America’s Cup: Coming to San Francisco!

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Bay Area Council Economic Institute
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What IS the America’s Cup?

• Sailing competition between nations
  – Governed by a 2-page Deed of Gift
• First won in 1851 by the schooner America
  – Hence the trophy’s name
  – Race around the Isle of Wight
• The oldest active trophy in sports
  – 9 America’s cup contests before 1st Olympics
• Most difficult trophy in sports to win
  – Only 4 nations have held the trophy
Elements of a Modern America’s Cup

• Several years of warm-up racing
• Challenger Series
  – 2 to 4 months
• Defender Series
  – 2 to 4 months
• Defense: 1 defender and 1 challenger
  – 1 to 3 weeks
• Total Duration: 2 to 5 months
America’s Cup History

• Origins: 1851 race around the Isle of Wight

• US History: Newport, RI 1852-1982
San Francisco 2013

• Other Locations: Fremantle, Aus
Auckland, NZ
Valencia, SP
The America’s Cup Evolution
New Era: Standardized Multihulls

Parameters: AC72

- Length: 72 feet
- Beam: 46 feet
- Displacement: 15,500 pounds
- Sail:
  - Wing
  - 3,229 sq ft
Some SF Details

- Yacht design
- Natural amphitheater
- New course format: tight tactical racing
- Media and online broadcasting
- New governance: Neutral organizing body
  - America’s Cup Race Management
- Locally: America’s Cup Organizing Committee
  - Mark Buell
The Timing

• **World Series: 2011-2012**
  – Begin: July 16, 2011
  – AC72 introduced in late 2012

• **Louis Vuitton Challenger Selection Series**
  – July 13 – September 1, 2013
    • Round Robin
    • Quarterfinals
    • Semifinals
    • Challenger finals

• **Final Cup Match: best 5 of 9**
  – September 7-22, 2013
The Participants – 8 To Date

• Defender: Oracle Racing, USA

• Challengers:
  – Prada (Italy)
  – Energy Team (France)
  – Artemis (Sweden)
  – Team NZ

• Potential (+2, maybe more)
  – S. Korea, China
The AC Village
America’s Cup Economics
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
## Spectator Projections

<table>
<thead>
<tr>
<th></th>
<th>Weekend Days</th>
<th>Week Days</th>
<th>Days of Final</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC (Public) Park*</td>
<td>50,000-100,000</td>
<td>30,000-100,000</td>
<td>50,000—100,000</td>
</tr>
<tr>
<td>Event Live Sites**</td>
<td>250,000-500,000</td>
<td>100,000-250,000</td>
<td>250,000-500,000</td>
</tr>
</tbody>
</table>

* Number of people per day from opening (9:30am) to closing (at 24:00)

** number of spectators on Crissy Field and other locations near Golden Gate Bridge and Embarcadero
Regional Draws

- Napa Valley
- Waterfront and cliffs
- Mountain peak
## Overall Economic Benefits – Direct Spending

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

<table>
<thead>
<tr>
<th></th>
<th>Auckland 2003</th>
<th>Valencia 2007</th>
<th>San Francisco 2013</th>
<th>Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syndicates</td>
<td>163.6</td>
<td>557.4</td>
<td>215.8</td>
<td>-129.5</td>
</tr>
<tr>
<td>Super Yachts</td>
<td>110.8</td>
<td>39.4</td>
<td>11.3</td>
<td>+</td>
</tr>
<tr>
<td>Cup Mgmt</td>
<td>19.2</td>
<td>149.2</td>
<td>195.2</td>
<td>+</td>
</tr>
<tr>
<td>Media</td>
<td>18.8</td>
<td>25.7</td>
<td>25.7</td>
<td>+</td>
</tr>
<tr>
<td>Gov’t/Inf</td>
<td>5.1</td>
<td>3,237.8</td>
<td>100.0</td>
<td>-20.0</td>
</tr>
<tr>
<td>Int’l Visitors</td>
<td>33.1</td>
<td>194.2</td>
<td>86.1</td>
<td></td>
</tr>
<tr>
<td>U.S. Visitors</td>
<td>0.0</td>
<td></td>
<td>150.4</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>140.2</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td><strong>350.7</strong></td>
<td><strong>4,343.9</strong></td>
<td><strong>789.5</strong></td>
<td><strong>-149.5 (19%)</strong></td>
</tr>
<tr>
<td>Total w/o Gov’t</td>
<td><strong>345.6</strong></td>
<td><strong>1106.1</strong></td>
<td><strong>689.5</strong></td>
<td></td>
</tr>
</tbody>
</table>
## 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>790</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>
<tr>
<td>~1,000</td>
<td>~6,500</td>
<td>~62</td>
<td></td>
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## 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>
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<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><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>24</strong></td>
</tr>
<tr>
<td>Tourism Related City Costs</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td><strong>Net Increase in Revenues</strong></td>
<td></td>
<td><strong>13</strong></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
• $650-800 million in additional spending
• $1-1.4 billion in additional economic activity
• The potential impact is much larger
  – The event repeats if Oracle defends successfully
  – Potential stimulated tourism
Bay Area Council Economic Institute

- Regional Analysis
- Business & Market Analysis
- Ports & Infrastructure Analysis
- Economic Impact Analysis
- Public Policy Analysis

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