

The
Economic Impact
of the 34th America's Cup in San Francisco



A report prepared by the Bay Area Council Economic Institute
for the San Francisco America's Cup Organizing Committee

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Executive Summary

The 34th America's Cup (AC34) generated between \$364.4 million and \$550.8 million in economic activity in the City of San Francisco. Although the number of teams competing in the events turned out to be much smaller than originally anticipated, the range of activities associated with the Cup attracted visitors from around the country and around the world, generated significant business activity, and produced new tax revenue for the City of San Francisco of between \$5.79 million and \$6.68 million.

One of the event's unique features was a new class of yacht, the AC72, which can travel much faster than conventional vessels. Its high cost, during a global recession, had the effect of reducing the number of syndicates participating in the race.¹ An accident that destroyed an Artemis Racing vessel and caused the death of a team member also prevented Artemis Racing from participating in the round robin phase of the Louis Vuitton Cup. With the reduced field of competitors, this led to "races" in which one vessel sailed alone. Although still remarkable, a single sailboat is not the attendance draw that an actual race might be.

These developments had the effect of reducing spectators, particularly during the Louis Vuitton Cup. These circumstances combined to lower the number of spectators and reduce the economic impact of AC34 below what was originally anticipated.

Nonetheless, this competition drew more than 700,000 visits to the waterfront for the Louis Vuitton Cup and America's Cup Finals, benefitted hundreds of small and other businesses in San Francisco and the Bay Area, and generated significant tax revenue.

One legacy of the event is the new cruise terminal at Pier 27. While planning for the terminal began before AC34, the timeline of its construction was accelerated in anticipation of the Cup. This analysis therefore provides alternative economic impact estimates, with and without the cruise terminal included.

In developing this analysis, the Economic Institute collected information on spending related to AC34 activities across ten groups of "Agents" including spectators, syndicates and event management. Local businesses were also interviewed in order to better understand detailed spending patterns.

The ten primary sources of AC34-related spending analyzed in this study were:

¹ Some syndicates chose to observe from the sidelines just how these new sailing vessels would perform.

1. City of San Francisco
2. Cruise Terminal Construction
3. Syndicates
4. Spectators
5. America's Cup Event Authority (ACEA)
6. America's Cup Summer Concert Series
7. Super Yachts
8. Media
9. Sponsors
10. Volunteers

■ Key Findings

The event generated \$325.38 million in total expenditures by participants and spectators.

- Direct spending related to the event by the ten primary sources exceeded \$325.38 million.
- Including the design and construction of the cruise terminal, spending exceeded \$440.71 million.

When the full effects of this spending are considered (as spending by participants and spectators is circulated through the economy), **there is a larger economic impact.**

- Total economic output resulting from Cup activities exceeds \$364.4 million.
- Including the cruise terminal, the total economic impact exceeds \$550.8 million.

The event and related activities supported the equivalent of thousands of new jobs in San Francisco.

- The event directly generated the equivalent of 1,715 one-year jobs in San Francisco.
- Including the cruise terminal, 2,300 one-year jobs were added.
- When broader economic impacts are included, new employment totaled 2,863, and 3,858 with the terminal.

AC34 generated substantial tax revenue for San Francisco from a range of sources: hotel, payroll, retail, and parking.

- Total City tax revenues grew \$5.79 million as a result of AC34-related activities.
- Incorporating the economic activity associated with the construction of the cruise terminal, the City gained \$6.68 million in tax revenues.

AC34 showcased San Francisco and the Bay Area to an international television audience in over 200 countries.

- This provided high-value media exposure to a large number of potential visitors.
- Because these long-term impacts are difficult to quantify, they are not included in this analysis.

Introduction

The America's Cup is considered the world's most important sailing event. Following BMW Oracle's victory in the 33rd America's Cup (AC33), in Valencia, Spain, the Cup returned to the United States for the first time since 1995, with San Francisco as the host city for AC34.

Spectator venues were constructed for viewing the races and other events at the America's Cup Park at Piers 27/29 and at America's Cup Village at Marina Green. These locations also hosted the America's Cup World Series events, the AC Open, the America's Cup Finals, the Louis Vuitton Cup (America's Cup Challenger Series), the Red Bull Youth America's Cup, and the America's Cup Summer Concert Series. One of the lasting legacies of AC34 is the new cruise terminal at Pier 27. While plans for the terminal preceded discussions of AC34, its construction was enabled and accelerated by the Cup.

AC34 pushed the envelope in boat design. The AC72, a new class of yacht, can travel at speeds of up to 50 knots (57.5 miles per hour), much faster than conventional vessels. The speed and high-tech design of the AC72s added to the excitement of the race, requiring superior athleticism from the best sailors in the world. However, the high cost of building and operating these vessels and the uncertainty surrounding their performance also had the consequence of reducing the number of participants in the race. Some syndicates chose to first observe the new racing vessels. Also, the racing syndicates were being formed in the immediate aftermath of a major global recession, and some expected Challengers could not secure sufficient financial backing to mount full Cup campaigns. With the field of Challengers reduced to three, an accident in the summer of 2013 destroyed an Artemis Racing vessel and killed a crew member during a practice session. This prevented Artemis Racing from participating in the round robin phase of the Louis Vuitton Cup, resulting in many "races" with a single boat and no opponent. These circumstances combined to lower the number of spectators and reduce the economic impact of AC34 below what was originally projected.

Nonetheless, the competition drew more than 700,000 visitors to the waterfront.² Its activity benefitted hundreds of small and large businesses and employers in San Francisco and the Bay Area, and generated significant tax revenue. AC34 benefitted from the location of its course in San Francisco Bay (a natural amphitheater for the races), at the heart of a major urban area. This contrasted with previous America's Cup races, which were held in the open ocean miles out to sea and required spectators to board (and often pay for) observer vessels. The San Francisco Bay location enabled large numbers of people to observe the race

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² The count reflects unique visits to the venues, not necessarily unique individuals. Based on survey results, spectators typically made six visits to the America's Cup venues.

for free from the shoreline – many repeatedly – and patronize local retail outlets and other facilities. Race sites and facilities were accessible by BART, Muni or bicycle, supported by expanded Muni service and bike corrals. The accessibility of the events enabled the participation of a wider range of the viewing public.

Spectator engagement was enhanced by an investment in advanced technology that enabled both bayside viewers (jumbotrons – large outdoor video screens) and a worldwide television and handheld wireless device audiences to better understand and follow the race. On-board cameras and cameras in helicopters beamed compelling visuals to a global audience. With San Francisco, Alcatraz, the Golden Gate Bridge, and Marin Headlands as a backdrop, this constituted free advertising for the Bay Area and San Francisco broadcast on television to over 200 countries around the world. The near and long-term value of the extensive international media coverage for San Francisco and the Bay Area over the course of AC34 is real but is not included in this economic impact analysis.

For the reasons indicated above, the Louis Vuitton Cup got off to a slow start, but the dramatic conclusion to the America's Cup Finals, however, generated large-scale interest, extending the anticipated number of race days, drawing large numbers of spectators, and generating increased revenues.

This study assesses those economic impacts. It is made up of six sections: Section 1 presents the long history of the competition; Section 2 describes the scope of AC34; Section 3 lays out the economic impacts of AC34 in San Francisco; Section 4 profiles the spectators and their spending patterns; Section 5 presents local business impacts in the form of case studies for a variety of sectors; and conclusions are offered in Section 6.

The America's Cup: A Long History and a New Chapter

There is a long history to the America's Cup, the oldest active international sports competition. With its high-technology vessels and in-bay racing, AC34 transformed the race and took the America's Cup into a new era.

History 1851-2010

The America's Cup is the world's greatest sailing competition and the oldest active trophy in international sports. Its history extends back to 1851, predating the first modern Olympic Games held in Athens in 1896.³

The first event was a special race of "yachts of all nations" around the Isle of Wight and took place in conjunction with the Great Exhibition of 1851, an international exposition showcasing the industrial feats of the day. The Royal Yacht Squadron's 100 Pound Cup, a cup worth 100 British Pounds, was offered to the winner of the race. An American syndicate sailing a schooner named *America* took the race, and from then on the cup took the name of *America's Cup*. The syndicate's surviving members donated the trophy to the New York Yacht Club in 1857. This Deed of Gift remains the ultimate source of the Cup's fundamental rules, including that it be held as a perpetual challenge trophy for friendly competition between nations.

For much of the Cup's history, there was only a single challenger and a single defender participating in the challenge. In 1970, for the first time, more than one challenger stepped up to compete. At this point, a competition was staged to determine the single challenger to face off with the Cup defender. In 1983, the French fashion brand Louis Vuitton sponsored the first America's Cup Challenger Series, which has come to be known as the Louis Vuitton Cup. Multiple teams typically participate in the Louis Vuitton Cup series for the chance to compete against the defending champion in the America's Cup Finals.

The America's Cup competition is traditionally held in three to five-year intervals, with the winner of each Cup gaining the right to determine nearly every aspect of the following competition. In particular, the defender determines where the next race series will be held, the parameters of the series, and boat design.

Although the original America's Cup was won by a schooner, the specifications for the yachts have been changed over the years. In 1992, the International America's Cup Class of Yachts (IACC boats) was introduced as the new America's Cup racers. The IACC boats are longer, lighter and have about twice the sail area as the previous America's Cup 12-meter vessels.

The America's
Cup history
extends back
to 1851, even
further than the
first modern
Olympic Games.

³ Source: America's Cup Official Website <http://www.americascup.com/en/about/history>

The most recent America's Cup races have taken place in Valencia, Spain (2010 and 2007), Auckland, New Zealand (2003 and 2000), San Diego, California (1995, 1992, and 1988), and Fremantle, Australia (1987). Racing syndicates (teams representing a challenging or defending yacht club), have in the past relocated their crews, support staffs, and their families to the venue chosen for the race as far as two years in advance, building facilities to house the vessels, support team, and sponsor activities. The time on location is spent testing and perfecting boat design and developing the skills and local knowledge required in order to sail the vessel to perfection. Local knowledge includes understanding the winds (their consistency and magnitude) and tides as well as other unique features of sailing at the chosen venue.

The race brings with it the potential for local economic benefit through the expenditures by the participating syndicates, but to a larger degree, it brings the spending and exposure that come with large numbers of domestic and international visitors, investment in infrastructure, and media coverage.

■ AC34

After winning the 33rd America's Cup, the Golden Gate Yacht Club, represented by ORACLE TEAM USA elected to bring the event to San Francisco Bay. For the first time in the history of the Cup, the race took place in a major urban area where it could be viewed from the shoreline. Historically, the races have taken place on the open seas, as much as 20 miles offshore, limiting public access and participation. Spectators must watch either on a television screen on land or from a boat among the spectator fleet. In the case of San Francisco, the race took place in a natural amphitheater bounded by San Francisco, the Marin Headlands, Alcatraz, and Angel Island, expanding viewing opportunities and drawing in thousands of residents and visitors. This more intimate setting offered an opportunity to popularize the event, drawing in a larger and more diverse set of viewers, and increasing business activity in surrounding communities.



Photo Credit: ACEA

For AC34, two new classes of yachts, the AC45 (45 foot long catamaran) and the AC72 (72 foot long catamaran) were introduced. The AC45 was used for the preliminary training and racing throughout 2011 and 2012 in the America's Cup World Series events. While capable of closing speeds of over 30 knots, the AC45 was designed for all-around performance, so it could be sailed in a wide range of conditions. The aim of the AC45 was to allow all teams to build their experience on wing-sailed multihulls. Unlike conventional sailboats, wing-sails are built very much like the wings of an airplane, which provide a means of controlling and optimizing the shape of the sails in ways that traditional or soft sails cannot. The wing-sails are also much lighter than standard sails.

The AC72 is the 72-foot-long, wing-sailed catamaran raced in the finals in 2013. An AC72 can travel more than twice as fast as the boats that competed in the previous race, and demands more from the crew.⁴ The AC72 is also unique, in that it uses long, thin rudders and hydrofoils near the center of the hull called daggerboards, which are designed to push up on the hulls and lift them out of the water to “fly” on foils. The decrease in drag during foiling mode can boost the boat’s speed past 45 knots.



⁴ Wanucha, Genevieve. “Q&A: Engineering professors on America’s Cup.” *MIT News*. 29 August. 2013
<http://web.mit.edu/newsoffice/2013/qaa-engineering-professors-on-americas-cup.html>

Scope of the Event in San Francisco

The formal activities associated with the events of the America's Cup took place between 2011 and 2013. While early events took place in other parts of the world, the bulk of AC34 activity took place on San Francisco's waterfront.

America's Cup World Series 2011-12

The 34th America's Cup started off with the early regattas a few years prior to the finals in September 2013. The early regattas, called the America's Cup World Series, consisted of a series of match and fleet racing in the AC45 yachts between teams representing potential challengers and the defender. There were two seasons of the America's Cup World Series –2011-12 and 2012-13. At the end of each AC World Series circuit, a series champion was crowned based on their cumulative scores from each event. The first season included stops in five different cities before concluding on July 1, 2012 in Newport, Rhode Island. The winner of the 2011-12 AC World Series was ORACLE TEAM USA skippered by James Spithill. Emirates Team New Zealand was second overall, and Sweden's Artemis Racing was the third.

The second season of the America's Cup World Series, the 2012-13 AC World Series, included two events in San Francisco and concluded on April 21, 2013 in Naples, Italy. The second season of the AC World Series also saw the challengers for the 34th America's Cup collect points towards a Louis Vuitton Cup seeding, which conferred an advantage at the beginning of the Louis Vuitton Cup in July 2013. The winner of the second season was Italy's Luna Rossa. Artemis Racing took second overall, and Emirates Team New Zealand was the third-place winner.

2013 Events

The America's Cup Park, built at Piers 27/29, hosted a wide range of activities throughout the "Summer of Racing." On race days, the Park's program featured a pre-race "dock-out" show, athlete interviews, and autograph sessions. The contestants for each race launched from the Park, and races finished just off the Pier. The Park also offered numerous food and beverage options, and shops featuring team merchandise such as the Louis Vuitton Cup Store and the Puma Yard.

Also located in the America's Cup Park was the America's Cup Pavilion, the 9,000-seat amphitheater constructed specifically for the Summer of Racing. The America's Cup Pavilion hosted more than a dozen concerts, along with family shows and community programs. On race days the Pavilion broadcasted the racing on a large video screen accompanied by live commentary.

Farther down the waterfront, the entire course, except for the final leg to the finish line at America's Cup Park, could be watched from the America's Cup Village. Activity there clustered in two areas: Marina Green and the Yacht Club Peninsula, both of which provided unobstructed views of the start line and the first marks.



Photo Credit: ACEA

Marina Green included bleacher seating with capacity for 6,500 fans, supplemented by jumbotrons. Food, beverage and retail facilities were also available. The Yacht Club Peninsula featured bleacher seating for 1,400 people, and facilities for hosted viewing and events.

America's Cup Summer Concert Series

Twenty-one shows were put on as part of the America's Cup Summer Concert Series at the America's Cup Pavilion. The shows attracted 130,000 attendees and raised over \$65,000 in charity donations. The Sounds of San Francisco series sponsored by Dockers presented eight local bands.

The Red Bull Youth America's Cup

The America's Cup Village hosted the first-ever Red Bull Youth America's Cup between September 1 and 4, 2013, ahead of the finals of the America's Cup. Ten national teams from eight nations, comprising sailors ages 19 to 24 years old, competed on four days over eight races.

Racing took place in the same high performance, wing-sailed AC45 catamarans that were used the previous year in the America's Cup World Series. The Red Bull Youth America's Cup opened the door for young, talented sailors to develop the skills and experiences they would need to contribute to a Cup team.

The AC Open

The AC Open consisted of 16 events staged at the America's Cup Village at Marina Green over a six-week period, running in parallel to the Louis Vuitton Cup and America's Cup. The diverse series of community events included a wide range of one-design sail boats and other recreational watercraft, such as kiteboards, Access Dinghies (with the Bay Area Association of Disabled Sailors), the 18-foot skiffs, stand-up paddleboards, canoes, and land racers.⁵

⁵ America's Cup official Website. <http://www.americascup.com/en/news/3/news/16989/ac-open-brings-adrenaline-fueled-excitement-to-americas-cup-village-at-marina-green>

America's Cup Challenger Series - The Louis Vuitton Cup

The Louis Vuitton Cup, the America's Cup Challenger Series, was the regatta that determined which challenger would race the defender in the America's Cup Finals. The year 2013 marked the 30th anniversary of the Louis Vuitton Cup, which first took place in Newport, Rhode Island, in 1983.

The Louis Vuitton Cup took place in the Bay between July 7 and August 25, with three teams competing: Artemis Racing of Sweden, Emirates Team New Zealand, and Luna Rossa Challenge of Italy. The racing consisted of a round robin series of match races. Because of its accident in May prior to the Louis Vuitton Cup, the Artemis Racing team forfeited every race during the round robin while preparing their backup boat.

Artemis Racing was still guaranteed a place in the semifinal round since there were only two other boats. Luna Rossa and Emirates also participated in the semifinals, from which the ultimate challenger, Emirates Team New Zealand, was victorious and earned the right to challenge ORACLE TEAM USA.

The America's Cup Finals

The 34th America's Cup made many firsts in format with new boats, cutting-edge technology, and a close-to-shore venue. It was also recorded as the longest-ever match by both number of days and races in the Cup's history.

The format for the AC Finals varies depending on the Cup, but for the 34th America's Cup, one point was awarded for winning a race, and a total of nine points were needed to win the Cup. With the challenger on match point, the defender, ORACLE TEAM USA, closed out the series with eight consecutive victories in a dramatic comeback from an early deficit.

■ Regional Tourism

In addition to economic activity generated by the races themselves, the event produced indirect spending and economic activity throughout the broader region. Visitors who were unable to find rooms in San Francisco found accommodation in other nearby cities, and many who stayed in San Francisco visited other destinations around the Bay Area and Northern California.



Photo Credit: The Napa Valley

Many visitors to the region, when not watching the races or shopping and sightseeing in San Francisco, took side trips to Wine Country, Marin County (Sausalito, Muir Woods, etc.), Carmel/Monterey, Yosemite, and Lake Tahoe. The Napa Valley was an official partner of the AC34, operating the Napa Valley Wine Lounge at Piers 27/29 and promoting spectator visits to Napa Valley during the event. A quantitative assessment of the impact of this economic activity falls outside the scope of this report.

■ Related Events and Programs

AC34 also generated a number of affiliated exhibits and cultural events organized by leading San Francisco institutions.

The Legion of Honor, a part of the Fine Arts Museums of San Francisco, hosted the exhibit "*Impressionists on the Water*", which examined the French Impressionists' fascination with recreational and competitive sailing, a developing sport in 19th Century France. The exhibition featured more than 80 works by Pre-Impressionist, Impressionist, and Post-Impressionist artists.⁶



Photo Credit: The Fine Arts Museum of San Francisco

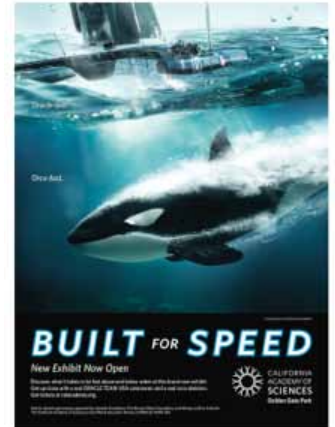


Photo Credit: The California Academy of Sciences

The California Academy of Sciences was the official education partner of ORACLE TEAM USA. The academy hosted the "Built for Speed" exhibit, which explored the links between fast animals and fast boats, bridging natural selection in the wild and design optimization in the lab.⁷

The Asian Art Museum also presented *Japanese Art from the Larry Ellison Collection*, an exhibition of more than 60 rarely-seen Japanese artworks spanning 1,100 years.⁸



Photo Credit: The Asian Art Museum

⁶ The Fine Arts Museums of San Francisco Website. "*Impressionists on the Water*" <http://impressionists.famsf.org/>

⁷ The California Academy of Sciences Website. "*Built for Speed Exhibit*" <http://www.calacademy.org/built-for-speed/>

⁸ The Asian Art Museum Website. "*In the Moment: Japanese Art from the Larry Ellison Collection*" http://www.asianart.org/exhibitions_index/in-the-moment

Estimating Economic Impacts

This report provides a final estimate of the economic impact of the America's Cup on San Francisco based on a multifaceted approach. Expenditure information was collected from the organizations directly involved with preparing and executing the events. Spectators and volunteers were surveyed regarding spending, the purpose of their visit and their place of residence. Taken collectively, the data collected shed light on the overall economic benefits that accrued to the City of San Francisco during the 34th America's Cup.

■ Spending Patterns

Hosting the 34th America's Cup brought significant spending and economic activity to the City of San Francisco (Table 1). The analysis presented below presents the overall economic impact of this spending by 10 different sources, or "Agents." Some of the spending totals are combined to maintain confidentiality.

These agents, in order of their total expenditures, include:

Syndicates: The syndicates are the sailing teams that participated in the event.

Spending here is based on actual expenditures by a subset of the participating syndicates, with spending by the other syndicates estimated based on the data received. This spending is intended to account for expenditures during the America's Cup World Series events of 2012, the Louis Vuitton Cup (LVC), and the America's Cup Finals (ACF). Since the Artemis Racing team base was located in Alameda, its spending is not included in this analysis. Categories of spending are listed below:

- Infrastructure/Construction
- Labor (payroll)
- Marine-related maintenance and repairs (e.g. sails, marine repairs, services)
- Retail spending (e.g. shopping by out-of-town visitors or agent staff)
- Accommodations
- Rental of facilities/dock fees
- Catering
- Food
- Business Services
- Local air transport services (flights in and out of Bay Area are excluded)
- Local ground transportation services
- Local maritime transport services
- Communications services (publicity/advertising/public relations)
- Machinery and equipment
- Other spending

TABLE 1

Summary of Direct Spending Patterns (Dollars)

Agents	Total
ACEA/Syndicates	141,405,739
Spectators	107,830,004
City of San Francisco	46,481,723
Concerts	13,874,538
Super Yachts	6,930,000
Media	5,434,567
Sponsors	2,750,175
Volunteers	668,266
TOTAL (without Cruise Terminal)	325,375,012
TOTAL (with Cruise Terminal)	440,706,693

Source: AC34 Spectator/Volunteer Survey and agent expenditure reports

Spectators: Spectators came to San Francisco from around the world to watch the LVC and ACF. A sample of the spectators was surveyed regarding their expenditures during their visit to watch the sailing. These expenditures are calculated separately based on the geographic residence of the spectators (Table 2).⁹ The survey findings are outlined in Section 4, and the survey methodology is described in Appendix C. It is estimated that just over 700,000 spectator visits were made to the event.¹⁰ From the survey results, we estimate that 26 percent of spectators stayed in hotels and most of those stayed in hotels in San Francisco. Counts of spectators from San Francisco, elsewhere in the Bay Area, and from outside the region were roughly equal.

TABLE 2

Spending Patterns of Spectators and Volunteers by Residency (Dollars)

Agents	San Francisco	Rest of Bay Area	Non-Bay Area	Total
Spectators	11,978,766	24,675,891	71,175,347	107,830,004
Volunteers	78,726	302,122	287,418	668,266
TOTAL	12,057,492	24,978,013	71,462,765	108,498,270

Source: AC34 Spectator/Volunteer Survey

America's Cup Event Authority (ACEA): The America's Cup Event Authority provided significant detail regarding their spending (aggregated into the categories used by the syndicates). Only their spending in San Francisco proper was considered for this report.

City of San Francisco: The City and Port of San Francisco incurred significant costs in order to support the event. This support ranged from additional police services, to environmental impact reviews, to infrastructure improvement and development.¹¹

Concerts: The construction of the America's Cup Park included a theater for hosting music concerts. Located on Piers 27/29, the venue provided seats for 9,000 people. In all, 21 events were held at the venue. Concert attendees were surveyed regarding their expenditures. This, combined with information on the number of tickets sold and the infrastructure and employment-related costs provided by the America's Cup Summer Concert Series, yields the spending total (Table 2).¹²

Super Yachts: There were significant numbers of super yachts that came to San Francisco that would not have been here but for the America's Cup. These yachts generated economic impacts through provisioning and maintenance, as well as spending by owners, guests, and crew.

Media: Hundreds of worldwide media outlets sent reporters and support crews to San Francisco to report on the America's Cup. Over 700 international and national media were accredited to the AC Media Center representing 32 countries. Their presence in the city was felt economically through their spending on food, transportation, and lodging. Estimates of the number of media personnel in the city were obtained from the ACEA. Estimates of their spending patterns were obtained through a survey of a number of media outlets. Average daily spending patterns from the surveys were applied to the rest of the media present.

⁹ See Appendix A for more details on the calculation of spectator spending.

¹⁰ The count reflects unique visits to the venues, not necessarily unique individuals. Based on survey results, spectators typically made six visits to the America's Cup venues.

¹¹ See Appendix A for more details on City spending.

¹² The concert organizers requested that geographic detail of concert attendees not be divulged in this report.

Sponsors: Sponsors, such as Louis Vuitton, Red Bull, Nespresso, and others, hosted parties and flew in special guests to view the races. These expenditures are included below. Other expenditures by the sponsors are accounted for through spending by the ACEA and the various syndicates that the sponsors were supporting.

Volunteers: A small army of volunteers was assembled to help make the event run smoothly. These volunteers were primarily from the Bay Area, but many came from around the world. Their spending patterns were obtained through an online survey filled out by 230 of the 700 volunteers.

Cruise Terminal: Although the James R. Herman Passenger Cruise Ship Terminal had been in planning for some time, the construction of the new terminal at Pier 27 was further enabled and accelerated by the hosting of the America's Cup. Spending here includes money spent and budgeted for both Phase I and Phase II of construction. However, there are differing views on whether this infrastructure project should be included in the final results. The analysis below therefore provides two sets of results, one including the terminal and one without.¹³

Economic Impact of Spending

In total, the Agents directly related to the event (excluding the construction of the cruise terminal) spent an estimated \$325.38 million in the City of San Francisco. This spending had a significant direct impact on the local economy, as well as considerable indirect impacts through the recirculation of that spending (Table 3). A summary of the total economic impact of spending by each Agent is presented in Table 3.¹⁴

TABLE 3
Summary of Impacts by Agents

Agents	Output (\$ Millions)		Employment	
	Direct	Total	Direct	Total
ACEA/Syndicates	57.6	136.8	570	1,049
City	10.7	18.9	56	105
Concerts	5.2	11.9	52	95
Local Visitors	6.5	11.7	82	114
Media	5.4	9.3	45	68
Non-Local Visitors	63.7	126.7	703	1,116
Ports	23.8	38.1	129	212
Sponsors	2.7	4.4	29	39
SuperYachts	3.7	6	45	58
Volunteers	0.3	0.6	4	6
TOTAL (without Cruise Terminal)	179.7	364.4	1,715	2,863
TOTAL (with Cruise Terminal)	295	550.8	2,301	3,858

Source: AC34 Spectator/Volunteer Survey and agent expenditure reports; IMPLAN analysis (See Appendix A and B).

¹³ Earlier projections included the costs of the terminal.

¹⁴ See Appendix B for more on this multiplier effect.

The direct participants, the ACEA and Racing Syndicates combined, provide the largest boost to economic activity in the city - \$137 million. This represents 38 percent of the total estimated impact (without including the cruise terminal). Non-local visitors generated \$127 million in economic activity. The effect of local visitors—those either from San Francisco or the surrounding Bay Area—is limited in this analysis. This is partly because their expenditures per person were much lower than for those from outside the region, but also because much of their spending would have happened in the city anyway. Spending by San Francisco residents was omitted from the total on the basis that their expenditures would have been made in San Francisco with or without the Cup occurring. For similar reasons, only one third of the spending by other Bay Area residents was assumed to be new economic activity for the city.

Table 4 presents the same economic impact results by industry. Given the large role that the non-local spectators and the race organizations play in the economic impact, it is not a surprise that accommodations are the largest single contributing category of economic impact. Some 89 percent of non-local visitors stayed in a hotel in San Francisco, with the other 11 percent staying outside of the city. Eating and drinking places also received a significant boost, as did construction. Professional services were in high demand as much of the construction required technical and environmental design and review.

TABLE 4
Summary of Impacts by Industry

Agents	Output (\$ Millions)		Employment	
	Direct	Total	Direct	Total
Accommodations	48.1	48.4	387	390
Real Estate, Rental, Leasing	11.7	43.2	39	109
Eating & Drinking Places	29.7	38.5	443	568
Construction	29.5	31.5	160	172
Professional, Scientific & Technical Services	13	29.6	72	164
Financial & Insurance Services	3.6	29.2	9	106
Admin, Support & Waste Services	11.4	20.7	135	248
Retail Trade	7.4	18.9	116	249
Other Services	10.3	18.3	178	274
Health Care & Social Assistance	0	16.3	0	143
Information	0.2	13.3	1	33
Manufacturing	0.8	12.4	3	28
Transportation & Warehousing	6.5	10.7	83	121
Arts, Entertainment & Recreation	6.9	10.3	86	126
Wholesale Trade	0.3	6.5	2	37
Public Administration	0.1	5.1	1	27
Management of Companies	0	3.6	0	15
Utilities	0	3.4	0	5
Education Services	0	3.4	0	41
Agriculture, Forestry, Fish & Hunting	0	0.6	0	4
Mining	0	0.5	0	2
TOTAL (without Cruise Terminal)	179.7	364.4	1,715	2,863
TOTAL (with Cruise Terminal)	295.0	550.8	2,301	3,858

Source: AC34 Spectator/Volunteer Survey and agent expenditure reports; IMPLAN analysis (See Appendix A and B).

Table 5 presents similar results for specific occupations. Overall, the event generated work for the equivalent of 2,863 full-time, one-year positions. As the event took place over a more compressed time frame, this suggests that a larger number of workers were employed during the event.¹⁵

TABLE 5
Summary of Impacts by Occupation

Agents	Employment	
	Direct	Total
Food Preparation and Serving Related	689	831
Office and Administrative Support	176	373
Sales and Related	125	268
Transportation and Material Moving	101	168
Management	82	158
Building and Grounds Cleaning and Maintenance	96	150
Construction and Extraction	115	130
Business and Financial Operations	47	122
Personal Care and Service	71	114
Installation, Maintenance, and Repair	60	103
Computer and Mathematical Occupations	22	70
Production	35	69
Healthcare Practitioners and Technical Occupations	7	63
Other	90	245
TOTAL (without Cruise Terminal)	1,715	2,863
TOTAL (with Cruise Terminal)	2,301	3,858

Source: AC34 Spectator/Volunteer Survey and agent expenditure reports; IMPLAN analysis (See Appendix A and B).

¹⁵ Over a four-month period, this implies potentially just over 10,000 jobs, or an increase of roughly five percent. Although this may seem like a high number, the unemployment rate in the city did fall from 6.0 percent to 5.3 percent during this time period - a decline surely more related to the general economic success of the region than the America's Cup.

Implications for Tax Revenue for the San Francisco General Fund

With increased spending in the City of San Francisco comes increased tax revenue. These revenues come primarily from four sources:

Transient Occupancy Tax (TOT): In San Francisco, the TOT is 14 percent and is applied to stays in the city of less than 30 days in duration. As a result, because many stays were longer than 30 days, much of the accommodations spending by the Syndicates and ACEA was not subject to the TOT.

Sales Taxes: Sales tax revenues are from restaurant and retail sales. The tax rate is 1.75 percent. In addition, it is assumed that 15 percent of expenditures at restaurants are for tips, which are not subject to sales taxes.

Payroll Taxes: Payroll taxes are collected at a rate of one percent from for-profit businesses in the city with payrolls above \$250,000.

Parking Taxes: Short-term parking in San Francisco is taxed at a rate of 25 percent. The parking taxes calculated here are based only on direct expenditures by Agents associated with the America's Cup. The model used cannot calculate parking revenues associated with the multiplier effects of America's Cup spending. It is therefore omitted from the analysis, supporting a conservative approach to the analysis.

Many of these same Agents drove cars to the events, resulting in parking expenditures and hence taxes. Sales taxes were collected at restaurants and retail outlets, while payroll taxes were paid by some of the long-term Agents, notably, the ACEA, the syndicates and businesses that experienced a boost in demand for their goods and services.

Estimates of these taxes paid suggest that AC34 increased overall general fund revenues by nearly \$5.79 million (Table 6). The largest single source of tax revenues is the TOT, at \$2.35 million. Payroll, sales, and parking tax receipts each added a little more than \$1 million.

These results are sensitive to the inclusion of the construction of the cruise terminal in the overall economic impact. The rationale for including the cruise terminal stems from the fact that while it had been in planning for some time, its actual construction was enabled by the America's Cup. That is, it could be argued that the cruise terminal would not have been built, but for the America's Cup. The economic impact and revenues associated with the cruise terminal could then reasonably be attributed to the America's Cup.

TABLE 6
City Tax Revenues - Without Cruise Terminal (Dollars)

Revenue Source	Revenue
Transient Occupancy Tax (TOT)	2,352,366
Payroll	1,273,760
Sales	1,163,864
Parking	1,003,494
TOTAL (without Cruise Terminal)	5,793,484
TOTAL (with Cruise Terminal)	6,679,484

Source: AC34 Spectator/Volunteer Survey and agent expenditure reports; IMPLAN analysis (See Appendix A and B).

If the cruise terminal expenditures are included in the calculations, the City's revenues grow to \$6.68 million. This increase comes primarily from payroll taxes, but also from small contributions in each of the other sources of revenue. The cruise terminal, once both Phase I and Phase II are completed, will cost more than \$115 million. This cost will be supported by the floating of bonds, and according to the Port of San Francisco, the cost of which would be offset by revenues from the operation of the terminal. Without including the cruise terminal, city tax revenues total \$5.79 million.

Revenues are also lower than might otherwise be estimated because in this analysis we have excluded a significant amount of Transient Occupancy Tax receipts. The amount of hotel spending by spectators that is implied by the surveys and estimates of non-local visitors is inconsistent with data on occupancy rates at San Francisco hotels. The counts of spectators and estimates of their spending are likely correct, but the evidence suggests that this was not all reflected in a net increase in city accommodation revenues. Instead, given that the survey result suggest that 89 percent of non-local spectators stayed in hotels in the city, it is likely that some of the America's Cup spectators crowded out other visitors, forcing them to seek lodging in Marin, the East Bay, or the peninsula. The evidence suggests that the actual increment to TOT revenues is about \$1.3 million less than is implied by the spending numbers for non-local visitors. This crowding out is reflected in Table 6. Without it, TOT revenues might have been as high as \$3.8 million.

New state tax revenue generated by the activities of the America's Cup is conservatively estimated at \$10 million at least. This estimate is based only on the spending of Agents from outside the state. The rationale for this is that local spending would have occurred anyway.

■ Comparison with Past Events in Valencia and Auckland

It is reasonable to ask how these results stack up to previous America's Cup events. The answer is that for recent full-scale America's Cup events, Auckland in 2003 and Valencia in 2007, the economic impact of the 34th America's Cup compares most closely to Auckland. The differences are many, but infrastructure spending and spending by the syndicates and Cup management in Valencia far exceeded that in either Auckland or San Francisco. Excluding government expenditures in the three events, Auckland had an economic benefit of \$346 million. The same number for Valencia was \$1.1 billion, while for San Francisco it is in the neighborhood of \$364.4 million.

San Francisco did not provide the tourism draw that Valencia did, but exceeded that of New Zealand. This may be because sailing is a more mainstream sport in Europe, and sailing events there are likely to garner greater audiences than in the United States. Though sailing is extremely popular in New Zealand, the base of population from which to draw is much more limited, and New Zealand is far afield from much of the rest of the sailing community.

Clearly, the relative dearth of challengers in the San Francisco event had a dampening effect on all spending. Spending by syndicates in New Zealand was much higher than in San Francisco, in part because of the larger number of challengers. One conclusion from the comparison is that spending and revenues are highly dependent on the number of syndicates participating.

■ America's Cup Economics: Considerations

Although the economic benefits of hosting an America's Cup in San Francisco were significant, it is important to keep in mind that hosting such an event is not without its impact on local residents and other visitors. In addition to the jobs, tax revenues, and increased economic activity, an influx of visitors, local, domestic, or foreign, brings with it:

- Added congestion on the streets
- Higher hotel rates, though in this case there is little evidence of a major impact
- Longer lines at some restaurants (though locals know places that visitors generally do not find)
- Higher airfares to and from San Francisco
- Possible competition for employees (Some of the jobs created could come at the expense of other businesses in the city.)

Even though there was likely some disruption, there is no significant evidence that the increased numbers of visitors to San Francisco had a negative effect. There is certainly the potential for some visitors to have avoided San Francisco during these months out of a fear that the crowds would be overwhelming or that hotels would be scarce and costly. There is some evidence of this crowding out as discussed with respect to the hotel tax receipts, but it is impossible to put numbers on the full extent.

In terms of traffic, there were few mentions in the press about inconvenience or disruption caused by the event. The City is practiced at effective public transportation planning for special events, and the AC34 provide opportunity to test new approaches. These included a separate bike facility along the Embarcadero from the Ferry Building to the Piers 27/29, operation of the "E" Line from Caltrain to Fisherman's Wharf, promotion of satellite parking, the introduction of branded and pre-loaded Clipper Cards to facilitate the use of public transit by visitors, and the debut of the SFMTA's "Special Events Team" which coordinated across public transit and safety agencies to best respond in real time to changing needs.¹⁶

¹⁶ SF Gate Article. Cabanatuan, Michael. "Inside the plans to alleviate S.F. waterfront gridlock" 18 December. 2013. <http://www.sfgate.com/warriors/article/Inside-the-plans-to-alleviate-S-F-waterfront-5076942.php>

A Profile of America's Cup Visitors: Spectators and their Spending

Spectator spending represents a major driver of economic impact. Over 1,500 online, phone and face-face interviews were completed during the summer and fall of 2013, of spectators, concertgoers, and event volunteers. Interviews were also carried out with local businesses as well as organizations directly involved with the events.

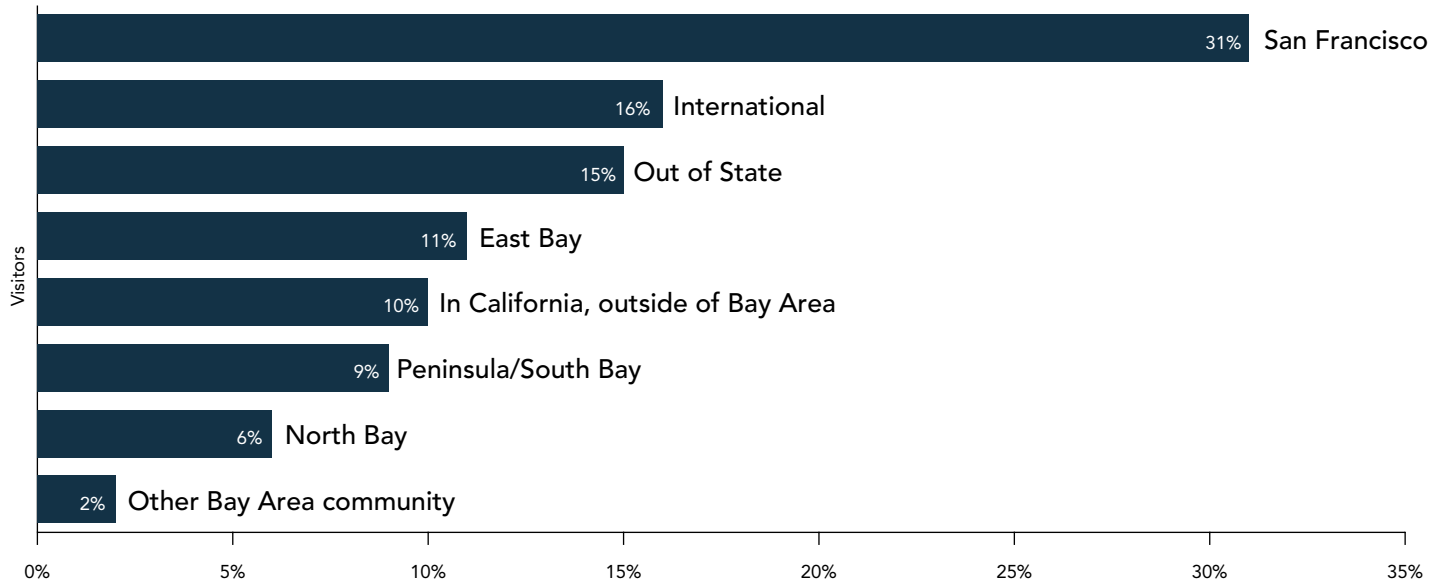
Regarding the total number of spectators, the estimates underlying the economic impact analysis exceed 700,000 visitor trips to the event venues. The approach for establishing this count is based on public transit system data as well as other sources. (For more on the methods for establishing this estimate, see Appendix A.) Event Authority gate counters estimated 992,450 visitors to the two major venues from Opening Day, July 4, through the last final race day, September 25. However, those numbers did not account for people who left the venue and returned the same day.

Residency

While 59 percent of spectators were from the Bay Area, visitors came from around the world. The residency of spectators was broadly distributed:

- 31 percent San Francisco residents
- 28 percent from the rest of the Bay Area
- 10 percent Californians outside of the Bay Area
- 15 percent out of state
- and 16 percent international.

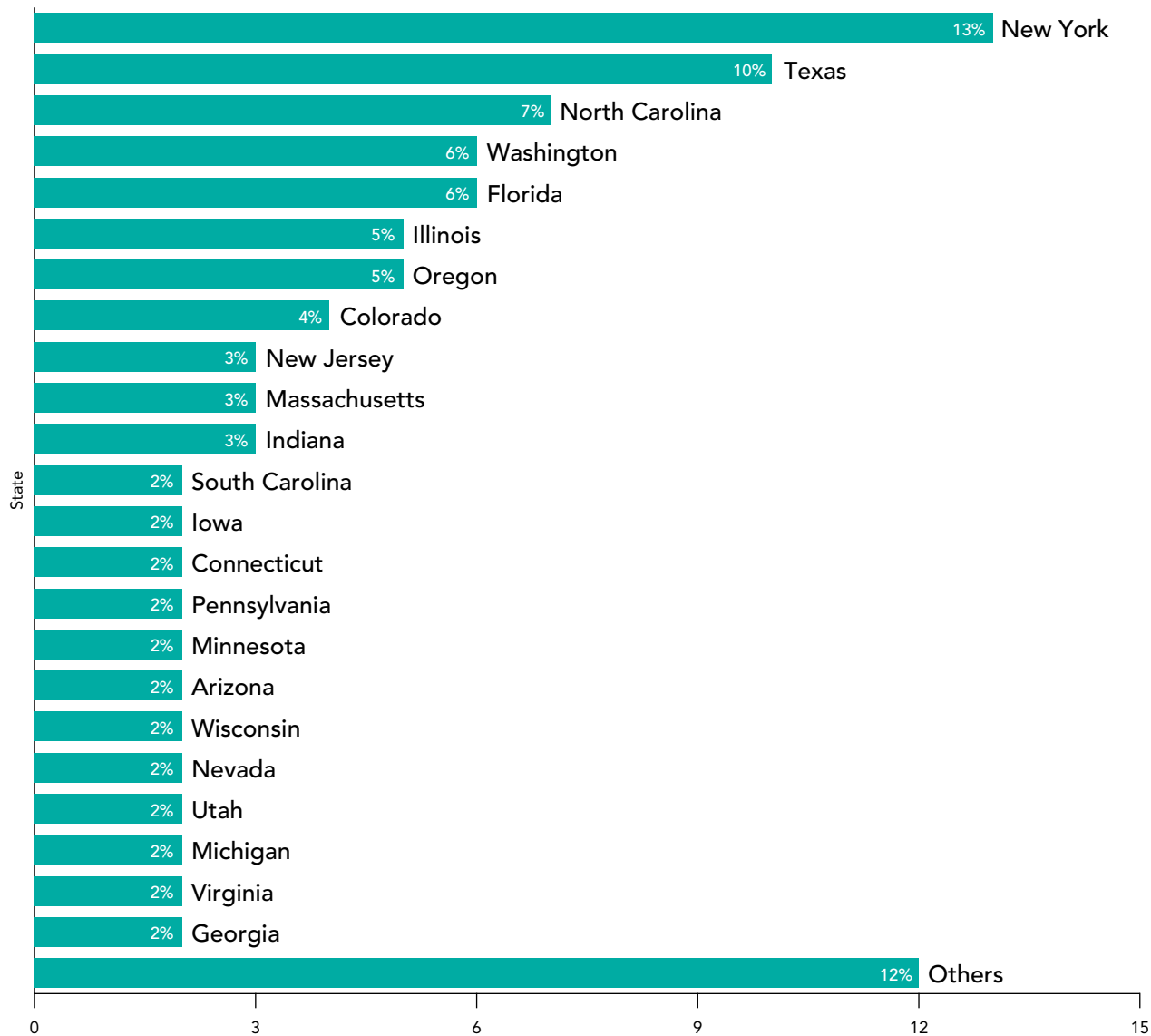
RESIDENCY OF VISITORS



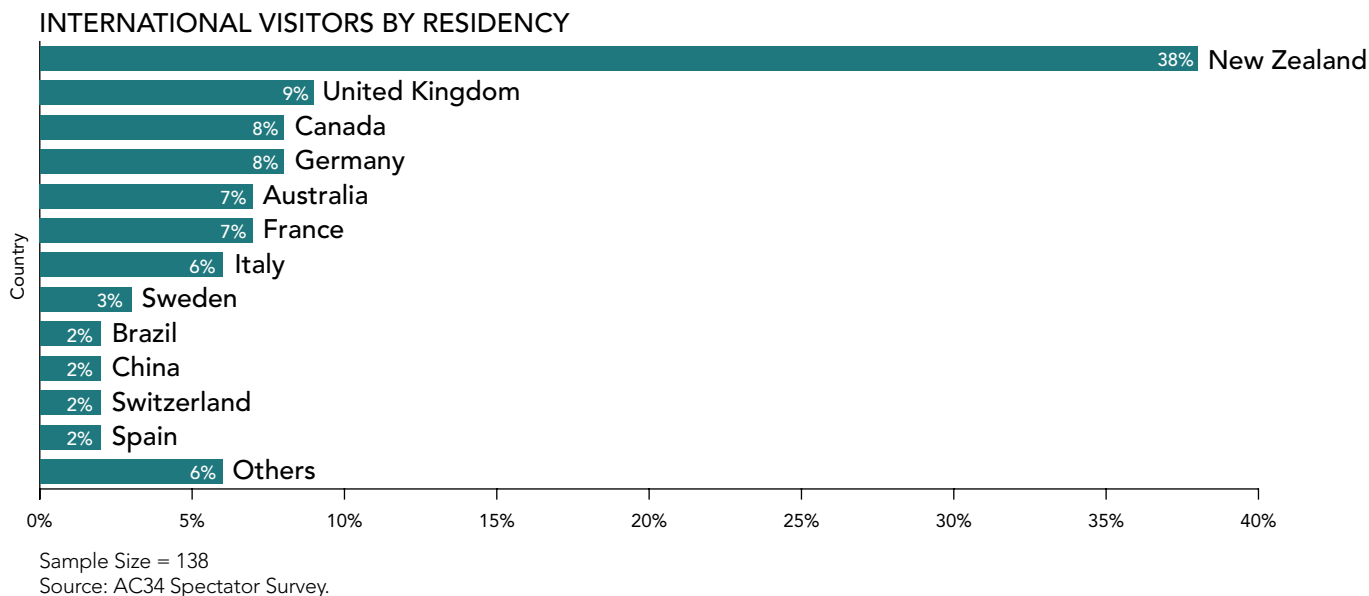
Sample Size = 820
Source: AC34 Spectator Survey.

Sixty-eight percent of visitors from outside San Francisco arrived by plane, mostly via San Francisco International Airport. Cars or motorcycles (34%), and walking or bikes (37%) were the most common transport modes the day of visit, and 25 percent used mass transit

OUT-OF-STATE U.S. VISITORS BY RESIDENCY



Sample Size = 117
Source: AC34 Spectator Survey.



Spending

On average, a visitor came to America's Cup activities six separate days during the summer, whether it was a vacation by a German family over the course of a week or two, or a local couple who walked to the Marina Green Village on key race days.

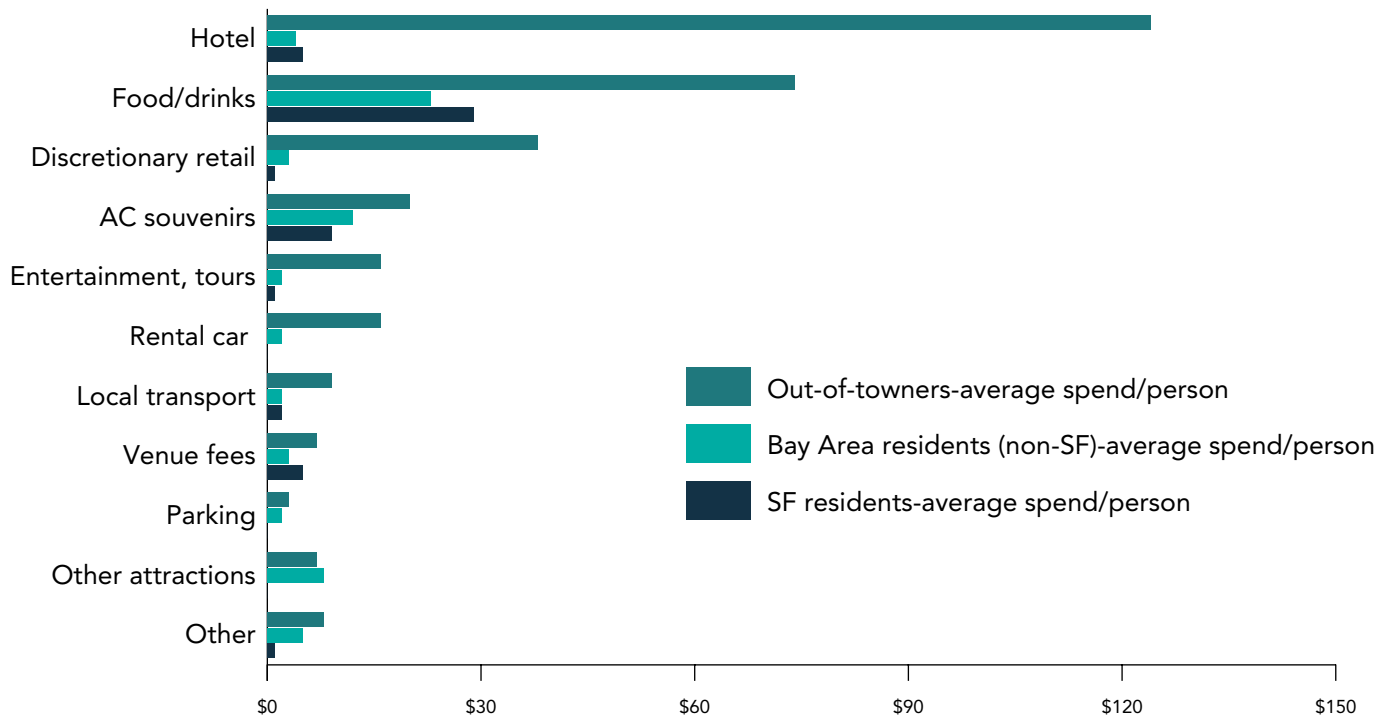
The average visiting group numbered 2.8 people and spent \$512 per visit to an America's Cup activity. That translated to \$183 per person. Thirty percent of all respondents (52% of out-of-towners) made side trips, mostly to wine country and Marin County, spending on average \$933 per group per trip. (For the purposes of the economic impact analysis, spending information was included only for respondents stating that the primary purpose of their trip to San Francisco that day was to attend events related to the America's Cup. Also, spending by San Franciscans was not included, and spending by other Bay Area residents was discounted by 66.7%.).

The average
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activity.

Food and beverage (\$49 per person), as well as accommodations (\$61 per person) comprised the two largest spending categories. The visitors extensively used San Francisco hotels: 37 percent of spectators stayed overnight while visiting an America's Cup event and 89 percent of those stayed overnight in the city. The out-of-towners spent five times more on average than local residents, especially in the expected categories of hotels, rental cars, America's Cup souvenirs, and discretionary retail.

The research team conducted 105 interviews with concert attendees at the October 12th evening concert by the Avett Brothers. Of concert attendees, 52 percent of the respondents resided in San Francisco, 28 percent lived in other Bay Area communities, 12 percent lived in California, outside the Bay Area, and the rest lived elsewhere. The average spending was \$341 per group and \$114 per person.

AVERAGE DAILY VISITOR SPENDING BY RESIDENCY



Source: AC34 Spectator Survey.

Volunteer profile and spending

Seven hundred volunteers worked on various America's Cup activities during the summer. Twenty-five percent of volunteers were San Francisco residents, 59 percent were from the greater Bay Area, and 16 percent came from outside the region. Volunteers typically used mass transit (42%), drove by car (23%), and walked or biked (26%) to reach the event venues. They worked 16 days on average during the summer. Each spent an average \$65 per day, which yields \$1,068 of total spending per volunteer for the summer.

Local Business Impacts: Case Studies

The research team contacted over 100 business associations and individual companies in San Francisco and the Bay Area in an effort to better understand the America's Cup impact on the business community and to set the economic impact numbers in context. These contacts came from a variety of sources, including the America's Cup Organizing Committee, the America's Cup Event Authority, the Bay Area Council Economic Institute, and the San Francisco Chamber of Commerce. From those introductions, over 50 interviews (web and phone) were conducted that suggest some success stories but also cases of little or no impact, even when expected. The feedback from these businesses thus indicates a mixed story of local business impact over the course of the events, and differences by location and business sector.

Many of the businesses that fared well obtained contracts through the America's Cup Business Connect program. A total of 2,500 organizations registered with this program set up by the Event Authority and the San Francisco Chamber of Commerce, and 250 won master contracts with the Event Authority. A short profile of that program is found in the box at the end of this section.

The brief case studies below help to illustrate the scope of varying impacts.

Ladies Who Lunch Catering and Events

A San Francisco-based catering company, Ladies Who Lunch Catering and Events reported net business gains associated with the AC34. Ladies Who Lunch invested approximately \$125,000 preceding and during the events. In order to keep up with the increased business during the Louis Vuitton Cup and finals they hired an additional chef and an additional assistant on top of their existing fulltime staff of five.

Overall, the American's Cup activities comprised 65 percent of the company's business over the AC34 period starting with the Luis Vuitton Cup and generated an increase in revenue of \$175,000. Overall, the company reported that the America's Cup was very successful for its business during the Challenger and Finals Races.



Photo Credit: ACEA



Photo Credit: ACEA

Pier 39

Pier 39 reported that overall they witnessed a moderate increase in business attributable to America's Cup activities. Visitor traffic and sales remained more or less flat compared with the year prior to AC34. The Louis Vuitton Cup and Red Bull Youth America's Cup generated little new activity, but there was a noticeable increase in traffic during the America's Cup Finals in September.

There was no discernible change to tenant sales during months preceding the America's Cup Finals. However, during the Finals, Pier 39 estimates additional revenue of approximately \$750,000.

Pier 39 also partnered with Giants Enterprises to identify the Pier as an official event site for viewing the America's Cup races. The partnership provided the Pier with AC34 branding, an on-site AC34 information booth, and allowed the Giants to produce a series of private events on the property, with Pier 39 prominently featured on the Giants' AC34 ticket portal. Major events were held on the roof of Pier 39's garage, which enjoyed an expansive view of the course. In the view of Pier 39, this was a successful partnership for both Giants Enterprises and Pier 39.

Green Concepts LLC

Green Concepts LLC, a San Francisco-based ink/toner sales and printer repair company, reported that the ACEA was a substantial business customer for the company over two years, and is supportive of holding the next America's Cup race in San Francisco. Green Concepts made no additional investments in preparation for the events and reported an overall increase of \$32,000 in gross sales from November 2011 to November 2013. The company ranks the America's Cup Event Authority as one of Green Concepts top ten business customers.

Hornblower Cruises

A San Francisco based Yacht Management and Charter Company, Hornblower Cruises, reported that the America's Cup events produced little positive impact for their business. Over 24 months, the company expended \$800,000 in staff time, meeting time, equipment additions, and interfacing with America's Cup organizations and regulatory agencies. These agencies included, but were not limited to, the America's Cup Event Authority, AC34, San Francisco Giants, racing syndicates, the Port of San Francisco, US Coast Guard, City Planning, the area Yacht Clubs, reporters, media organizations, media sellers, vendors of supplies and equipment, and customers and prospective customers. Additionally, the organization expended time and money interfacing with lawyers over America's Cup prospective intellectual property rights.

While the resources spent by the company were substantial, the net change in revenue was negligible, as lost business from regular customers largely offset the increase in America's Cup-related business. This was due to the fact that the \$100 per customer "race access" fee added to cruise costs was perceived as unreasonable by regular customers. The organization ended up canceling more cruises and special events than were completed as a result of low turnout and canceled races. Further, many of the onshore sponsored and subsidized visitor amenities offered by ACEA and AC34 competed directly with Hornblower's products and services. Overall, AC34 consumed financial, time, and energy resources from the company without providing a significant return on its investments.

North Beach Marine Canvas

A San Francisco based marine services company, North Beach Marine Canvas reported increased business attributable to America's Cup activities. In preparation for the America's Cup, North Beach Marine Canvas invested approximately five percent of its overall budget in promotion related to the America's Cup. The company included America's Cup information in all of its advertising during the summer events. North Beach Marine Canvas reports that as a result, its business doubled between April and August of 2013. As the company sees it, the America's Cup activities encouraged people to make more use of their boats, and as a result, interest in refurbishing their boat interiors also increased.

Hotels

Multiple high-end hotels in the city reported a significant increase in occupancy and revenue from hosted events related to the America's Cup. For example, Omni Hotel San Francisco, reported that it could attribute additional revenues of \$50,000 attributable to AC34. The Omni offered special room packages and discounts for group attendance. It believes that these promotions were successful at attracting additional guests. Other hotels outside San Francisco, for example in Larkspur and San Mateo, also reported new business from the event.

The research team spoke with a number of general managers of local hotels.

- The Fairmont Hotel developed formal partnerships with Cup participants that spanned a 19-month period, capitalizing on the opportunity that AC34 presented. As a result, the hotel was a venue of choice for Cup-related events, particularly for entertainment functions. Much of the impact came from Bay Area residents visiting the city. When revenue from local spending and hosted events is combined, food and beverage was a greater factor in revenue than rooms. Total revenue in room,

Photo Credit: ACEA

food and beverage for the hotel increased by an incremental eight percent in the final 60 days spanning the Louis Vuitton Cup and the America's Cup Finals. Occupancy rates were normally high at 90 percent in San Francisco from August to September; with the Cup, they rose to 96 percent.

- The Mandarin Oriental reported similar positive impacts. The early benefit came from hospitality groups associated with the Cup. Event participants and sponsors hosted visitors and clients at the hotel during the initial races, the Louis Vuitton Cup and the Americas Cup. The hotel also promoted its sky deck as a site for viewing races. The hotel estimates over \$500,000 in business specifically related to AC34 events. Room demand was slow in the early months and during the Luis Vuitton Cup, but grew significantly during the America's Cup Finals in September, accounting for an estimated five percent points of occupancy. Commenting on media coverage and the potential for future business, the General Manager noted: "Footage of the race did nothing but sell the city. It was to San Francisco what the Tour de France is for France. People will be left wanting to visit."

Port of San Francisco Tenants

According to revenue data from Port of San Francisco tenants, there was a noticeable increase in business over the race period (July-September) compared to the prior year and compared to normal expected rates of growth. Port tenants include a number of restaurants along the waterfront. Across all tenants, a total of \$901,593 was reported in new revenue, above an inflationary growth rate of three percent over the prior year. Revenue growth was strongest for the Port's northern parking lots. Restaurants in the north also witnessed stronger growth than restaurants to the south of the Ferry Building.

TABLE 7
Revenue Growth of Port of San Francisco Tenants

Category/Name	Total Revenue (Dollars)		Change in Revenue		Above Inflationary Growth*
	Jul-Sep 2012	Jul-Sep 2013	Total Dollars	Percent Change	
Fisherman's Wharf Restaurants	1,767,302	1,931,215	163,913	9%	110,894
Northern Restaurants	247,496	285,466	37,970	15%	30,545
Southern Restaurants	253,448	280,360	26,912	11%	19,309
New Tenant (Golden Bear)	0	67,356	67,356	-	67,356
Ferry Excursions	1,118,417	1,211,579	93,162	8%	59,609
Pier 39	1,034,904	1,085,832	50,928	5%	19,881
Southern Parking (Includes Giants Lot)	1,684,511	2,001,649	317,138	19%	266,602
Northern Parking	1,299,092	1,635,960	336,868	26%	297,896
Other	726,539	777,837	51,298	7%	29,502
TOTAL	8,131,710	9,277,255	1,145,545	14%	901,593

* Growth of 3 percent or less is considered normal and therefore not included.
Source: Port of San Francisco

America's Cup Local Business Outreach

The ACEA, the San Francisco Chamber of Commerce, and the City of San Francisco Mayor's Office developed a variety of programs and initiatives to partner with local businesses in 2012 and 2013. These included America's Cup Business Connect, which aimed to support local businesses with contract opportunities and residents with job opportunities.

America's Cup Business Connect

Per the Mayor's Office of Economic and Workforce Development Workforce Plan, America's Cup Business Connect was created as the portal to connect with interested small business stakeholders. Over 2,883 businesses registered. The Chamber developed an America's Cup Business Connect site and email newsletter that notified potential businesses and city departments of upcoming contracting opportunities. The Chamber also partnered with the America's Cup to alert city job agencies of potential positions related to the events, as well as paid internships.

Requests for Proposals and Job Postings

Requests for Proposals (RFPs) were distributed to local supplier networks for contracts in print and digital design, signage, media monitoring, bleacher seating, security, cleaning and waste management, event services, AV equipment, catering, portable toilets, and ACTV helicopters, among others. After the RFP's were received from the ACEA, they would be sent to the Workforce Compliance Officer (OEWD) for distribution on the City website, the America's Cup Business Connect Website, and the America's Cup Business Connect E-mail Blast. Several dozen ACEA positions were posted on the SFHire Website, as well as information on job fairs organized by the America's Cup Summer Concert Series, United Way, and others.

The ACEA had several dozen paid internships in 2013. These were OEWD Business Services First Source Hiring Program Compliant. United Way Business Pathways & Match Bridge Internships, part of the America's Cup internship effort, assisted in Mayor Lee's Summer Job Program.

Contracts

Prevailing wage agreements were in place for all contracts as of October 2, 2012. These agreements covered a wide variety of construction projects on the piers, and all RFPs and contracts. Besides contracts with the ACEA, there were other business revenue streams associated with contracts with Giants Enterprise, America's Cup Summer Concert Series, parking companies, Levy Restaurants, Facility Merchandising, Condit, TMW, Premier Structures, and Turner Construction.

Local Hiring

In early 2013, the San Francisco Chamber surveyed 80 of 125 local firms that had contracted with the ACEA and found of those firms:

- 1,898 total staff were engaged with America's Cup contracts
(if the rest of the 40 contractors not surveyed were included, this number could be 1/3 higher)
- 36 percent of firms were based in San Francisco
(965 staff, 38 percent residing in San Francisco)
- 28 percent were based in the Bay Area
(764 staff, 14 percent residing in San Francisco)
- The 125 businesses that won America's Cup-related business registered with Business Connect early.

Examples of contracts in various sectors included:

- Collateral: Jungle Communications
- Bleachers: Seating Solutions
- Event Services: Stuart Rental
(worked with Mayor's Office for new hires for rest of build out)
- Portable Toilets: Far West Sanitation
- Catering and Concessions: Levy Restaurants
(leveraged multiple job fairs in May and June to hire staff)
- Local Catering: Farinas, Best Beverage, 4505 Meats, Pub at Ghirardelli Square, Tout Sweet, Ruth's Chris, Noodle Me, Ever Good Sausages
- Signage and branding: AAA Flag and Banner for boat branding and city wide branding; TGI Systems/HLS Architects for event branding and structure design and construction. Ted Nelson contractor, Chris Campbell, Voorhees Construction, HKS Architects, John Wong Construction, Safeway Scaffold, Golden Gate Sign Company
- Cleaning/Waste Management: First Building Maintenance

Conclusions

The 34th America's Cup (AC34) generated between \$364.4 million and \$550.8 million in new economic activity in the City of San Francisco. Although the number of teams competing in the events turned out to be much smaller than originally anticipated, the range of activities associated with the Cup attracted visitors from around the country and around the world, generated significant business activity, and produced new tax revenue for the City of San Francisco estimated at between \$5.79 million and \$6.68 million.

These estimates take into account evidence that there was some displacement of economic activity that otherwise would have occurred in San Francisco, particularly with respect to hotel occupancy. This is the most likely area of displacement, with some also possible for restaurants. On the whole, however, this analysis provides a reasonable estimate of the economic benefits from having hosted the America's Cup in San Francisco.

One of the event's unique features was a new class of yacht, the AC72, which can travel much faster than conventional vessels. Its high cost, however, reduced the number of syndicates participating in the race. That, and an accident that prevented one of the three challengers - Artemis Racing - from participating in the round robin phase of the Louis Vuitton Cup, reduced both the field of competitors and the number of spectators. These developments reduced the economic impact of AC34 below what was expected.

Nonetheless, this competition generated more than 700,000 visits to the waterfront, benefitted hundreds of small and other businesses in San Francisco and the Bay Area, and generated significant tax revenue.

One legacy of the event is the new cruise terminal at Pier 27. While planning for the terminal began before AC34, its construction was enabled and the timeline for its construction accelerated in anticipation of the Cup. This analysis has therefore provided alternative economic impact estimates, with and without the cruise terminal included.

In either case, the event produced a positive economic impact for San Francisco. Without incorporating the terminal, the event generated over \$364.4 million in new economic activity. Including the design, planning and construction of the cruise ship terminal, the total economic impact of the event rises to over \$550.8 million. The Cup also generated the equivalent of 2,800-3,800 full-time jobs in the city, and worldwide media coverage that can be expected to deliver additional long-term benefits.

Appendices

■ Appendix A: Methodology

Performing the economic impact analysis and estimating tax revenues requires evidence on the expenditures of the major players in the America's Cup: the Agents discussed in the text. From some Agents, it was possible to obtain spending data directly from the source. For other Agents, it was necessary to survey a subset of the group and make broader estimates based on those surveys and what is known about the number of people or organizations in the group.

For the following Agents, spending data was obtained directly from the source:

- America's Cup Event Authority
- City of San Francisco
- The Port of San Francisco
- Concert Promoters
- Sponsors

Expenditure data obtained from these sources were then categorized into industries consistent with the IMPLAN modeling system (Appendix B), and overall economic impact figures for each Agent were developed.

For the following Agents, spending data was obtained from a sample of their members, and estimates for the group were calculated based on the sample responses:

- Syndicates
- Spectators
- Volunteers
- Concert Attendees
- Media
- Super Yachts

The surveys were administered and, along with estimates of the number of participants, aggregate expenditures for each group were estimated. These aggregates were then run through the IMPLAN modeling system to produce estimates of the overall economic impact attributable to each Agent. In the rest of this Appendix, the methods for estimating expenditures for each group are described.

Syndicates

Each of the syndicates was asked to provide raw data on their expenditures during specific periods of time. The time periods included the run-up to the Louis Vuitton Cup (LVC), including the San Francisco World Series events of 2012, the period during the LVC, and the period during and after the America's Cup Finals (ACF). Responses were received from a subset of the syndicates and based on the duration of participation in the events, estimates of spending by the other Syndicates were developed. Further detail on the methodology used and the Syndicates that provided data are suppressed to maintain the confidentiality of the spending by participating syndicates. It should be noted that expenditures by Artemis Racing, which was based in Alameda, are not included in the analysis.

Spectators

Spectators came to San Francisco from all over the world to watch the LVC and ACF. As discussed in Sections 3 and 4 of the report and detailed in Appendix C, a sample of the spectators was surveyed regarding their expenditures during their visit to watch the sailing. The research team conducted 1,124 spectator interviews, which included 825 face-to-face intercept interviews between July and September, at both AC venues and during one concert. Daily expenditures on a variety of items were estimated based on these survey responses. These daily expenditures were then combined with estimates of the number of spectators attending the events to develop total spending by spectators. Spending information was only included in the analysis for those spectators who stated that the AC was the primary purpose of their trip to San Francisco.

TABLE A.1

Average Daily Spending Patterns of Spectators (\$)

Spending Category	Region of Residence of the Spectator		
	San Francisco	Rest of Bay Area	Non-Bay Area
Rental Car	0.00	0.00	3.00
Accommodations	5.80	9.30	112.90
Food/Drinks	23.90	34.20	75.40
Local Trans	0.60	2.00	4.90
Parking	0.00	2.70	1.20
AC Venue Fees	4.50	3.50	8.10
Entertainment/Tours	0.00	1.90	7.90
Local Attractions	0.00	6.30	2.00
AC Souvenirs	8.80	16.40	22.60
Retail	1.60	5.20	27.50
Other	0.00	11.70	3.50
Total (Spending Per Visitor Per Day)	45.30	93.30	269.00

Source: AC34 Spectator/Volunteer Survey and agent expenditure reports

The table indicates the amount spent by a single spectator associated with a single day of racing. On average, San Francisco residents spent just \$45 on a trip down to a sailing venue while those from out of the Bay Area spent \$269.

Estimates of the number of spectators are derived primarily from evidence of increased BART ridership and traffic through the downtown San Francisco BART stations: Embarcadero, Montgomery, Powell, and Civic Center. Regression analysis was used to estimate the amount by which ridership through these stations was higher on days when racing took place relative to days when no racing took place. This approach did not find a significant increase in ridership during the months of July and August, but found that on race days in September, some 4,458 more riders were evident than there otherwise would have been.

These daily increases were then multiplied by 16, the number of race days in September, to arrive at an estimate of the increase in BART ridership during the month of September. We estimated that there were 44,149 more passengers on BART as a result of the America's Cup. The surveys taken during the same time period indicate that 10.1 percent of America's Cup spectators used BART as their means of transportation to the event. Based on these figures, the total number of spectators is estimated to be 706,377. Note that this reflects the number of visits to the event venues but not the number of unique individuals. It is an estimate of the number of days that visitors collectively came to the waterfront.

It is important to note that only survey responses by those indicating the America's Cup as their primary purpose in visiting the city were included in these calculations. The survey responses of those for whom the America's Cup was not their primary purpose were not included. Their spending patterns are excluded from the daily spending numbers used to produce the economic impact results. It is also the case that the spectator counts do not include counts for July and August; again, because the BART data do not indicate an increase in ridership during these months. The spending data used to calculate total spending among spectators is also restricted to those surveys administered during September. Both of these exclusions result in a more conservative estimate of the overall economic impact resulting from the spectators.

The surveys also asked about where the respondent lived. These responses were tabulated into three different categories: San Francisco, the Rest of the Bay Area, and Non-Bay Area. Spending by San Francisco residents was not included in the impact analysis. It is assumed that those expenditures would have taken place regardless of the America's Cup. They might have been spent elsewhere in the city, in which case the America's Cup just moved spending around, but did not create net new economic activity in the city. Those from the rest of the Bay Area had their expenditures discounted by 66.7 percent, assuming that two out of three trips to San Francisco might have happened anyway. The expenditures of non-Bay Area residents are fully included, provided they indicated that the America's Cup was their primary purpose in visiting San Francisco.

Volunteers

A small army of volunteers was assembled to help make the event run smoothly. These volunteers were primarily from the Bay Area, but many came from around the world. Their spending patterns were obtained through an online survey filled out by 230 of the 700 volunteers. The spending attributable to volunteers was discounted according to region of residence just as the spectator spending numbers are.

Concerts

The construction of the America's Cup venue included a theater for hosting music concerts. Located on Piers 27/29, the venue provided seats for 9,000 people. In all, 21 events were held at the venue. Concert attendees were surveyed regarding their expenditures. This, combined with information on the number of tickets sold and the infrastructure and employment related costs provided by America's Cup Summer Concert Series, yields the spending total below. The geographic detail of attendees is not presented so as to avoid divulging business confidential information. Expenditure patterns of concert attendees were collected based on geography of residence and are presented below.

TABLE A.2

Average Spending Patterns of Concert Attendee (\$)

Spending Category	Region of Residence of the Concert Attendee		
	San Francisco	Rest of Bay Area	Non-Bay Area
Concert Tickets	46.00	48.50	52.10
Food/drinks	24.10	20.10	32.20
Parking	5.20	9.50	7.50
Local Trans	7.40	9.90	17.00
Ent/Tours	28.10	47.40	37.60
Local Attractions	3.50	27.00	0.00
Retail	23.10	43.10	90.00
Accommodations	41.00		104.30
Total (Spending Per Concert Attendee)	178.40	205.60	340.60

Source: Concert Attendee Survey

The figures in Table A.2. indicate the amount that was spent, on average, by a single concert attendee associated with attending a concert. An average San Francisco resident spent \$178 in conjunction with attending a concert and an average individual from outside of the Bay Area spent \$341.

For the purposes of the economic impact analysis, as with spectators, the spending by San Francisco residents was omitted from the analysis and the spending by other Bay Area residents was discounted by 66.7 percent . Spending on concert tickets was also excluded from the analysis. It is assumed that some of that spending would be accounted for under the concert promoter's expenditures, with much of the rest going to the bands and not affecting the economy of San Francisco.

Media

Hundreds of worldwide media outlets sent reporters and other support crew to San Francisco to report on the America's Cup. Their presence in the city was felt economically through spending on food, transportation, and lodging. Estimates of the number of media personnel in the city were obtained from the ACEA. Estimates of their spending patterns were obtained through a survey of a number of media outlets. Average daily spending patterns from the surveys were applied to the rest of the media present.

Super Yachts

During the event, there were a number of super yachts berthed at the event facilities. These facilities were generally full during the America's Cup Final, with 15 yachts berthed. A spending profile for the owners, guests, and crew of the super yachts is derived from a review of ACEA Super Yacht program materials, press and blog postings, and interviews with people in the charter yacht industry. This spending includes the cost of berthing, the retail and other spending by occupants and crew, and the costs of provisioning the vessels. Payments by the owners to the ACEA for the rights to berth and for other services while berthed are not included in the economic impact analysis.

Estimates of SF expenditures made by the super yacht community during July, August and September are:

- \$3,000,000 for ACEA packaged services
- \$864,000 for crew spending
- \$2,346,000 for guest/owner party spending
- \$720,000 for Maintenance/servicing of yachts
- \$6,930,000 total**

Only the latter three categories of spending are included in the economic impact analysis. The payments to the ACEA were likely spent by the ACEA. This contribution to the economic impact is accounted for in the data on ACEA expenditures. Including it here would represent double counting.

City Tax Revenue

Transient Occupancy Tax

The TOT was applied to the total economic impact spending figures from all sources. This includes the indirect and induced spending on accommodations. The lone exception is that ACEA and Syndicate spending on accommodations was discounted by 90 percent as the vast majority of hotel stays were longer than 30 days. These stays are not subject to the TOT.

Parking Taxes

Parking taxes are calculated based on observed or estimated direct parking spending. These expenditures were from the ACEA, syndicates, spectators, volunteers, and concert attendees.

Payroll Taxes

Payroll taxes are based on direct labor spending by the ACEA and Syndicates and on the aggregate labor income generated by the America's Cup. Direct labor spending by the Agents is not factored into the aggregate economic impact. Though data on the size of the businesses that would experience an increase in payroll are not available, the City uses a standard multiplier of 85 percent of anticipated payroll increases. That is, it is expected that 85 percent of any increase in city payrolls would be subject to the payroll tax. This multiplier is used here on all payroll increases other than those of the Syndicates and ACEA, which are known to have local payrolls in excess of \$250,000.

Sales Taxes

Sales taxes are calculated at a rate of 1.75 percent of all aggregate economic activity generated in retail trade and at eating and drinking establishments.

Conservative Estimates

In preparing this analysis, the Economic Institute has taken a conservative approach:

- 1) Spending by residents of San Francisco is discounted 100 percent.
- 2) Spending by other Bay Area residents is discounted 66.7 percent.
- 3) There are several indicators for the proportion of spectators that came from outside the region ranging from 26 up to 37 percent. This analysis uses the lower figure of 26 percent.
- 4) The methodology for estimating spectator counts presumes zero spectators in July and August.
- 5) Spending estimates are only for expenditures related to days spent watching the races.
- 6) Spending by those indicating that the event was not their primary purpose in visiting San Francisco is excluded.
- 7) Local spending by the featured artists at the concert venue is not included.
- 8) Parking taxes are tabulated based only on direct spending and do not include the effects of indirect or induced spending.
- 9) The analysis of TOT factors in displacement of visitors to other parts of the Bay Area, who could not find hotel rooms in San Francisco given the high occupancy rates during the period of the events.
- 10) Because Artemis Racing was based in Alameda, the team's spending was excluded from the analysis.

■ Appendix B: IMPLAN Input-Output Methodology

The IMPLAN modeling system combines the U.S. Bureau of Economic Analysis' Input-Output Benchmarks with other data to construct quantitative models of trade flow relationships between businesses, and between businesses and final consumers. From this data, we can examine the effects of a change in one or several economic activities to predict its effect on a specific state, regional, or local economy (impact analysis). The IMPLAN input-output accounts capture all monetary market transactions for consumption in a given time period. The IMPLAN input-output accounts are based on industry survey data collected periodically by the U.S. Bureau of Economic Analysis and follow a balanced account format recommended by the United Nations.

IMPLAN's Regional Economic Accounts and the Social Accounting Matrices will be used to construct region-level multipliers that describe the response of the relevant regional economy to a change in demand or production as a result of the activities and expenditures related to the America's Cup. Each industry that produces goods or services generates demand for other goods and services and this demand is multiplied through a particular economy until it dissipates through "leakage" to economies outside the specified area. IMPLAN models discern and calculate leakage from local, regional, and state economic areas based on workforce configuration, the inputs required by specific types of businesses, and the availability of both inputs in the economic area. Consequently, economic impacts that accrue to other regions or states as a consequence of a change in demand are not counted as impacts within the economic area.

The model accounts for substitution and displacement effects by deflating industry-specific multipliers to levels well below those recommended by the U.S. Bureau of Economic Analysis. In addition, multipliers are applied only to personal disposable income to obtain a more realistic estimate of the multiplier effects from increased demand. Importantly, IMPLAN's Regional Economic Accounts exclude imports to an economic area so the calculation of economic impacts identifies only those impacts specific to the economic impact area, in this case as determined and defined by SCE. IMPLAN calculates this distinction by applying the area's economic characteristics described in terms of actual trade flows within the area.

Impact studies operate under the basic assumption that any increase in spending then has three effects: First, there is a direct effect on that industry itself. Second, there is a chain of indirect effects on all the industries whose outputs are used by the industry under observation. Third, there are induced effects that arise when employment increases and household spending patterns are expanded.

It is clear that there are several aspects of the overall economic impact. First, there is an effect on value added – the take-home pay of all the people affected will be supplemented by that amount. The secondary and tertiary effects of the industry on the rest of the local economy are not very large. Second, the employment effect, with some jobs created in the industry itself, and the others spread throughout the California economy. Third, is the output, where the difference between value added and output is that the former concentrates on people's paychecks; whereas the latter includes the costs of intermediate inputs. National income accounting avoids double counting by excluding the costs of intermediate inputs.

It is also important to note that capital investments made on different types of investment can lead to different multipliers. Why? A sector can have a large multiplier if it induces economic activity in industries whose employees have a high propensity to spend from take-home pay. Also, if the sector does not import many materials from abroad or from out of state, then its multiplier effect on the local economy will be high. In essence, some of the spending in the local economy may “leak out” into other states and countries. If raw materials are imported, then a shock to a local sector will result in decreased economic activity abroad. The same is true if a California business buys inputs from firms in different states.

In sum, our analysis using input-output accounts is based on three important assumptions. First, there are constant returns to scale. This means that a 10 percent cut in spending will be ten times as severe—across every sector in the economy as a one percent cut. Second, there are no supply constraints. This means that any marginal increase in output can be produced without having to worry about bottlenecks in labor markets, commodity markets, or necessary imports. This assumption is quite realistic in a free-market economy like California’s where there is some unemployment. It is even more reasonable in times of high unemployment, such as the present economic environment because there are many under- and un-utilized resources that can be activated without detracting from other industries. Third, the flow of commodities between industries is fixed. This means that it is not possible to substitute in the short-run the many different inputs that go into the motion picture industry.

Explaining Economic Impacts: The Clam Chowder Example

There are multiple aspects to explaining economic impacts. Expenditures associated with a particular activity as discussed in this report, have the potential to generate significant increases in economic output, local employment, and government tax revenues. These effects are measured as having three separate impacts. First, there is a direct effect: how many jobs and how much in tax revenues are directly linked to these expenditures. Second, there is an indirect effect: when a restaurant sells 100 orders of clam chowder in a bread bowl, this stimulates activity directly at the restaurant, but indirectly at the bakeries that provide the bread bowls. Finally, there is an induced effect that results from the employees at the restaurant and at the bakery spending their increased salaries.

■ Appendix C: Spectator Survey Approach

The research team conducted 1,124 spectator interviews, which included 825 face-to-face intercept interviews. This included representative sampling across time and venues between July and September. Fifty-three percent of the intercept interviews were at the America's Cup Park, 45 percent at Marina Village, two percent at other waterfront venues. The random visitor intercept interviews were done by a research team of MBA students and recent graduates with iPads. Sixteen percent of the total interviews were done in July, 35 percent were carried out in August during the Louis Vuitton Cup and 49 percent were completed in September during the America's Cup Finals. The face-to-face intercept interviews were augmented with 299 online interviews of San Francisco and Bay Area residents who attended America's Cup activities. These respondents came from a national panel balanced for the US census and screened for Bay Area residency and attending the AC activities. The results from the sampling of spectators have a margin of error of +/- 3 percent at a 95 percent confidence rate. That is, 95 times out of 100 times the survey would be done, any numerical findings reported from the surveys would be within three percent higher or lower than the actual number.

Survey topics included:

- Demographics, residency
- Transport experience to AC venues
- America's Cup and sailing interest and number of days participating in America's Cup events
- Spending on accommodations, food, local transportation, tours, discretionary items
- Spending collected for interview day and estimates of past and future spending for America's Cup activities during the summer 201
- Day or side trips taken

The team also completed 230 online interviews of America's Cup volunteers. This survey was carried out using an email invitation to approximately 700 volunteers by the ACEA coordinator in late September and early October.

A total of 109 interviews of America's Cup Summer Concert Series attendees were carried out in October, using random intercept interviews completed by MBA students with iPads. They were completed at the Avett Brothers Concert the night of October 12.

Data From Direct Impact Sources

Over 50 interviews with organizations with direct connection with the America's Cup were interviewed and provided insight, resources and data. In the case of confidential spending and hiring data, which is non-disclosed, this was aggregated and rolled up into segment totals. Direct agents include the America's Cup Event Authority, the America's Cup Race Committee, Super yacht management, sponsors, syndicates (challengers), media firms, and the City/County of San Francisco.

Business Case Studies

To develop representative profiles of the America's Cup impact on businesses, over 50 interviews were conducted (over internet and phone). Sectors included: marinas, marine services, chandleries, Napa and Sonoma vintners associations, hotels and associations, land and water tour companies, Pier 39, and catering, food and beverage vendors. The research team also drew insight from the San Francisco Chamber's reporting on the America's Cup Business Connect program (survey of master contract vendors to ACEA). These interviews focused on revenues, spending, and hiring attributable to America's Cup.



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