America’s Cup Economics: San Francisco

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America’s Cup on the Bay
The America’s Cup Evolution

America’s Cup History

• Origins: 1851 race around the Isle of Wight
• Modern Era: 1992 on – America’s Cup Class Yachts
• US History: Newport, RI 1852-1982
• San Diego 1988, 1992, 1995
• San Francisco 2013 (??)
• Other Locations: Fremantle, Aus
  Auckland, NZ
  Valencia, SP
Elements of an America’s Cup

• Several years of warm-up racing (some in SF)
• Challenger Series (in SF)
  – 2 to 4 months
• Defender Series (in SF)
  – 2 to 4 months
• Defense (In SF)
  – 1 to 3 weeks
• Total Duration: 2 to 5 months

Economic Benefits
Economic Methodology

- Start with evidence on spending from most recent (normal) America’s Cup
  - Valencia 2007
- Add in what we know about the differences between Valencia and San Francisco
- Perform case studies
- Generate aggregate economic benefits through Input/Output analysis

Case Studies: Benefits

- Fleet Week: Increased economic activity at Pier 39 by 25%
- Could generate $80 million in additional hotel revenues
- Napa and Sonoma: increased spending of $68 million
Overall Economic Benefits - Assumptions

• Spending is similar to Valencia, except for:
  – Increased tourism
  – Reduced Super Yacht activity
  – Much less government spending

Regional Draws
## Overall Economic Benefits – Direct Spending

**America’s Cup Expenditures ($ millions)**

<table>
<thead>
<tr>
<th>Agents</th>
<th>Auckland 2003</th>
<th>Valencia 2007</th>
<th>San Francisco 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Syndicates</td>
<td>163.6</td>
<td>557.4</td>
<td>215.8</td>
</tr>
<tr>
<td>Superyachts</td>
<td>110.8</td>
<td>39.4</td>
<td>11.3</td>
</tr>
<tr>
<td>Cup Management</td>
<td>19.2</td>
<td>149.2</td>
<td>195.2</td>
</tr>
<tr>
<td>Media</td>
<td>18.8</td>
<td>25.7</td>
<td>25.7</td>
</tr>
<tr>
<td>Government/Inf*</td>
<td>5.1</td>
<td>3,237.8</td>
<td>100.0</td>
</tr>
<tr>
<td>International Visitors</td>
<td>33.1</td>
<td>194.2</td>
<td>86.1</td>
</tr>
<tr>
<td>Domestic Visitors</td>
<td>0.0</td>
<td></td>
<td>150.4</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>140.2</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>350.7</strong></td>
<td><strong>4,343.9</strong></td>
<td><strong>789.5</strong></td>
</tr>
<tr>
<td><strong>Total w/o Government</strong></td>
<td><strong>345.6</strong></td>
<td><strong>1106.1</strong></td>
<td><strong>689.5</strong></td>
</tr>
</tbody>
</table>

### Sources of Direct Spending

- Cup Management: 25.0%
- Syndicates: 30.0%
- Local Visitors: 15.0%
- Infrastructure: 10.0%
- Non-Local Visitors: 7.0%
- Media: 8.0%
- Super Yachts: 3.0%
- Miscellaneous: 2.0%
- Side Trips: 1.0%
- Extended Visits: 1.0%

**Agent Share of Direct Expenditures (%)**
Overall Economic Benefits – Total Economic Activity

<table>
<thead>
<tr>
<th></th>
<th>Output ($ Millions)</th>
<th>Employment</th>
<th>State and Local Taxes ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>791</td>
<td>5,912</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td>1,372</td>
<td>8,839</td>
<td>85</td>
</tr>
</tbody>
</table>

San Francisco City/County Revenues ($ Millions)

City Tax Revenues Attributable to the America’s Cup

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Direct</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transient Occupancy Tax (Hotel)</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Retail Sales Taxes</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>24</td>
</tr>
<tr>
<td>Tourism Related City Costs</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Net Increase in Revenues</td>
<td></td>
<td>13</td>
</tr>
</tbody>
</table>
Broader Economic Benefits

Summary of Impacts Across Regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Output Effects ($M)</th>
<th>Total Employment Effects</th>
<th>Total Tax Benefits ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Francisco</td>
<td>1,372</td>
<td>8,839</td>
<td>85</td>
</tr>
<tr>
<td>Bay Area</td>
<td>1,389</td>
<td>8,813</td>
<td>87</td>
</tr>
<tr>
<td>California</td>
<td>1,427</td>
<td>9,214</td>
<td>85</td>
</tr>
<tr>
<td>United States</td>
<td>1,852</td>
<td>11,978</td>
<td>93</td>
</tr>
</tbody>
</table>

Costs and Caveats

- Congestion
- Higher prices for locals and other tourists
- Crowding out of other economic activity
- Tourism puts demands on city services
Summary

• Truly unique opportunity for San Francisco and California
• A minimum of $800 million in additional spending
• $1.4 billion in additional economic activity
• The potential impact is much larger
  – The event repeats if BMW/Oracle defends successfully
  – Potential stimulated tourism