from moving online, and repurposing the Seed&Spark platform to host digital screenings. Viewers donate to the artists and festival staff who are losing income due to cancellation of film festivals from SXSW to Cannes.

- Phoenix artist Matthew Moore's [UrbanPlough Furniture](#) has introduced a new standing desk for people suddenly working from home. [Making a desk employs one person for a week, plus health benefits](#); delivering the desks in the trucks of a local bread company keeps those drivers working too. Currently, UrbanPlough has 20 people at work with plans to scale to 100. On the side, as part of [Goods for Good](#), the company is fabricating an Intubation Box, a protective shield designed to minimize medical staff's exposure to COVID19, and already fulfilling orders from four states.
- Until construction was halted in New York state on March 27, actor/producer Mary Stuart Masterson was building out the new sound stages at [Upriver Studios](#) so the Hudson Valley can be ready for film and TV production — and the jobs and tourism that go along with it – as soon as this crisis has passed. A Delaware public benefit LLC and financed by impact investors, Upriver is committed to making the film and TV industry more inclusive and sustainable. Their motto is Make Local Work.

A growing set of [foundation](#) and [crowdfunded](#) relief funds, along with [federal](#), [state](#) and [local](#) government efforts, are helping nonprofit arts organizations and individual artists withstand the economic devastation. But many small and growing enterprises in the creative economy don't qualify for philanthropic funds that target nonprofits – and may [miss out](#) on support aimed at small businesses as well.

It will take a combination of impact capital and creativity to design an inclusive and sustainable recovery. Right now, impact investors can contribute to an inclusive economic recovery by backing creative places and creative businesses as part of comprehensive community development and drivers of the new impact economy.

Invest with your local Community Development Finance Institution (CDFI). Creative places and businesses have been core to comprehensive community development for decades. Coastal Enterprise Inc, Colorado Enterprise Fund, Craft3, Enterprise Community Partners, Local Initiatives Support Corporation (LISC), New Jersey Community Capital, Propel Nonprofits, Reinvestment Fund and Self Help Credit Union are just a few examples of CDFIs with significant investments in the creative economy (read [Creative Places and Businesses: Catalyzing Community Growth](#) to learn more).

Invest with impact funds that include the creative economy. Many impact funds are backing creative economy businesses – even though their stated impact goals are to promote inclusion or benefit the environment. For example, 25% of the businesses led by women, people of color and returning veterans [Community Investment Management](#) backs are in the creative economy. And 95% of the entrepreneurs of color receiving seed capital in The Runway Project's Oakland cohort have started creative economy businesses (read [Hiding in Plain Sight: Impact Investing in the Creative Economy](#) to learn more).

Use your Community Reinvestment Act monies for the creative economy. Creative places and business activities have benefited from the Community Reinvestment Act funding historically, and more CRA-motivated investment can be directed to qualifying creative economy projects now. The impact attributed to creative places and businesses can be expressed in the same way as other community development activities, such as economic output, employment, and affordable housing. Opportunities range from tax credit investments and financing for affordable housing, small business lending for creative businesses generating jobs, and community services that include financial literacy, and technical assistance (read [*The Community Reinvestment Act and the Creative Economy: Investing in Creative Places and Businesses as Part of Comprehensive Community Development*](#) to learn more).

Invest through impact investment platforms like CapShift and Small Change. Both of these impact platforms identify creative economy investment opportunities on their sites, making it easy for accredited investors to search for direct investments and funds connected to art, design, culture, heritage and creativity. [*Small Change*](#), which allows “everyday people to invest in real estate projects that change cities and neighborhoods for the better,” currently lists 5 creative places seeking capital, including a creative co-working space in Pittsburgh and an artist-run bed and breakfast in New Orleans.

Invest with funds focused on the creative economy. While the [LISC NYC Inclusive Creative Economy Fund](#) has closed to additional investment, new funds focused on US creative communities, affordable creative live/workspace, [social impact video games](#), and the global artisan economy were preparing to launch before COVID19, and should be open later in 2020. In the meantime – and because this recovery is not limited to the US – investors can back the [HEVA Fund](#) in East Africa, and the [Creative Land Trust](#) and the [Nesta Arts & Cultural Impact Fund](#) in London.

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