

THE AMERICA'S CUP:

Economic Impacts of a Match on San Francisco Bay



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EXECUTIVE SUMMARY

The America's Cup is the world's third-largest sporting competition, after the Olympics and soccer's World Cup. Securing hosting rights to the Cup is therefore a prestigious and economically significant prize for any community. The economic benefits of bringing the America's Cup to San Francisco would come primarily through expenditures by racing syndicates, and through spending on hotels, restaurants, and retail and other services by both domestic and overseas visitors and Bay Area residents. If the competition were to run for three months, this could lead to an additional 2.6 million spectators. While these impacts would be primarily concentrated in San Francisco, nearby counties such as Alameda, Marin, Napa, Sonoma, and San Mateo would also benefit from increased visitor and maritime activity.

This report endeavours to provide estimates of the economic impact of an America's Cup match on the San Francisco Bay. Economists have paved the way by providing estimates of the economic impacts of previous America's Cups, including an analysis of the economic impacts of the 32nd America's Cup of 2007 in Valencia, Spain. Starting with that study as a rough guide, this analysis makes a number of assumptions: that infrastructure cost and spending will be several billion dollars less; that spectator attendance will be considerably larger; that the media's presence will be larger; and that the presence of super yachts will likely be smaller.

From this, we estimate that the increase in overall economic activity in San Francisco due to hosting an America's Cup could be on the order of \$1.4 billion. This is three times the estimated impact of hosting the Super Bowl (\$300-\$500 million). The potential increase in employment surrounding the event could be on the order of 8,840 jobs. This increase in output and employment would likely yield a benefit to state and local government coffers of nearly \$85 million. Additional taxes alone to the City's General Fund are expected to net more than \$13 million, based on more than \$24 million in revenue, and an estimated \$11 million in tourism related costs.

Looking beyond the Bay Area, California's economy would see increased economic activity of \$1.4 billion. The U.S. economy as a whole would see increased economic activity of \$1.9 billion. This increase would support the creation of 11,978 jobs.

The figures produced here are likely to be compared to previous estimates indicating that hosting the Cup on the Bay would result in economic benefits to the region on the order of \$9.9 billion. We have consciously made an effort to be conservative in our analysis and to evaluate economic impacts for which there is a factual basis and

which would be unique to the venue of the San Francisco Bay, and by focusing on direct quantifiable benefits as opposed to more indirect benefits.

At this stage, it is important to recognize that a number of important parameters related to the race, such as how many participants, whether or not there will be a Defender Series, the format of each series, how many races per day, and the like, are still uncertain. As a result, the findings in this analysis are only indications based on the best information currently available. There is further uncertainty in that the America's Cup has never been raced in a location quite like San Francisco. An America's Cup in the natural amphitheater that is the San Francisco Bay would likely be extremely successful from a spectator perspective. Being more accessible than races on the open seas, the competition would likely be witnessed by historically large crowds of spectators.

The positive exposure provided by extensive national and global media coverage, with San Francisco, Alameda, and Marin counties as the backdrop, can also be expected to generate longer-term visitor and other economic benefits for San Francisco and the Bay Area, extending well beyond the duration of the race. A local successful defense of the America's Cup will likely lead to additional such events in the future. San Diego, for example, was the host to three successive America's Cups, in 1988, 1992, and 1995. Over the long-term, hosting the next America's Cup has potential benefits that significantly exceed those presented here.

INTRODUCTION

The America's Cup is the world's third-largest sporting competition currently in existence. This is true whether measured by number of spectators or by the amount of economic activity generated by spectators and those directly involved in the competition. The top two are: 1) the Olympics, and 2) soccer's World Cup.¹ Securing hosting rights to the America's Cup is therefore a prestigious and economically significant prize for any community. If chosen to host the next America's Cup race, San Francisco and the Bay Area stand to benefit significantly, through direct expenditures on goods and services related to the race, near-term visitor activity and related spending, and long-term media exposure.

Estimates of the expenditures related to previous America's Cups indicate that hundreds of millions of dollars are spent in the local economy by race participants. The teams of competitors, or syndicates as they are usually called, will take up residence in the area sometimes up to two years in advance of the competition. Their several hundred staff members and their families generally live in the area, adding to local economic activity. The media and event organizers can also be relied upon to add significant demand to the local economy. Infrastructure improvements made by local governments, marinas, and yacht clubs that would not have otherwise occurred also increase local output and employment. And the myriad spectators of these events will provide a boost to the local economy.

These benefits manifest themselves in a variety of ways. First, local businesses see an increase in demand for goods and services. This increased demand drives an increase in revenues. Second, there is an increase in employment at these businesses as they require more workers to provide these goods and services. Third, increased employment and sales lead to more state and local tax revenues. San Francisco is heavily reliant on revenues from tourism, and hosting an America's Cup would yield a significant increase in tourism-related revenues during the three to four months of the event, and perhaps for several years following as worldwide broadcasts of the event serve as marketing for the city and the broader region.

We have consciously made an effort to be conservative in our analysis. This conservative approach reduces the estimates of the impact, but given the size of the numbers, it still presents a very compelling case for substantial local economic benefits. When the results of these other studies are similarly limited, the indicated economic benefits are comparable.

¹The 2000 Olympic Games were reported to have an economic impact of some \$10 billion. According to the FIFA website, the 2006 World Cup recorded official attendance statistics of 3.4 million people, or 52,491 per match.

WHAT IS THE AMERICA'S CUP?



The America's Cup is the world's greatest sailing competition and the oldest active trophy in international sports, with a history extending back to 1851. The Cup was originally awarded to the victor of a special race of 'yachts of all nations' in conjunction with the great exhibition of 1851. This race was around the Isle of Wight for the Royal Yacht Squadron 100 Guinea Cup, a cup of 100 GB pounds in value. This victor was an American syndicate sailing a schooner named America. The schooner's name is the original source of the Cup's current moniker: America's Cup. The Cup was donated to the New York Yacht Club in 1857 along with a Deed of Gift by the syndicate's surviving members. 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 syndicates from competing nations.

For much of the Cup's history, there was only a single challenger and a single defender participating in the challenge. Today, ten or more vessels typically compete over a period of several months prior to the defense, with related competitions and regattas taking place around the world in the years prior to the defense. The competition is held in three to four year intervals, with the winner of each Cup gaining the right to determine nearly everything in the following competition. In particular, the defender determines where the next race series will be held, the parameters of the series, and restrictions on boat design.

The most recent races have taken place in Valencia (Spain), Auckland (New Zealand), San Diego (California), and Fremantle (Australia). Racing syndicates (the label given to each group supporting a challenging or defending vessel), relocate 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 activity. The time on location is spent testing and perfecting boat design and developing the skills and local knowledge required to sail the vessel to perfection. Local knowledge extends from winds (their consistency and magnitude) to tides, and other peculiar features of sailing at the chosen venue.²



The Yacht America

²For instance kelp (seaweed) in San Diego.

The race brings with it the potential for local expenditures by the participating syndicates, but more importantly it brings the spending and exposure that come with large numbers of domestic and international visitors and significant media coverage. There is reason to believe that were the race to be held on the San Francisco Bay, the near- and long-term economic benefits would be greater than has been the case at other venues. For the first time the race would be taking place within a major urban area that is already a major tourist and business destination. Most importantly, if it were to take place on the Bay, the opportunities for spectators would be far greater than is usually the case.

Historically the races have all 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 would take place in a natural amphitheater bounded by San Francisco, the Marin Headlands, Alcatraz, and Angel Island, expanding viewing opportunities and poten-



tially drawing in millions of residents and visitors. The more intimate setting offers an opportunity to popularize the event, drawing in a larger and more diverse set of viewers, increasing business activity in surrounding communities, and generating long-term benefits through the global exposure that would come from media coverage showcasing San Francisco, Marin County, and the Bay Area as a backdrop. This translates into economic opportunity – on a potentially large scale – for the region. Improving the race's exposure increases the likelihood that Cup activity will catalyze other long- and short-term spending, expanding the economic impacts well beyond the immediate financial effects of the race itself.

Although the original America's Cup was won by a schooner, since 1992, most America's Cup related matches have taken place in America's Cup Class yachts. These yachts, though not identical, all conform to a particular set of rules. The formula has been revised over the years, with the most recent revision specifying:

- Length: 25 meters
- Weight: 24 tonnes

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- Height of the mast: 35 meters
 - Weight of the bulb: 19 tonnes
 - Sail surface area: 325 meters squared upwind and 75 meters squared downwind
 - Crew: 17

These rules provide for a significant amount of latitude in design resulting in sometimes significant differences in boat speed. As a result, technology plays an increasing role in the development of America's Cup yachts. Despite the fact that the 33rd America's Cup included highly unconventional sailboats, it has yet to be determined whether the next America's Cup will repeat this or return to a more traditional design.



America's Cup Class Yachts³



33rd America's Cup Trimaran³

³These pictures were taken by Gilles Martin-Raget and were downloaded from the BMW/Oracle website: <http://bmor-photo.com>.

DETAILS OF AN AMERICA'S CUP DEFENSE

Evaluating the economic implications for the local economy of hosting an America's Cup depends crucially on the extent of racing that takes place. The 2007 America's Cup involved local racing over several years prior to the Cup, in addition to intensive local racing in the form of a challenger series in the two months just prior to the Cup. In contrast, the 2010 America's Cup in Valencia only involved two races over the course of three days, a notable anomaly. This significantly limited the economic benefits of the event.

The America's Cup started out as a fleet regatta – races in which multiple competitors would participate simultaneously. After the first defense, however, for the next nearly 100 years, a defense included just a single challenger and a single defender. More recently, a challenge has generally included racing that occurs in the years immediately prior to the actual defense. The most recent, more or less typical, America's Cup defense occurred in Valencia in 2007. Racing associated with the defense occurred in 13 separate Acts, or regattas, prior to the series that formally selected the challenger for the eventual America's Cup Match. Act 1 occurred in September 2004, nearly three years prior to the actual defense. These Acts ensure intense competition in the years leading up to the defense and also circulate the America's Cup around different venues, broadening the geographic range of the excitement surrounding the event.

It seems likely that the format of the next defense will be comparable to that of the 2007 defense, the 32nd America's Cup. As such, the components of the defense will likely include:

- Early regattas between potential challengers
- A Challenger Selection Series
- A Defender Series
- The America's Cup Defense

The early regattas are a series of races composed of match racing between potential America's Cup challengers. These races take place in America's Cup Class yachts. This class was created in 1990 and has been featured in most America's Cups since then. Preliminary races such as these started in early 2009, in Nice, France. There are currently five regattas scheduled around the world, with three having been completed. It is anticipated that more preliminary regattas will be scheduled, and the City of San Francisco has invited the World Sailing Teams Association to consider the city as a venue for a sailing regatta in the fall of 2011.

It seems likely that if chosen as the ultimate venue for the defense, San Francisco would also be host to several regattas in 2011 and 2012 prior to the challenger series, though this remains uncertain. Were this to happen, the economic impact of hosting the defense would be enhanced not only because of the fact of the other two races but also because having experienced the city during an earlier regatta, spectators would likely return, bolstering the size of the spectator pool during both the challenger series and ultimately the America's Cup defense.

The Challenger Selection Series has been a staple of the modern America's Cup defense. With more than one challenging syndicate, a means for selecting a single most worthy challenger must be put in place. This has in all but two of the last nine America's Cups been the function of the Louis Vuitton Cup (LVC). It is a near certainty that a challenger series of match races would take place on the Bay in the months before the America's Cup races begin.

Since 1983, there have been between 7 and 13 challengers participating in the Challenger Selection Series. In 2007, there were 11 challengers, and racing lasted for nearly two months, between April 16 and June 6. The racing consisted of two round robin series of match races (races between only two competitors). Combining the results from these races with points accumulated during the previous Acts, four teams were invited into the semifinals, from which the ultimate challenger, Emirates Team New Zealand, was selected to challenge Alinghi in the America's Cup.

Table 1: Recent History of America's Cup Timing

Year	Location	Defender Series		Challenger Series		America's Cup	Total Duration
		Dates	# Participants	Dates	# Participants		
1983	Fremantle	—	—	—	—	9/14-9/26	12 Days
1987	Fremantle	8/18-1/20	8	10/5-1/23	13	1/31-2/4	5.5 Months
1988	San Diego	—	—	—	—	9/7-9/9	3 Days
1992	San Diego	1/14-4/30	5	1/25-4/30	7	5/9-5/16	5 Months
1995	San Diego	1/15-4/23	3	1/12-4/21	7	5/5-5/13	5 Months
2000	Auckland	—	—	10/18-2/6	11	2/20-3/2	5.5 Months
2003	Auckland	—	—	10/1-1/19	9	2/15-3/2	5 Months
2007	Valencia	—	—	4/16-6/2	11	6/23-7/7	3 Months
2010	Valencia	—	—	—	—	2/12-2/14	3 Days

The defender of the America's Cup is not necessarily the syndicate that won the previous America's Cup Match. By the Deed, the yacht club that holds the Cup makes the selection of the yacht that will ultimately sail against the defender. This is often accomplished by including a Defender Series in the mix of sailing in addition to the Challenger Selection Series and the defense. A Defender Series is not necessarily a staple of America's Cup activities. However, it is possible that the Golden Gate Yacht Club would host such a series, if only to afford their boat

an opportunity for greater race experience with which to defeat the selected challenger. The timing and duration of such a series, were it to happen, is not currently known, but it would likely happen concurrently with and be of similar length to the challenger series — this has been the case with previous Defender Series. In the past, the modal number of syndicates participating in a Defender Series has been four: three syndicates in addition to the previous America's Cup winner. There is no reason to believe that things will be any different this time around. Such a series would only serve to augment the economic benefits of hosting the America's Cup.

Relative to the Challenger Selection Series and Defender Series, the America's Cup matches between challenger and defender is of comparatively short duration. In 2007, the America's Cup was raced between June 23 and July 3, a period of 11 days. In 2003, the race lasted for just over two weeks, while in 1995 and 2000 racing continued for 13 days. As the America's Cup has in recent tradition consisted of one team winning 5 out of 9 races, the duration of the Cup is indeterminate, but seems to last for roughly two weeks. Duration depends on the presence of appropriate conditions as well as ultimately the number of races needed to establish a winner.

If things play out in San Francisco as they generally did in 2007 and over the course of the last 30 years, it seems reasonably clear that the Bay would see perhaps a month of racing in each of the years leading up to the America's Cup and between three and four months of racing in the final year, culminating in the America's Cup defense.

TOURISM IMPACTS

Expenditures by the direct participants in the competition are the primary driver of economic benefits arising from the America's Cup. At the same time, the tourism impact is also likely to be significant. As an America's Cup on the Bay would likely be headquartered in San Francisco, so too most of the economic benefits would accrue to the city. Other parts of the region are likely to experience an increase in tourism as well. In particular, many visitors to San Francisco will visit other locations around the Bay Area and Northern California. It is also possible that San Francisco may not have the hotel capacity to accommodate all tourists, or some may just prefer to stay in Marin County, the East Bay, or the South Bay.

SAN FRANCISCO

The benefits to San Francisco's visitor industry would come in several forms:

Hotels. As of October 2009, there were 32,976 hotel rooms available in San Francisco. During the likely months of the America's Cup, June through September, occupancy rates in the city are at their very highest. Between 2005 and 2009, occupancy rates averaged roughly 85%. This implies the availability of some 4,800 rooms for America's Cup spectators. Using typical room occupancy data of 1.77 individuals per room, this suggests the availability of hotel lodging for roughly 8,500 spectators on any given night during the America's Cup. Over the course of three months, assuming full occupancy, this suggests that at an average room rate of \$180, the hotel industry could potentially receive an addition to normal revenues of up to \$77.8 million.

This calculation appears to provide an upper bound on the addition to revenues as it assumes that all hotel rooms would be occupied. However, it is frequently the case that room rates increase significantly during major events in the city. During periods of peak occupancy, such as special events, hotels are often able to command rates that are significantly higher than during less busy times of the year. Although the extent to which rates may increase is uncertain, the calculation above nonetheless provides an indication of the type of benefit that local hotels stand to gain. It should be noted that if the America's Cup were to run for three months, this would imply the accommodation of an additional 764,848 visitor days. The number of additional visitor days in Valencia in 2007 was significantly more than this, suggesting that hotels will likely have very high occupancy rates during the event and that the estimate above may not be too far off the mark.

That the available hotel rooms may be insufficient to accommodate all of the potential Cup spectators suggests that many would be encouraged to find lodging outside of the city or in private homes or residences. Both are quite probable, with hotels and inns in the North, East, and South Bay all likely benefitting from the influx of spectators.



Another possibility for providing additional lodging is the use of cruise ships as floating hotels, a concept that has been implemented at other large-scale events, including previous America's Cup races and the Sydney and Barcelona Olympics. Although dock space is limited at the Port of San Francisco, smaller cruise ships can accommodate 900 to 1,000 guests, and larger vessels up to 5,400. Adding

one or two cruise ships could absorb a significant portion, if not all, of the excess demand for hotel space in San Francisco.

The race would occur during the shoulder season, as vessels transition from summer service in Alaska (mid-May to mid-September) to winter service in the Caribbean. While some ships are based in San Francisco, most are based in Vancouver. It is therefore feasible for ships heading south from Vancouver to stop in San Francisco to address America's Cup demand. As passenger counts drop off toward the end of Alaska's high season (around mid-August), attractive passenger loads in San Francisco could induce cruise lines to reposition their vessels earlier (in late August or early September) and stay longer. Vessels unable to be accommodated at San Francisco's cruise terminal could potentially berth at alternative space on the waterfront, or anchor out on the Bay with shore access provided by tender. Typically, ships serving the market in this way would be chartered for the purpose.

Serving the hotel market with cruise ships does come with a significant caveat. Although the Port of San Francisco estimates that every cruise ship visit brings between \$500,000 and \$1 million in revenue to the city, hotel services provided by the cruise lines may supplant services in the Bay Area, rather than supplement them, as general cruise operations do. For example, a visitor staying in a cruise ship and potentially eating on a cruise ship would have obtained those services on land if the cruise ship were not available. The cruise lines are likely to use their own employees to staff the vessels and may not obtain provisions from local suppliers. Although the staff would increase economic activity locally, their purchases would not likely offset the reduced demand for hotel and restaurant services that result from the presence of floating hotels.

Restaurants. Waterfront restaurants should particularly benefit from Cup activity, but to the extent that visitors stay multiple days, restaurants elsewhere in San Francisco and the region should also see gains. A recent study by American Express found that 53 to 54 cents, or roughly half of every visitor dollar spent by their cardholders in San Francisco, is spent on restaurants. While Amex cardholders may be more affluent at the margins, this factor may be equalized by the fact that the Cup will draw a significant number of international visitors, who spend more per capita than domestic ones. As a general expectation, restaurants will capture half of any increase in visitor spending in the city.

Retail. Waterfront retail should particularly benefit from Cup activity, but as with restaurants, to the extent that visitors stay multiple days, retail at Union Square and elsewhere in the region should also receive a boost.

Harbor Cruises. Spectators will book cruise vessels to watch the race. This will happen through organized cruises or charters. Vessel operators will benefit from the fact that races will be held during the day, which is normally a slack time (most Bay cruises take place at night).



Pier 39. Historical data from Pier 39 (based on on-site ATM use, garage occupancy, restaurant covers, and Bay cruise passengers) indicates that visitor and local spending increases during major events, such as the All-Star Game on July 10, 2007, the 1994 World Cup at Stanford, and Fleet Week. Evidence from Fleet Week indicates that activity at Pier 39 during the week of activities is about 25% higher than would otherwise be expected.⁴ This is a large increase, but it is undoubtedly con-

strained by the fact that restaurants, Bay cruise vessels, and parking ramps all have limited capacity. The America's Cup can be expected to generate a similar surge in economic activity, but over a more extended period of time.

Airports. San Francisco International Airport (SFO) is the primary point of access for foreign travelers and many domestic visitors coming to watch America's Cup related matches. For California visitors who fly in from elsewhere in the state, the Oakland Airport (OAK) is an important alternative. Over the course of the three to four months of the America's Cup activities, it is possible that in excess of 450,000 spectators would fly into the area through either SFO or OAK. Although this is a relatively small number compared to the annual passenger volumes through these airports, it would represent a nearly 10% increase in deplanements at SFO during the peak season.

REGIONAL IMPACTS

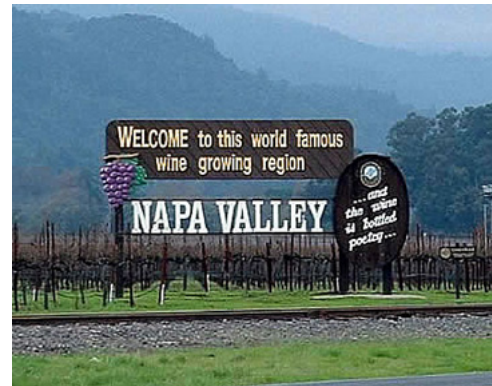
The economic benefits of visitor and other activity related to the Cup, while concentrated in San Francisco, will extend to the entire Bay region and beyond, as visitors and their families visit the area for extended periods. This would apply to hotels in surrounding counties – particularly Marin, Solano, Contra Costa, Alameda, and San Mateo – that would absorb overflow hotel demand, and restaurants. Many visitors to the region,



⁴This comparison is relative to other weeks in October and the same week in years where there was no Fleet Week.

when not watching the races or shopping and sightseeing in San Francisco, can be expected to enjoy nearby sites such as Sausalito, Muir Woods, and the Napa and Sonoma valleys. Some smaller number of visitors are also likely to visit destinations that are nearby but require an overnight stay, such as Monterey/Carmel, Lake Tahoe, and Yosemite. California Travel & Tourism Commission data shows that 30% of visitors to San Francisco visit other destinations in the region.

As an example, the Bay Area's Wine Region, primarily Napa and Sonoma counties, stands to benefit significantly from the America's Cup. Over the 3 to 4 month period during the challenger series, a Defender Series, and the defense, it is plausible that this region could see a net increase in local expenditures on the order of \$68 million. This is based on figures of daily spending of \$314 per day for those staying overnight and \$187 for those visiting for the day.⁵ Spectators included in this esti-



mate include roughly 50% of the local visitors discussed below and all of the non-local visitors. It is assumed that 20% will visit wine country, and that 20% of those will choose to spend the night. These percentages are likely low, as it is estimated that 20 to 25% of visitors to San Francisco from out of the Bay Area customarily visit Napa County, while a slightly lower percent also visit Sonoma County. All told, this spending could create as many as 814 jobs and generate in excess of \$8 million in state and local tax revenues.

Twenty to twenty-five percent of visitors to San Francisco also visit Marin County. Those visiting for a day spend \$135 to \$150 per person in the local economy, while those staying overnight spend \$320 to \$400 per person per day. If the annual Oracle convention in San Francisco is an indication, Marin can be expected to particularly benefit from the America's Cup. Oracle World each year draws 40,000 attendees, many of whom can't be accommodated in San Francisco. 35 to 40% stay elsewhere in the region, with Marin County being a primary beneficiary due to its proximity, as well as parking, rates, and overall setting.

While the primary economic benefit to the region outside of San Francisco would come through visitor spending, it is also possible that not all syndicates will choose to locate their facilities in San Francisco. This might particularly be the case in the Cup's early stages, when syndicates might seek a more secluded location where their evolving technology would be less visible to competitors. While this would apply to a handful of syndicates at

⁵This is an average of figures obtained for Napa and Sonoma counties individually.

most, a number of locations around the Bay could offer attractive venues, including Alameda (adjacent to the aircraft carrier Hornet) or Richmond. In Richmond's case, the Craneway Pavilion, a 1931 Ford plant recently renovated as a 525,000 square-foot structure housing offices and large public spaces, fronts 600 feet of dock capacity facing toward San Francisco.

PORT OF SAN FRANCISCO

Bringing the Cup to San Francisco presents a major opportunity for the Port. At the front end, the Port will incur up-front costs. On balance, however, the net gains to the Port promise to be substantial. This could take two primary forms: visitor revenue and infrastructure.



Revenue. Approximately 80% of all visitors to the city utilize facilities on Port-owned property (e.g., the Ferry Building, Fisherman's Wharf, boat charters, water taxis, and parking), from which the Port earns tenant revenue.

Infrastructure. As with all America's Cups, facilities will have to be developed to house the racing syndicates in the period leading up to and during the race. They are likely to be housed on rehabilitated pier structures along The Embarcadero. Rehabilitation of the specific pier or piers selected for the site (most likely Piers 30-32 and 50) may help address a specific challenge faced by the Port of San Francisco — a \$2 billion capital expenditure requirement to address accumulated deferred maintenance, prevent the further deterioration of the structures, and enable the constructive reuse of some of its aging piers. The estimated cost to bring Piers 30-32 up to code is between \$40 million and \$60 million. The estimated cost of bringing Pier 50 up to code is also in the \$40 million to \$60 million range.

From an investment standpoint, the Cup could present the Port with a unique opportunity to engage private capital, through the organizing committee, in the redevelopment of one or more piers, along the lines of the model used to develop AT&T Park. Securing private investment to preserve and renovate the piers used for the Cup could alleviate the pressure on the Port's capital budget, thereby freeing resources for other priorities. Given the economic benefits at stake, some level of public financing may be appropriate as well. Whatever financing method is ultimately chosen, the America's Cup would fast forward the renovation and development of the piers in question.

Other infrastructure expenditures may come from the America's Cup organizing committee. These could involve developments on other existing piers as well as landside.

While probably not economically viable for exclusive use as a sailing center, the syndicate facilities have the potential for mixed-purpose reuse, for sailing and other maritime-oriented purposes, following the race.

ESTIMATING THE POTENTIAL ECONOMIC IMPACTS

An America's Cup defense has substantial implications for the local economy. Estimating these impacts in advance of the event can only be undertaken with enormous speculation. This speculation applies to not only the format of the defense, but the likely spending by those directly involved, and the relative attraction of the location for spectators.

The experience of Valencia in 2007 is taken as a starting point for this analysis. In December 2007, the Instituto Valenciano de Investigaciones Economicas (IVIE) released its final report with estimates of the economic impact on the City of Valencia resulting from the 32nd America's Cup defense earlier that year. Although a San Francisco defense would likely differ in significant ways from the Valencia event, there are sufficient similarities to warrant using evidence on expenditures for Valencia as a baseline for developing an estimate of impacts for San Francisco. In what follows, analysis does just that, modifying the actual experience of Valencia in subtle ways that reflect the potential differences.

Much will be the same in San Francisco as it was in Valencia. In particular, the contributors to economic activity and their basic actions will be similar in nature, but potentially different in magnitude. Notably, it is likely that spectator volumes will be different, both in their number and in their expenditure patterns. Though not a significant destination in itself, Valencia benefited from its European location and its proximity to a large number of major population centers. Attendance was also supported by a stronger European sailing culture. While the West Coast lacks a comparably dynamic sailing scene and a comparably large cachement area from which to draw spectators, the San Francisco Bay has a number of inherent advantages that suggest that visitor numbers and expenditures will be considerably larger:

- A population of 7 million in the Bay Area (compared to 2.3 million in Valencia). resulting in stronger local attendance.

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- Proximity to major West Coast cities, such as Los Angeles, San Diego, Seattle, and Vancouver, allows for easy access by air.
 - The Bay Area and San Francisco's reputation as a leading international destination, will likely to attract more visitors for longer stays.⁶
 - The diversity of attractions in the Bay Area (Pier 39, Fisherman's Wharf, Alcatraz, Sausalito, Muir Woods, the Napa and Sonoma valleys, Monterey and Carmel, Lake Tahoe, and Yosemite), its food scene, and the rich range of cultural options (major museums, opera, ballet, and theater) also increase the likelihood that visitors, including more families and spouses than would otherwise be the case, will book longer stays.

The international nature of the race also suggests that compared to other major sporting or entertainment events the Cup will attract a large number of foreign visitors, who historically stay longer and spend more per capita. Most overseas visitors would arrive and depart through SFO, which handles 67% of all passengers traveling by air through the Bay Area, and 96.9% of international passengers. SFO's status as a major international air hub, and its extensive network of direct connections to a large number of global destinations, will increase the likelihood of strong international participation. SFO ranks seventh among U.S. airports in total number of international passengers, and together with Los Angeles is one of only two major international air gateways in California, reflecting the strength of the Bay Area as an international tourism and business destination. In addition to major domestic carriers with international operations (United maintains a major hub at SFO), the airport is served by 25 foreign flag carriers, providing convenient service and multiple options to travelers from Europe, Asia, the Middle East, Australia/Oceania, Canada, Mexico, the Caribbean, and South America.

This section provides a discussion of the primary participating groups and their likely spending patterns. This is followed by a base estimate of the Defense's likely economic impact.

PARTICIPATING AGENTS

This section evaluates the implications of expenditures by nine agents or groups, all of which participate in one way or another in an America's Cup. These agents are listed in Table 2 and the patterns and magnitude of their expenditures are described in this section.

⁶The readers of Conde Nast Traveler voted San Francisco Best U.S. City in the magazine's 2009 Readers Choice Awards. The city has been ranked number one nationally for 19 out of 20 years, and sequentially for the last 17. San Francisco has been ranked either number one or number two on Travel and Leisure's list of Top Ten Cities in the United States and Canada every year since the poll began in 1996.

Table 2: Participating Agents

Agent
Syndicates
Sponsors
Local Spectators
Non-Local Spectators
Media
Local Governments
The Cup Management Committee
Super Yachts
Other Groups

Syndicates. Each of the boats that sail in either the challenger series, a Defender Series, or the defense is backed by a syndicate. That is, a group that has secured sufficient funding to mount a campaign. Campaigns are long and extremely expensive. Their costs include, but are not limited to, the design and development of not just one but often several sailboats, the salary and living expenses for crew and support staff for several years, and sometimes, the construction of a structure in the host city on the water to house and maintain the sailboats. It is estimated that the syndicates in Valencia spent some 355 million euros (\$540 million in today's dollars) locally in 2007.

Table 3: Syndicate Spending Comparison (in millions)

Category	Valencia in 2010\$	San Francisco in 2013	SF 2013/14 + Defender Series
Accommodations	56.8	56.8	71.0
Food and Drink	8.1	8.1	10.1
Transport	9.5	9.5	11.9
Retail	5.4	5.4	6.8
Leisure	2.7	2.7	3.4
Construction	256.9	20.0	25.0
Marine Sector	148.7	20.0	25.0
Media	31.1	31.1	38.9
Services	5.4	5.4	6.8
Not Classified	16.2	16.2	20.3
Total	540.9	165.2	219.0

In Valencia, there were 11 challengers and a single defender, or 12 different syndicates, who spent on average \$45 million locally. It is expected that the number of challenging syndicates will be similar in San Francisco, but that the addition of a Defender Series could be expected to increase the overall number of syndicates by as many as four. Previous Defender Series have had either three or four domestic syndicates in addition to the Cup defender.

This analysis assumes that three additional domestic challengers participate in the Defender Series, for a total of 15 syndicates.

The assumption regarding syndicate spending during a San Francisco-based Cup is that it would be comparable to Valencia, except in two respects. First, there was a significant investment in infrastructure in Valencia. It is not anticipated that each syndicate will make a massive investment in individual hospitality suites in San Francisco. In particular, there is likely to be insufficient space for such structures on the piers. Instead, smaller structures, catering to the storage, maintenance, and repair of the sailboats would likely be constructed on the piers, the construction of which could cost as much as \$25 million – significantly less than the \$257 million that was spent in Valencia.

Second, it is unlikely that the large expenditures in the marine sector that are recorded for Valencia would occur in San Francisco. Accordingly, \$25 million in spending, rather than the \$149 million spent in Valencia, has been allocated to this sector. It is likely that most of these expenses would be sourced from outside of the Bay Area. Nonetheless, there would be significant expenditures in the local marine sector. In particular, the maintenance and repair of the 15 to 20 hard bottom inflatable boats, or tenders, per team would likely be undertaken by local suppliers of marine services. In the end, syndicate spending remains significant, at \$219 million, but is much less than is estimated to have occurred in Valencia.

Sponsors. Corporate sponsors of America's Cup teams/syndicates can be expected to invite major clients to San Francisco for a range of hosted activities, including hospitality at the syndicates' VIP centers and cruises to watch the races, generating spending on food, transportation, and hotels. Bigger syndicates typically secure larger sponsors. Large sponsors may invest several million dollars each, while smaller sponsors should be in the range of one million. These funds will not be directly accounted for in the impact analysis as a significant portion is not spent locally. The sponsorship funds spent locally are accounted for in the expenditures of individual syndicates.

In Valencia, on days with major activity, large syndicates such as Oracle hosted as many as 200 guests, while lesser syndicates hosted smaller groups averaging approximately 40. These expenditures are implicitly included in the analysis as a part of syndicate spending.

Cup Management. A defender-run entity will likely be created to manage commercial aspects of the race, including vessel berths, branding, and television rights. Much of this activity will not accrue benefits directly to the region. However, a significant amount will still be spent locally. It was estimated that 95 million euros (\$145

million in inflation-adjusted dollars) were spent in Valencia. It is expected that expenditures in San Francisco would be comparable. Expenditures would differ in one important aspect: Much of the port structure spending that in Valencia '07 was the responsibility of the individual syndicates will likely be centralized in San Francisco. In particular, this organization may take on the responsibility of providing infrastructure for common spaces, including a hospitality suite.

Media. Members of the press from all over the world are present for an America's Cup. Spending on lodging, transportation, and other expenses are reported to have amounted to some 11.5 million euros in Valencia, or some \$13.8 million in today's dollars. There is no reason to believe that media expenditures will be less than this in San Francisco. Rather, it is likely that they will be more. Given the venue, the San Francisco Bay amphitheater, broadcasting the races is likely to be significantly more desirable for media around the world. As such, 25% increase in media expenditures is built into the analysis.

In Valencia, it was estimated that 1,870 people were media accredited during the LVC and that each person stayed an average of 37 days. Similarly, during the America's Cup Match, some 1,460 were accredited, staying an average of 8 days. In total, this represents 80,130 days that individual members of the media were in place. For the San Francisco defense, this analysis assumes that 25% more media will be on hand. This assumption is largely based on the notion that the Bay is a much better stage for the event and that media coverage will be more profitable, resulting in a larger media presence.

There is past precedent for media coverage of such an event in San Francisco. During the Moët Cup in September 2003, some 177 journalists from 27 nations covered the races, including 20 television channels from the United States and abroad. Although the numbers are much smaller for the Moët Cup than was the case for the America's Cup Match in Valencia, it must be remembered that the Moët Cup was an exhibition race with very little at stake other than the pride of the participants.

Super Yachts. It has traditionally been the case that where the America's Cup goes, a fleet of super yachts follows. Super Yachts are typically in excess of 150 feet in length, with three decks, and sleeping quarters for 10 to 12 people. They are fully crewed and are generally positioned somewhere in the world where their owners will want to be spending time. For many owners, this tends to be in the vicinity of an America's Cup defense, when they occur. It is estimated that at least 40 different super yachts spent some 3,327 total days present in Valencia over the course of Acts held in Valencia, the Louis Vuitton Cup, and America's Cup Match. Of these, the super yachts were in Valencia 1,920 days during the Louis Vuitton and America's Cup Match.

For San Francisco, this analysis assumes the occurrence of the Challenger Selection Series, a Defender Series, and the America's Cup Match. San Francisco is not likely to be the draw for super yachts that Valencia was. Valencia is on the Mediterranean, in close proximity to a great many super yachts. San Francisco, in contrast, is an infrequent destination for super yachts, partly owing to the weather and partly owing to the distance to other likely points of interest for owners. Accordingly, it is assumed that expenditures in support of super yachts will be half of what they were in Valencia.

Table 4: Comparison of Super Yacht Expenditures (\$)

Category	Valencia	San Francisco
Marine Sector	10,923,769	6,203,184
Retail	7,135,153	4,051,776
Accommodations	1,673,269	950,184
Ground Transport	128,203	72,801
Air Transport	70,733	40,166
Concierge	828,898	470,699
Leisure	1,286,450	730,524
Other	57,470	32,635
Total	22,103,944	12,551,969

Adjusting for a defender's series, which did not occur in Valencia, overall super yacht expenditures would be expected to be on the order of \$12.5 million.

Spectators. Large numbers of sailing fans flock to the venue of an America's Cup defense. These spectators naturally come from both the local region and from locations around the world. Here, a distinction is drawn between local and non-local depending on the driving distance. Local spectators throughout the analysis are those within driving range of San Francisco and non-local spectators are those flying in for the events.

- **Non-Local Visitors.** Spectators flying into the Bay Area, both domestic and international, represent a significant source of spending. This analysis assumes that the number of spectators will be 20% greater than was the case in Valencia, and that they will add some 450,000 additional visitors to San Francisco during the summer of 2013 or 2014. It is assumed that expenditures of this group are equivalent to those of the foreign visitors in Valencia, but that the pattern of spending is distributed across expenditure categories in the same way as has been observed for those flying in to visit San Francisco.

It is quite likely that hosting the Cup in 2013 or 2014 will lead to additional tourism activity in the several years following the America's Cup, but evidence on this phenomenon is highly speculative. Accordingly, there is no attempt to measure it here.

- **Local Visitors.** In this study, "local" visitors are those who are within driving distance of San Francisco Bay. This assumption is made largely because the data on spending patterns and on arrivals at San Francisco Airport (SFO) do not distinguish between foreign and domestic arrivals. The only distinction possible is between those coming by ground transportation and those arriving by air.

The San Francisco Bay region has a population of approximately 7 million people. In 2007, the population base surrounding Valencia, and the rest of Spain, contributed in excess of 1 million visitor days. It is anticipated that the Bay Area and broader California will contribute significantly more spectators than did Valencia and Spain. This is anticipated first because the population here is in such close proximity to the events, and second because incomes are significantly higher in the Bay Area and California than they are in Valencia and throughout Spain. Higher incomes facilitate the attendance at such spectator events, if even for a day or several days.

Accordingly, local visitors will make up the bulk of the spectators for the America's Cup, as they have frequently in the past. It should be noted that an individual visitor day contributed by a local resident drives significantly less economic activity per day than does that of a spectator who has traveled from afar. It is estimated that local visitors spend on average 42% of the amount spent by non-local visitors. The difference is largely due to lower expenditures on accommodations.

It is common to discount spending by truly local participants. In particular, it is likely that spending by residents of San Francisco would have occurred anyway. These expenditures are excluded from the analysis. Similar assumptions are made for the Bay Area, California, and U.S. model results presented below. In addition, spectators who are in San Francisco for other reasons must have their expenditures discounted. As no data are available locally to facilitate these adjustments, it is assumed that the patterns of local spectators and those in San Francisco for other purposes are in the same proportion as was the case for Valencia.

Although the discounting is taken from the analysis of Valencia, the spending patterns of spectators in San Francisco are assumed to more closely reflect the usual spending patterns of local (ground) versus non-local (air) arriving spectators.

- **Additional Visitor Spending.** In addition to visitors simply coming to San Francisco to watch the matches, spectators will come for other reasons and extend their visits. They will also make side trips to other regional destinations around the Bay Area. These expenditures are relatively minimal and are incorporated at exactly the same rate of increase in spending as was experienced in Valencia.

Local Governments. The estimated economic impact of the America's Cup in Valencia '07 was on the order of 5.77 billion euros, or \$8.6 billion in today's currency.⁷ The bulk of this impact was generated by public expenditures. The holding of the America's Cup was seen as an opportunity and a justification to build up Valencia's port area to be a more significant tourist destination. To that end, the local, regional, and federal governments made infrastructure investments amounting to more than 2 billion euros, or \$3.2 billion in today's currency. These expenditures accounted for nearly 80% of the total impact. The absence of such enormous government spending in San Francisco implies a much smaller overall impact – and cost – of the event.

Such expenditures are neither needed nor anticipated in San Francisco. The vast majority of the required infrastructure is already present. Where investments are likely to be made is in shoring up piers at the San Francisco Port to provide boat storage and maintenance facilities for the syndicates. Such expenditures are likely to be on the order of \$100 million.

Additional Spending. An additional category is added here to incorporate spending that could occur during the events related to the America's Cup, but is not included in the other categories listed above. This primarily involves the spending of the owners of vessels actively participating in the spectator fleet, including local privately owned sailboats and powerboats as well as the Hornblower and other ferries and vessels that will be plying the waters carrying passengers as they watch the matches. It is estimated that during the three months of sailing, some \$20 million in spending in the marine services sector could accrue.

⁷This is an adjustment of approximately 150%, incorporating differences in the prevailing exchange rate and inflation between 2007 and 2010.

THE ECONOMIC IMPACT

This section provides a summary of economic impact by participant category. Expenditures of the magnitude being 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.⁸ A summary of the economic impacts on the city of San Francisco and the county is presented here; the impact of spending by each of the agents is presented in Appendix A.

The groups contributing expenditures come from the eight separate sources above. Combining the expenditures of the various groups participating in or watching the Challenger Selection Series, a Defender Series, and America's Cup matches, something on the order of \$791 million could be spent (Table 5). This spending translates into a total effect on output (the value of goods and services purchased) in San Francisco alone of \$1.4 billion.

Table 5: Summary of Impacts by Agents (\$)

Agents	Output		Employment		State and Local Taxes	
	Direct	Total	Direct	Total	Direct	Total
Cup Management	195,209,743	375,107,605	1,069.6	2,004.5	5,958,929	19,132,953
Syndicates	215,750,002	367,908,027	1,527.8	2,285.8	12,975,508	22,807,510
Local Visitors	150,385,104	252,078,310	1,686.3	2,180.8	13,139,999	19,907,632
Infrastructure	100,000,000	158,879,003	463.9	770.5	2,365,924	6,575,387
NonLocal Visitors	86,144,734	144,331,099	897.3	1,182.6	7,766,267	11,601,341
Media	25,664,760	44,751,286	170.7	265.6	1,911,107	3,156,750
Super Yachts	11,280,566	18,549,197	64.7	99.7	778,184	1,257,411
Miscellaneous	5,000,000	8,047,683	15.7	30.0	115,081	331,835
Side Trips	997,871	1,672,720	9.9	12.3	88,790	132,592
Extended Visits	650,070	1,089,705	6.5	7.6	57,843	86,377
Total	791,082,851	1,372,414,635	5,912.3	8,839.4	45,157,632	84,989,787

Along with these expenditures, the equivalent of almost 9,000 year-long, full-time positions would be created and \$85 million in additional state and local tax revenues would be collected.

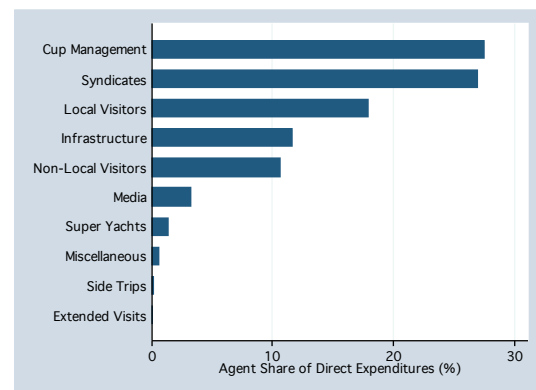
⁸see Appendix B for more on the model and methods used.

Table 6: Summary of Impacts by Industry (\$)

Top 10 Industries	Output		Employment	
	Direct	Total	Direct	Total
Construction Of Other New Nonresidential Structures	233,757,818	233,757,818	1,084.5	1,084.5
Accommodations	156,329,540	157,006,043	973.4	977.5
Food Svcs. And Drinking Places	90,140,057	113,348,453	1,201.5	1,511.1
Advertising And Related Svcs.	69,785,559	84,294,066	397.5	480.3
Retail Trade	55,047,639	85,585,428	484.5	753.6
Leisure	40,022,940	51,462,945	443.1	570.0
Marine Sector	38,249,646	38,250,690	113.8	113.8
Transit And Ground Passenger Transportation	32,625,534	33,092,947	743.7	754.1
Other Support Svcs.	28,200,057	30,416,886	142.0	153.2
Facilities Support Svcs.	21,432,045	21,484,897	197.1	197.5
Total	791,082,851	1,372,414,635	5,912.3	8,839.4

By industry, the clear winner is "construction of other new nonresidential structures", which would experience a boost in output of \$234 million and an increase in employment of some 1,276 jobs. These gains come from spending by syndicates (\$27.7 million), Cup management (\$106.1 million), and local governments (\$100 million) in the form of infrastructure investments. "Accommodations" would see a significant increase in demand of \$156 million. The largest contributors are again syndicates (\$80.4 million), local spectators (\$39.9 million), and non-local spectators (\$31.1 million). Although non-local visitors are much more likely to spend on accommodations, the sheer number of local visitors causes their contribution to be larger.

Of the participants in the America's Cup Match and the events leading up to the defense, each category contributes significantly. Figure 1 illustrates that the Cup management and syndicates each provide roughly 27% of the total increase in local economic output. Combining local and non-local spectators, another 28% of expenditures are accounted for. Local infrastructure spending and the media are the remaining significant sources of benefit.

**Figure 1: Distribution of Sources of Expenditures**

IMPLICATIONS FOR NEW TAX REVENUES FOR THE SAN FRANCISCO GENERAL FUND

In Table 5, the results indicate that direct spending as a result of the America's Cup will generate \$45 million in state and local sales taxes. Factoring in the indirect and induced effects, the total tax revenues for state and local governments are nearly \$85 million. Although the model results provided above do not distinguish between state and local taxes, the city's additional tax revenues can be calculated for some major revenue sources. In particular, retail sales taxes, payroll taxes, and the hotel or transient occupancy tax are likely to generate significant revenues.

In Table 6, the revenues for accommodations are in excess of \$156 million. In San Francisco, the transient occupancy tax (TOT) is 14%. This implies total additional revenues for the city from hotel stays of \$12.4 million (Table 7). Payroll taxes are the second largest category of revenues, with an estimated increase to the city of \$8.3 million. These taxes are collected at a rate of 1% from for-profit businesses in the city with payrolls above \$250,000. 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% of anticipated payroll increases. That is, it is expected that 85% of any increase in city payrolls would be subject to the payroll tax. This multiplier is also used here. The numbers presented in the table are equal to .0085 times the increase in expected employee income.⁹ Sales tax revenues in this category are from restaurant and retail sales. Although expenditures in this category are larger, \$182 million, the tax rate is only 1.75%. In addition, it is assumed that 15% of expenditures at restaurants are for tips, which are not subject to sales taxes. Accordingly, sales tax revenues attributable to the America's Cup will be on the order of \$3.2 million. The total impact identified here is approximately \$24 million.

It is also important to acknowledge the increased demand for city services that comes with events such as Fleet Week or an America's Cup defense. These services are necessary to ensure that spectators have a safe and enjoyable experience while in the city. Chief among these are police and transportation services. It is also reasonable to assume that while in the city, many tourists would avail themselves of the many cultural and recreational opportunities, which imposes a further cost to the city.

⁹ Although the present model provides estimates of compensation, on average wages, or payroll, is 70% of compensation. This adjustment is also made.

In its 2008-09 budget, the city of San Francisco spent some \$1.1 billion providing police, transportation, and cultural/recreational services.¹⁰ There are no standard estimates for the amount of this spending that is attributable to tourism services. However, in 2009, there were on average 131,722 visitors in San Francisco each day.¹¹ With an estimated population of 808,000, visitors make up 16% of those who might potentially demand these city services. Assuming that tourists use these services more intensively than the local population, it is assumed that 20% of the \$1.1 billion, or \$220 million in spending is related to tourism in San Francisco. Estimate suggest that the America's Cup will lead to an approximately 5% increase in tourism related spending. If this is equivalent to a 5% increase in tourism, this suggests an increase in city costs of 5% of \$220 million, or \$11 million. Given this rough calculation, it appears that the city's general fund stands to benefit (net) by as much as \$13 million.¹²

Table 7: City Tax Revenues Attributable to the America's Cup

Revenue Source	Direct	Total
Transient Occupancy Tax (Hotel)	12,340,581	12,414,895
Payroll Taxes	5,036,226	8,328,286
Retail Sales Taxes	2,304,167	3,183,803
Total	19,680,974	23,926,984

EMPLOYMENT EFFECTS BY OCCUPATION

All of this economic activity generates demand for a significant number of workers, nearly 9,000 in total.¹³ The jobs will be distributed widely across occupations. Food care and serving-related occupations benefit most, accounting for nearly 25% of all jobs created. The jobs created range from high-wage to low-wage jobs, with an average annual wage for the jobs created of \$59,724. This is substantially below the average wage in San Francisco of more than \$75,000. The largest category of jobs created is in the "food preparation and serving-related category". These are among the lowest-paying jobs in the city, with average wages of just \$27,827. Other occupations experiencing an increase in demand are "office and administrative support" and "sales and related" occupations. The office support jobs again pay substantially below local average wages.

¹⁰This breaks down into \$786 million on public protection, \$196 million on the Municipal Transportation Agency (MTA), and \$104 million on culture and recreation. The figure for the MTA surely overstates the net cost to the city as what fares are collected offset these expenses.

¹¹http://www.sfcvb.org/media/downloads/research/2009_spending.pdf

¹²This number is too high if there are capital expenses or other non-operating expenses that must be incurred by the city to accommodate this increase in tourism.

¹³Note that this total does not include the jobs of those working directly for the syndicates as crew, mechanics, or in other technical capacities. These jobs are not likely to come from the local economy. It does include those providing food services and other local services directly to the syndicates.

Table 8: Summary of Occupational Impacts

Top 10 Occupations	Employment	Average Annual Wages (\$)
Architecture and Engineering	106	77,138
Arts, Design, Entertainment, Sports, and Media	270	64,903
Building and Grounds Cleaning and Maintenance	378	29,635
Business and Financial Operations	523	79,305
Community and Social Services	43	49,404
Computer and Mathematical	304	83,837
Construction and Extraction	777	56,255
Education, Training, and Library	156	53,840
Farming, Fishing, and Forestry	5	38,443
Food Preparation and Serving-Related	2,099	27,827
Healthcare Practitioners and Technical	105	78,065
Healthcare Support	44	37,480
Installation, Maintenance, and Repair	150	51,740
Legal	133	123,958
Life, Physical, and Social Science	79	77,026
Management	601	131,587
Office and Administrative Support	1,221	44,107
Personal Care and Service	248	32,656
Production	107	37,624
Protective Service	142	39,707
Sales and Related	1,058	65,135
Transportation and Material Moving	289	34,251
All Occupations	8,839	59,724

RESULTS FOR THE BAY AREA, CALIFORNIA, AND THE UNITED STATES

In the results presented above, only the local economic impacts on San Francisco have been estimated. When considering such a small part of the economy, the economic multipliers are smaller than if the entire state or nation were to be considered. The subregional multipliers are lower because of leakage. Leakage has no impact on the direct economic impacts, as those are the result of local expenditures. However, indirect and induced impacts are significantly affected by leakage because intermediate inputs, or purchases that come about as a result of the direct expenditures, may result in indirect effects outside of the local area. For example, cruise ships that dock at the Port of San Francisco may re-provision at the port, but from the contents of containers that are shipped to the port from outside of the region. Therefore, the indirect effects and some of the induced effects will accrue outside of the city and county.

In order to better account for this leakage, the effects of the three months leading up to the America's Cup on the broader Bay Area, California, and the United States are also evaluated. These results, comparable to Table 6, are presented below. As the geography gets bigger, the economic benefits increase.

As discussed above, expenditures of local spectators in the San Francisco analysis are discounted by excluding the spending of those who live in San Francisco and those who came to San Francisco for other reasons – their expenditures would have happened regardless of the America's Cup. Similarly, when the analysis is expanded to successively larger geographies, spectator expenditures must be further discounted. The pattern of discounting used in this report is presented below. It is assumed that of the local visitors (those who drove to San Francisco), 50% are from the broader Bay Area. Therefore, 50% of the local spectator expenditures were discounted for the Bay Area impact analysis.

Table 9: Assumptions Regarding Spectator Spending
(Percentage that is included in the analysis.)

Type	San Francisco	Bay Area	California	United States
Local	100	50	0	0
Non-Local	100	100	90	50

In particular, it is assumed that half of the local visitors are from the Bay Area (the nine-county region) and that the other half is from the rest of California. Accordingly, their expenditures are completely ignored in the results pertaining to California. Similarly, the results incorporate the assumption that 10% of the non-local visitors, those arriving by air, are from California and that 40% are from the rest of the United States, with foreign visitors making up the remaining 50%.

Table 10 summarizes the differences and the subsequent tables provide more detail. Each row of the table presents the economic impact on the respective region. The total effect in San Francisco is \$1.372 billion, while the overall effect in the United States is \$1.851 billion.

Note that as broader geographies are considered, the *direct* effects decline. This is a result of the assumptions above regarding spectator expenditures. These declines are significant, with direct expenditures for the country as a whole being nearly \$200 million less than when only the city and county of San Francisco is considered.¹⁴

¹⁴This is because visitors to San Francisco from Illinois provide spending in San Francisco that wouldn't otherwise occur, but it is assumed that if they had not come to San Francisco, they would have travelled to some other U.S. destination. Therefore, the spending of all U.S. spectators is excluded from the analysis of the United States, where some \$200 million of it is included as new spending when only San Francisco is considered.

Nonetheless, because of reduced leakage, the total effect on output increases with the size of the geography. When the entire country is considered, the total impact includes a 35% increase in output and employment relative to looking at San Francisco in isolation. Taxes collected also increase, but at a slower rate. This is because spectators generate significant tax revenues, while other agents generate less in the way of taxes per dollar spent.¹⁵

Table 10: Summary of Impacts Across Regions

Agents	Output (\$)		Employment		State and Local Taxes (\$)	
	Direct	Total	Direct	Total	Direct	Total
San Francisco	791,082,851	1,372,414,635	5,912.3	8,839.4	45,157,632	84,989,787
Bay Area	715,931,256	1,389,152,152	5,473.5	8,813.5	41,834,573	86,851,593
California	632,083,271	1,427,385,764	4,806.0	9,213.9	33,220,020	85,076,668
United States	597,625,374	1,851,978,699	4,956.7	11,978.0	25,105,087	92,652,707

Table 11: Bay Area Summary of Impacts by Industry

Top 10 Industries	Output (\$)		Employment	
	Direct	Total	Direct	Total
Construction of other new nonresidential structures	233,757,818	233,757,818	1,148.1	1,148.1
Accommodations	136,454,961	137,043,627	1,037.9	1,042.3
Advertising and related svcs.	69,785,559	76,132,808	460.4	499.7
Food svcs. and drinking places	63,425,957	83,949,204	942.0	1,246.3
Retail Trade	43,021,166	77,864,208	432.9	779.5
Marine Sector	38,249,645	38,311,745	126.0	126.2
Leisure	29,799,897	40,258,258	329.4	444.5
Other support svcs.	28,200,057	30,133,259	139.9	149.0
Transit and ground passenger transportation	26,312,134	27,254,942	460.7	477.2
Facilities support svcs.	21,432,045	21,598,937	203.0	204.5
Total	715,931,256	1,389,152,157	5,473.4	8,797.4

¹⁵In particular, note from Table 10 that although direct spending by the Cup management organization is projected to be 30% higher than local visitors in San Francisco, local visitors actually generate more state and local taxes.

Table 12: California Summary of Impacts by Industry

Top 10 Industries	Output (\$)		Employment	
	Direct	Total	Direct	Total
Construction of other new nonresidential structures	233,757,818	233,757,818	1,275.7	1,275.7
Accommodations	113,432,308	114,706,553	960.0	970.7
Advertising and related svcs.	69,785,559	77,185,882	454.1	502.4
Marine Sector	38,249,645	38,362,418	125.0	125.3
Food svcs. and drinking places	34,411,252	58,928,919	552.0	943.1
Retail Trade	29,509,450	74,220,317	335.6	820.7
Other support svcs.	28,200,057	30,272,090	168.7	181.0
Facilities support svcs.	21,432,045	21,661,074	227.2	229.7
Transit and ground passenger transportation	19,354,407	20,453,285	322.4	340.6
Leisure	18,458,714	31,266,067	176.6	296.6
Total	632,083,271	1,427,385,770	4,806.3	9,197.3

Table 13: United States Summary of Impacts by Industry

Top 10 Industries	Output (\$)		Employment	
	Direct	Total	Direct	Total
Construction of other new nonresidential structures	233,757,818	233,757,818	1,536.7	1,536.7
Accommodations	101,025,439	109,036,618	918.2	990.7
Advertising and related svcs.	69,785,559	79,029,676	470.8	531.7
Marine Sector	38,249,646	39,215,528	128.1	131.3
Other support svcs.	28,200,057	31,889,020	181.7	204.6
Food svcs. and drinking places	25,224,162	56,748,974	441.9	992.2
Retail Trade	23,649,550	83,494,926	314.4	1,087.0
Facilities support svcs.	21,432,045	21,917,097	252.9	258.4
Business support svcs.	18,348,169	23,561,984	222.7	282.3
Transit and ground passenger transportation	16,788,602	18,594,886	307.4	340.4
Total	597,625,374	1,851,978,702	4,956.3	11,964.0

COMPARISON TO VALENCIA AND AUCKLAND

The expenditures assumed for the 34th America's Cup are broadly consistent with expenditures in the 31st America's Cup in Auckland and the 32nd in Valencia, which had roughly the same format anticipated for San Francisco. The 2010, or 33rd America's Cup was a very brief affair, with only two participants and lasting three days, so it is not included in the comparison here.

In the most inclusive calculations, the spending in Valencia was significantly larger than is anticipated for a San Francisco America's Cup. There are three reasons for this difference. First, the absence of the enormous infusion of public money for supporting infrastructure explains roughly 75% of the difference. The Spanish government made a decision to use the America's Cup as an impetus for developing the harbor area of Valencia into a tourist destination. Second, there are also smaller infrastructure expenditures assumed on the part of the syndicates (\$20 million rather than \$256 million). A portion of the expenditures by syndicates in Valencia has been transferred in the current analysis to the Cup management. As discussed above, rather than being provided by individual syndicates, hospitality suites and other facilities would likely be provided centrally by the Cup management. It should be noted that these infrastructure expenditures still represent a small fraction of what was spent in Valencia. Finally, there were also significant infrastructure investments made by local yacht clubs. These are included in the other expenditures.¹⁶

Table 14: America's Cup Expenditures (\$ millions)

Agents	Auckland 2003	Valencia 2007	San Francisco 2013/14
Syndicates	163.6	557.4	215.8
Superyachts	110.8	39.4	11.3
Cup Management	19.2	149.2	195.2
Media	18.8	25.7	25.7
Government	5.1	3,237.8	100.0
International Visitors	33.1	194.2	86.1
Domestic Visitors	0.0	-	150.4
Other	-	140.2	5.0
Total	350.7	4,343.9	789.5
Total w/o Government	345.6	1,106.1	689.5

¹⁶Estimates of spending for Auckland are from "The Economic Impact of the 2003 America's Cup Defence", produced by Market Economics Ltd for the New Zealand Ministry of Tourism, October 2003. The estimates of spending for Valencia are from "Economic Impact of the 32nd America's Cup Valencia 2008", produced by the Instituto Valenciano de Investigaciones Economicas, Final report, December 2007.

When these adjustments are made, the expected expenditures for San Francisco are comparable to those of Valencia. They remain significantly higher than occurred in Auckland. This is primarily because of greater expected spectator attendance and significantly higher expenditures by the organizing committee.

AMERICA'S CUP ECONOMICS: COSTS AND CAVEATS

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

- added congestion on the streets of San Francisco
- higher hotel rates
- longer lines at local restaurants (though locals know the best places that visitors will never find)
- higher airfares to and from San Francisco may result as increased demand crowds the limited capacity of SFO
- a tug of war over employees (some of the jobs created could come at the expense of other businesses in the city)
- providing tourism related services is not without cost to the city

In particular, waterfront restaurants and retail may have to contend at peak race times with congestion, street closures, and loss of parking that will disrupt normal business patterns and customer activity.¹⁷ This disruption is but a fraction of the change in activity that can result from hosting such a spectator-intensive event. In particular, some local residents may find it in their own best interests to be away during the event. Because of the significant increase in visitor volumes to the area, other potential visitors could avoid San Francisco as airfares and hotel rates would likely be elevated. In sum, it is extremely difficult to gauge the *net* effect of major events on tourism. There is always a certain amount of crowding out of non-event related tourism.

Even though there is some potential for disruption, San Francisco's economy has long focused on and benefited significantly from tourism, including large-scale events. The city's residents have tussled with the effects of tourism for a very long time, and most sincerely hope to for a very long time yet to come.

¹⁷To minimize the negative effects, the city should evaluate specific congestion mitigation measures.

Another form of crowding out that is not captured in the model has to do with the estimated increase in employment. If the local economy has completely recovered from the recent recession, it may be difficult to find the employees necessary to provide services to those participating in or watching the America's Cup. The source for many of these employees will be establishments elsewhere in San Francisco. When there is slack in the economy, this need not occur as there may be sufficient numbers of unemployed workers. The results presented above are therefore more applicable during an economic downturn than an economic boom.

There are also other conceptual difficulties associated with estimating the economic impact in advance of an event. In particular, much of the activity that is evaluated is highly speculative. The results in this report therefore borrow heavily from the actual expenditures that took place during the previous America's Cup in Valencia. However, as discussed above, there are inherent differences between the two locations that make the evaluation less than certain. The results presented here are based on assumptions that are in general conservative relative to the experience in Valencia.

Another significant caveat is with respect to the methods used. Although the IMPLAN model is standard in the industry and utilizes the best methods available for assessing the impact prior to an event, there are certain methodological assumptions that are made that may not be correct. These assumptions, detailed in Appendix B, have a tendency to lead to estimated impacts that are too high. This is another reason that many of the assumptions underlying the results above are conservative.

For these reasons, the results presented above may be significantly different from the actual experience, either higher or lower. The overall message of the results is quite clear and robust to these costs and caveats: an event such as the America's Cup will have a significant benefit for the local economy, its businesses and its workers.

SENSITIVITY ANALYSIS

The results presented above are predicated on a particular scenario unfolding for an America's Cup in the San Francisco Bay. There is currently a great deal of uncertainty over several aspects of the event. The following list includes particular areas in which it is very difficult to predict how things will unfold and hence their contributions to the overall economic implications of hosting the next America's Cup:

- The number of America's Cup related regattas that would occur in San Francisco in the years preceding the defense.

-
- The possibility of and size of a defender series.
 - The number of spectators, both local and non-local.
 - The number of super yachts on the Bay during the America's Cup.

Given these uncertainties, this section presents results that provide some guidance for how to think about different scenarios should San Francisco be chosen as the location of the next America's Cup defense. The implications of pre-Cup regattas are clearly significant, but we are not able to estimate them here with any certainty. A simple calculation suggests that their impact could be considerable. Lasting perhaps two weeks, pre-Cup regattas are approximately 15% of a combined Challenger Series and America's Cup defense in duration, with implications for organizers, spectators, media, and super yachts, in particular. Taking 15% of these agents' expenditures as estimated above, these events could easily add in excess of \$125 million per event. This is a very conservative estimate as there would clearly be additional expenditures by the syndicates and others.

The possibility of a defender series has been factored into the results presented above. The defender series adds about 10% to the economic impact. This estimate is quite uncertain as there is no way to know at this time how many U.S. based challenges to BMW/Oracle there might be. We have assumed 3, but it could be more or less. However, it can be expected that the introduction of an additional syndicate in the defender series would add about 1.5%, or about \$20 million, to the overall impact of the America's Cup on the local economy.

Spectators are a significant wild card in the analysis. We have assumed that local spectators would be just over two times their size in Valencia, 2007 and that non-local spectators would be the same as was experienced in 2007. Because of San Francisco's large base of potential spectators and its reputation as a leading tourist destination, these assumptions are reasonably conservative. We have also assumed that expenditures would be comparable. If these are under-estimates of either the number of spectators or their expenditures, which is likely, the local impact would likely be higher. For local spectators, a 10% increase in either their expenditures or the numbers would result in an increase in overall output in San Francisco of \$25.2 million, or 218 jobs. For foreign spectators, a similar increase of 10% would increase output by \$14.4 million or 118 jobs.

Finally, we have estimated that the presence of super yachts on the Bay would be 50% less than was assumed for Valencia, with total expenditures of \$11.3 million in San Francisco. In the event that super yachts were to come in similar numbers to Valencia, the overall impact would be increased by \$11.3 million, with the creation of another

100 jobs. The \$11.3 million assumes that super yachts would be on the Bay for some 960 days.¹⁸ The implication is that each day on the Bay results in \$11,750 in local spending.¹⁹ For every 100 days that super yachts spend on the Bay, local spending could increase by up to \$1.2 million.

Table 15 illustrates the implications for the economic impact of the America's Cup of the following:

- Two pre-Cup regattas on the Bay.
- A 10% increase in both local and non-local spectators.
- A super yacht presence equivalent to that in Valencia.

From this, it is reasonably clear that the impact could be substantially greater than the \$1.4 billion presented above. These three changes result in an increase in expenditures of just under \$200 million, with an associated increase in overall impact of \$326 million, creating an additional 2,000 jobs. It is similarly possible that the impact could be reduced to the extent that our assumptions are overly aggressive.

Table 15: Expanded Analysis – Summary of Impacts by Agents (\$)

Agents	Output		Employment		State and Local Taxes	
	Direct	Total	Direct	Total	Direct	Total
Cup Management	253,772,666	487,639,886	1,390.4	2,605.9	7,746,608	24,872,839
Syndicates	215,750,002	367,908,027	1,527.8	2,285.8	12,975,508	22,807,510
Local Visitors	215,050,699	360,471,984	2,411.4	3,118.5	18,790,199	28,467,913
NonLocal Visitors	123,186,969	206,393,471	1,283.2	1,691.2	11,105,762	16,589,917
Infrastructure	100,000,000	158,879,003	463.9	770.5	2,365,924	6,575,387
Media	33,364,189	58,176,672	221.9	345.3	2,484,439	4,103,775
Super Yachts	29,329,472	48,227,911	168.2	259.2	2,023,278	3,269,269
Miscellaneous	5,000,000	8,047,683	15.7	30.0	115,081	331,835
Side Trips	997,871	1,672,720	9.9	12.3	88,790	132,592
Extended Visits	650,070	1,089,705	6.5	7.6	57,843	86,377
Total	977,101,938	1,698,507,063	7,498.9	11,126.3	57,753,432	107,237,414

¹⁸If a single super yacht were to be present on the Bay for 10 days, that would be equivalent in our analysis to 2 super yachts being present for 5 days each.

¹⁹This is not strictly correct as there are fixed costs of bringing a super yacht to the Bay. These estimates are hence over-estimates of the increase in local spending associated with an increased super yacht presence.

SUMMARY

This report has shown that as the third largest economic prize among sports, and a far larger prize than the Super Bowl or an all-star game, the America's Cup brings with it a tremendous economic windfall. Likely lasting three months or more, the America's Cup and the racing leading up to the defense, has the potential to increase spending in San Francisco by nearly \$800 million. This increase in spending brings with it a total increase in economic activity of nearly \$1.4 billion. The job creation potential is significant, up to 9,000 positions, with as much as 30% of these jobs employing low-skilled, low-wage workers.

The potential increase in city revenue is also significant. Conservatively estimated at \$24 million, the increased local tax revenues would be a welcome boost to the city's cash-starved coffers. This estimate is conservative in that it includes only taxes accruing from hotels and restaurants. Other important sources of revenue are not included; in particular, direct business taxes are excluded. All in all, this estimate amounts to roughly a 5% increase in tourism-related revenues. At the same time, the city will surely incur significant costs through the provision of transportation (MUNI), security, traffic control, and other tourism related services. The net effect on the city's general fund is likely to be positive, and is estimated to be roughly \$13 million.

It is also the case that a great deal of uncertainty exists surrounding the format of an America's Cup on the Bay. It is possible that the extent of racing will be less than that assumed here. This will naturally reduce the economic impact. However, the bulk of the benefits come from the activities of the Cup management and syndicates. Most of these expenditures will occur regardless of the duration or format of the event.

Regardless of the format chosen, it is clear that any of the possible scenarios will result in a significant economic windfall for a significant number of businesses in and around the city of San Francisco. In addition, a successful defense of the America's Cup will likely lead to additional events in the future. Over the long term, hosting the next America's Cup has potential benefits that significantly exceed those presented here.



APPENDIX A: DETAILED RESULTS BY AGENT

Of the participants in the America's Cup Match and the events leading up to the defense, each category contributes significantly. This section provides evidence on the contributions of each participating group to the overall economic impact on the city and county of San Francisco.

Syndicates. Each of the 15 syndicates is expected to be in residence in San Francisco for a significant portion of each year in the years leading up to the Match. Syndicates would move into the region full-time roughly 15 months prior to the Match. During this time they will be feeding and housing their crews and staff. This spending alone makes up more than one-third of all syndicate spending. Syndicates are the largest source of spending, making up 27% of the total. In total, the syndicates are expected to spend in the vicinity of \$216 million. From this spending, the total increase in economic activity is on the order of \$368 million, resulting in the creation of 2,287 jobs.

Table 16: Detailed Impacts by Syndicates

	Output	Employment	Labor Income
Direct Effects: Expenditure Categories			
Accommodations	80,214,745	499.4	28,556,705
Advertising And Related Svcs.	43,841,505	249.8	21,317,445
Marine Sector	27,660,258	81.6	9,079,896
Construction Of Other New Nonresidential Structures	27,660,258	128.4	11,894,701
Transit And Ground Passenger Transportation	13,415,224	305.8	5,851,559
Food Svcs. And Drinking Places	11,479,008	153.0	4,923,853
Retail Trade	7,606,570	67.0	3,244,239
Leisure	3,872,436	42.9	1,575,768
Total	215,750,002	1,527.9	86,444,166
Total Effects: Top 10 Industries			
Accommodations	80,386,140	500.5	28,617,720
Advertising And Related Svcs.	48,736,050	277.8	23,697,365
Marine Sector	27,660,705	81.6	9,080,044
Construction Of Other New Nonresidential Structures	27,660,258	128.4	11,894,701
Food Svcs. And Drinking Places	17,705,172	236.0	7,594,531
Retail Trade	14,885,186	131.0	6,348,606
Transit And Ground Passenger Transportation	13,535,248	308.5	5,903,912
Real Estate Establishments	11,396,970	37.5	1,784,314
Imputed Rental Activity For Owner-Occupied Dwellings	10,646,622	0.0	0
Telecommunications	7,126,612	10.1	1,327,924
Total	367,908,026	2,286.6	142,756,384

Table 16a: Summary of Occupational Impacts by Syndicates

Top 10 Occupations	Employment	Average Annual Wages (\$)
Food Preparation and Serving-Related	564	28,358
Office and Administrative Support	325	41,744
Sales and Related	303	49,058
Management	155	125,049
Business and Financial Operations	138	82,896
Building and Grounds Cleaning and Maintenance	104	28,996
Construction and Extraction	100	63,110
Computer and Mathematical	85	88,105
Transportation and Material Moving	80	36,110
Arts, Design, Entertainment, Sports, and Media	77	60,167
All Occupations	2,286	53,127

Cup Management. The America's Cup organization, if similar to Valencia, is the second largest contributor to local spending, with 27% of the total. Between the syndicates and the organizing committee, they account for more than half of all expenditures related to the America's Cup Defense. Approximately one-half of the organizer expenses are related to providing business services and advertizing in support of the event. The other half is anticipated infrastructure spending. Combined, these expenditures lead directly to nearly \$195 million in expenditures, supporting the creation of 1,070 jobs. The total effect of these expenditures on the local economy is in excess of \$375 million, with 2,005 jobs being created.

Table 17: Detailed Impacts by Cup Management

	Output	Employment	Labor Income
Direct Effects: Expenditure Categories			
Construction of other new nonresidential structures	106,097,561	492.2	45,624,977
Other support svcs.	28,200,057	142.0	8,843,798
Advertising and related svcs.	25,944,054	147.8	12,615,008
Facilities support svcs.	21,432,045	197.1	13,546,832
Business support svcs.	13,536,027	90.5	6,720,001
Total	195,209,743	1,069.6	87,350,617
Total Effects: Top 10 Industries			
Construction of other new nonresidential structures	106,097,561	492.2	45,624,977
Other support svcs.	28,924,975	145.6	9,071,140
Advertising and related svcs.	28,535,849	162.6	13,875,242
Facilities support svcs.	21,450,272	197.3	13,558,353
Imputed rental activity for owner-occupied dwellings	16,719,696	0.0	0
Business support svcs.	14,410,662	96.3	7,154,217
Real estate establishments	13,205,877	43.5	2,067,518
Retail Trade	10,965,309	96.5	4,676,759
Wholesale trade businesses	9,012,485	35.1	3,482,753
Architectural, engineering, and related svcs.	8,117,876	59.5	5,191,142
Total	375,107,604	2,005.2	154,509,803

Table 17a: Summary of Occupational Impacts by Cup Management

Top 10 Occupations	Employment	Average Annual Wages (\$)
Construction and Extraction	344	63,549
Office and Administrative Support	334	44,437
Business and Financial Operations	184	85,896
Management	179	134,225
Sales and Related	146	60,304
Computer and Mathematical	123	89,544
Food Preparation and Serving-Related	112	28,375
Building and Grounds Cleaning and Maintenance	69	30,960
Arts, Design, Entertainment, Sports, and Media	64	66,072
Legal	63	144,725
All Occupations	2,005	68,146

Local Infrastructure. Expenditures by local governments in support of the America's Cup consist entirely of infrastructure development. In particular, the Port of San Francisco has piers available for use as a home base for the syndicates, as a part of the America's Cup Village. This will be a place where the sailing vessels are stored, maintained, and where crew gather, work out, and prepare for sailing. The exact size of these expenditures is currently unknown, but are assumed to be in the neighborhood of \$100 million. These direct expenditures lead to an additional \$49 million in economic activity in the city and county, creating a total of 771 jobs.

Table 18: Detailed Impacts by Infrastructure

	Output	Employment	Labor Income
Direct Effects: Expenditure Categories			
Construction Of Other New Nonresidential Structures	100,000,000	463.9	43,002,852
Total	100,000,000	463.9	43,002,852
Total Effects: Top 10 Industries			
Construction Of Other New Nonresidential Structures	100,000,000	463.9	43,002,852
Architectural, Engineering, And Related Svcs.	6,855,464	50.3	4,383,867
Imputed Rental Activity For Owner-Occupied Dwellings	4,712,358	0.0	0
Retail Trade	3,866,164	34.0	1,648,938
Wholesale Trade Businesses	3,712,189	14.4	1,434,525
Real Estate Establishments	3,344,170	11.0	523,565
Telecommunications	2,240,810	3.2	417,537
Monetary Authorities And Depository Credit Intermediation	1,993,740	3.3	552,629
Food Svcs. And Drinking Places	1,941,999	25.9	833,009
Securities, Commodity Contracts, Investments, And Related	1,698,678	5.1	1,030,374
Total	158,879,003	771.3	65,894,611

Table 18a: Summary of Occupational Impacts by Infrastructure

Top 10 Occupations	Employment	Average Annual Wages (\$)
Construction and Extraction	317	63,670
Office and Administrative Support	108	44,412
Management	62	137,145
Business and Financial Operations	51	85,935
Sales and Related	43	61,298
Food Preparation and Serving-Related	29	28,349
Computer and Mathematical	23	87,199
Installation, Maintenance, and Repair	21	60,478
Transportation and Material Moving	20	40,530
Education, Training, and Library	13	53,351
All Occupations	770	66,750

Spectators: Spectators collectively make up the single largest contributing force for economic benefit. Combined, our estimate of total spectator spending amounts to roughly \$233 million. Although on an individual basis, non-local visitors are the big spenders. This is largely due to hotel expenditures. In total, however, they make up only 37% of spectator spending, due to their lower numbers. With expenditures of \$86 million, their net impact on the local economy is to raise output by \$144 million, and to create nearly 1,200 jobs.

Table 19: Detailed Impacts by Non-Local Visitors

	Output	Employment	Labor Income
Direct Effects: Expenditure Categories			
Accommodations	31,017,159	193.1	11,042,208
Food Svcs. And Drinking Places	22,967,724	306.2	9,851,872
Retail Trade	14,649,754	129.0	6,248,192
Leisure	11,095,583	122.9	4,515,003
Transit And Ground Passenger Transportation	6,414,513	146.2	2,797,933
Total	86,144,734	897.3	34,455,208
Total Effects: Top 10 Industries			
Accommodations	31,092,554	193.6	11,069,049
Food Svcs. And Drinking Places	25,308,064	337.4	10,855,747
Retail Trade	17,180,839	151.2	7,327,713
Leisure	12,305,090	136.3	5,007,175
Transit And Ground Passenger Transportation	6,463,177	147.3	2,819,160
Real Estate Establishments	5,391,246	17.7	844,056
Imputed Rental Activity For Owner-Occupied Dwellings	3,900,233	0.0	0
Electric Power Generation, Transmission, And Distribution	2,802,986	2.7	551,417
Wholesale Trade Businesses	2,568,564	10.0	992,587
Telecommunications	2,295,095	3.2	427,652
Total	144,331,099	1,183.6	55,636,083

Our estimate of local visitor spending is \$150 million throughout the three phases of the defense makes them the third largest contributor to overall spending. This leads to a total increase in economic activity of \$252 million and the creation of 2,184 jobs.

Table 19a: Summary of Occupational Impacts by Non-Local Visitors

Top 10 Occupations	Employment	Average Annual Wages (\$)
Food Preparation and Serving-Related	448	28,379
Sales and Related	177	45,551
Office and Administrative Support	140	39,610
Management	63	115,764
Building and Grounds Cleaning and Maintenance	61	28,077
Personal Care and Service	47	31,265
Business and Financial Operations	45	79,257
Transportation and Material Moving	41	35,372
Arts, Design, Entertainment, Sports, and Media	37	54,356
Computer and Mathematical	21	85,689
All Occupations	1,183	43,677

Table 20: Detailed Impacts by Local Visitors

	Output	Employment	Labor Income
Direct Effects: Expenditure Categories			
Food Svcs. And Drinking Places	53,432,033	712.2	22,919,360
Accommodations	39,795,517	247.9	14,167,332
Retail Trade	24,073,212	211.8	10,267,344
Leisure	20,454,668	226.4	8,323,391
Transit And Ground Passenger Transportation	12,629,676	288.0	5,508,913
Total	150,385,104	1,686.3	61,186,339
Total Effects: Top 10 Industries			
Food Svcs. And Drinking Places	57,355,365	764.6	24,602,251
Accommodations	39,931,538	248.6	14,215,755
Retail Trade	28,566,087	251.6	12,183,577
Leisure	22,626,667	250.6	9,207,218
Transit And Ground Passenger Transportation	12,714,959	289.7	5,546,112
Real Estate Establishments	9,783,182	32.1	1,531,659
Imputed Rental Activity For Owner-Occupied Dwellings	6,873,525	0.0	0
Wholesale Trade Businesses	4,844,736	18.9	1,872,182
Electric Power Generation, Transmission, And Distribution	4,737,851	4.6	932,053
Telecommunications	3,959,845	5.6	737,851
Total	252,078,308	2,183.8	98,016,749

This category of visitors, and hence spending, raises the the greatest question regarding numbers. Evidence from Fleet Week each year suggests that Bay Area residents are extremely enthusiastic about events on the Bay, with estimates ranging between 1 and 1.3 million spectators populating the Bay's amphitheater. These volumes occur over a period of 3 days, whereas the ACM will occur over a period of 3 months. This suggests that local visitors

Table 20a: Summary of Occupational Impacts by Local Visitors

Top 10 Occupations	Employment	Average Annual Wages (\$)
Food Preparation and Serving-Related	846	28,381
Sales and Related	322	45,436
Office and Administrative Support	253	39,566
Management	115	115,284
Building and Grounds Cleaning and Maintenance	114	28,036
Personal Care and Service	89	31,261
Business and Financial Operations	80	79,014
Transportation and Material Moving	73	35,346
Arts, Design, Entertainment, Sports, and Media	67	53,964
Computer and Mathematical	37	85,533
All Occupations	2,181	43,240

will be much higher in volume than in Valencia. The likelihood that the interested portion of the population will keep coming back for multiple races is unknown.

Our assumption is that spectators will have the enthusiasm for the equivalent of 2 Fleet Weeks during the 3 months of the America's Cup and related matches, so our counts involve an estimated 2.3 million local spectator days. This is also approximately 2.15 times the number of local visitors during the 32nd defense in Valencia, 2007. If the number of days of racing and the composition of weekend and mid week days is similar, this would imply something on the order of 100,000 local spectators for each weekend day and 14,600 for each week day of racing. There will, of course, be races that attract relatively more spectators than others, finals versus round robin matches, but they seem reasonable in light of the Fleet Week experience.

Were we to use a more conservative estimate, one that assumes that local spectator counts would be similar to those at Valencia in 2007, we would find that the contribution of spectators is much less: by \$45 million, or 82% less, with far fewer jobs created.

Table 21: Direct Impacts by Local Visitors: Conservative Estimate

	Output	Employment	Labor Income
Total Effects: Top 10 Industries			
Food Svcs. And Drinking Places	16,121,734	214.9	6,915,324
Accommodations	12,007,268	74.8	4,274,626
Retail Trade	7,263,469	63.9	3,097,906
Leisure	6,171,667	68.3	2,511,368
Transit And Ground Passenger Transportation	3,810,678	86.9	1,662,172
Total	45,374,816	508.8	18,461,395

Media. Expenditures on the part of the media stem primarily from having people on the ground to cover the events and are the sixth largest contributor to economic impact. We have estimated that media expenditures would be on the order of \$25.7 million. This leads to an increase in output of \$44.8 million overall and to the creation of some 266 jobs.

Table 22: Detailed Impacts by Media

	Output	Employment	Labor Income
Direct Effects: Expenditure Categories			
Management, Scientific, And Technical Consulting Svcs.	4, 812, 143	22.4	3, 144, 537
Retail Trade	4, 812, 143	42.3	2, 052, 403
Accommodations	3, 742, 777	23.3	1, 332, 441
Leisure	3, 742, 777	41.4	1, 523, 007
Transport By Air	2, 406, 071	8.5	715, 517
Commercial And Industrial Mach. And Equip. Rental And Leasing	2, 138, 730	4.5	525, 345
Food Svcs. And Drinking Places	1, 871, 389	25.0	802, 722
Transport By Water	1, 604, 048	2.4	314, 065
Telecommunications	534, 682	0.8	99, 629
Total	25, 664, 760	170.7	10, 509, 665
Total Effects: Top 10 Industries			
Retail Trade	5, 599, 369	49.3	2, 388, 158
Management, Scientific, And Technical Consulting Svcs.	5, 170, 359	24.1	3, 378, 617
Leisure	4, 129, 520	45.8	1, 680, 380
Accommodations	3, 767, 496	23.5	1, 341, 241
Food Svcs. And Drinking Places	2, 681, 606	35.8	1, 150, 259
Transport By Air	2, 423, 990	8.6	720, 845
Commercial And Industrial Mach. And Equip. Rental And Leasing	2, 287, 425	4.8	561, 870
Real Estate Establishments	1, 705, 625	5.6	267, 033
Transport By Water	1, 616, 834	2.4	316, 569
Telecommunications	1, 395, 270	2.0	259, 985
Total	44, 751, 286	266.1	17, 622, 954

Table 22a: Summary of Occupational Impacts by Media

Top 10 Occupations	Employment	Average Annual Wages (\$)
Food Preparation and Serving-Related	73	28,363
Sales and Related	38	49,348
Office and Administrative Support	38	41,470
Management	18	124,121
Business and Financial Operations	16	84,463
Building and Grounds Cleaning and Maintenance	13	28,842
Computer and Mathematical	10	88,108
Transportation and Material Moving	9	35,710
Arts, Design, Entertainment, Sports, and Media	9	58,689
Personal Care and Service	8	31,398
All Occupations	266	51,547

Super Yachts. It has been estimated that spending by the owners of Super Yachts during the Valencia ACM were on the order of \$22 million, making them the seventh largest contributor to economic benefits. These expenditures were highly concentrated in the local marine sector, but also included a significant component of retail spending. Because the San Francisco Bay is generally a less accessible location for owners of Super Yachts, we have assumed that their presence would be lower than at Valencia, by 50%. Expenditures would be similarly lower, but would nonetheless raise output in San Francisco by \$18.6 million, resulting in the creation of 100 jobs.

Table 23: Detailed Impacts by Super Yachts

	Output	Employment	Labor Income
Direct Effects: Expenditure Categories			
Marine Sector	5,589,388	16.5	1,834,801
Retail Trade	3,650,859	32.1	1,557,109
Accommodations	856,165	5.3	304,798
Leisure	658,240	7.3	267,850
Other Personal Svcs.	424,124	1.9	84,066
Transit And Ground Passenger Transportation	65,598	1.5	28,613
Transport By Air	36,192	0.1	10,763
Total	11,280,566	64.8	4,088,000
Total Effects: Top 10 Industries			
Marine Sector	5,589,460	16.5	1,834,825
Retail Trade	4,030,484	35.5	1,719,021
Accommodations	865,054	5.4	307,962
Leisure	784,532	8.7	319,241
Real Estate Establishments	622,217	2.0	97,414
Imputed Rental Activity For Owner-Occupied Dwellings	474,320	0.0	0
Other Personal Svcs.	447,080	2.0	88,616
Wholesale Trade Businesses	432,190	1.7	167,014
Telecommunications	305,349	0.4	56,897
Securities, Commodity Contracts, Investments, And Related	265,842	0.8	161,253
Total	18,549,197	100.3	6,785,573

Table 23a: Summary of Occupational Impacts by Super Yachts

Top 10 Occupations	Employment	Average Annual Wages (\$)
Sales and Related	22	48,182
Office and Administrative Support	17	40,227
Food Preparation and Serving-Related	15	28,173
Management	7	124,504
Business and Financial Operations	6	80,958
Transportation and Material Moving	5	35,511
Computer and Mathematical	3	85,470
Building and Grounds Cleaning and Maintenance	3	29,424
Arts, Design, Entertainment, Sports, and Media	3	60,405
Education, Training, and Library	2	53,828
All Occupations	100	53,196

Table 24: Detailed Impacts by SideTrips

	Output	Employment	Labor Income
Direct Effects: Expenditure Categories			
Accommodations	425,792	2.7	151,583
Food Svcs. And Drinking Places	236,096	3.1	101,272
Retail Trade	154,470	1.4	65,882
Leisure	120,643	1.3	49,092
Transit And Ground Passenger Transportation	60,870	1.4	26,551
Total	997,871	9.9	394,380
Total Effects: Top 10 Industries			
Accommodations	426,649	2.7	151,888
Food Svcs. And Drinking Places	264,061	3.5	113,268
Retail Trade	183,479	1.6	78,255
Leisure	134,376	1.5	54,680
Transit And Ground Passenger Transportation	61,434	1.4	26,797
Real Estate Establishments	60,929	0.2	9,539
Imputed Rental Activity For Owner-Occupied Dwellings	44,882	0.0	0
Electric Power Generation, Transmission, And Distribution	33,455	0.0	6,582
Wholesale Trade Businesses	28,692	0.1	11,087
Telecommunications	26,770	0.0	4,988
Total	1,672,720	13.2	640,633

Table 24a: Summary of Occupational Impacts by SideTrips

Top 10 Occupations	Employment	Average Annual Wages (\$)
Food Preparation and Serving-Related	5	28,384
Sales and Related	2	45,368
Office and Administrative Support	1	39,554
Building and Grounds Cleaning and Maintenance	1	27,944
Management	1	114,390
Personal Care and Service	1	31,189
Business and Financial Operations	0	80,238
Transportation and Material Moving	0	35,568
Arts, Design, Entertainment, Sports, and Media	0	52,301
Computer and Mathematical	0	85,086
All Occupations	12	42,249

Table 25: Detailed Impacts by Extended Visits

	Output	Employment	Labor Income
Direct Effects: Expenditure Categories			
Accommodations	277,385	1.7	98,750
Food Svcs. And Drinking Places	153,807	2.1	65,975
Retail Trade	100,631	0.9	42,920
Leisure	78,593	0.9	31,981
Transit And Ground Passenger Transportation	39,654	0.9	17,297
Total	650,070	6.4	256,922
Total Effects: Top 10 Industries			
Accommodations	277,943	1.7	98,949
Food Svcs. And Drinking Places	172,025	2.3	73,789
Retail Trade	119,529	1.1	50,980
Leisure	87,539	1.0	35,621
Transit And Ground Passenger Transportation	40,022	0.9	17,457
Real Estate Establishments	39,693	0.1	6,214
Imputed Rental Activity For Owner-Occupied Dwellings	29,239	0.0	0
Electric Power Generation, Transmission, And Distribution	21,795	0.0	4,288
Wholesale Trade Businesses	18,691	0.1	7,223
Telecommunications	17,440	0.0	3,250
Total	1,089,705	8.6	417,345

Table 25a: Summary of Occupational Impacts by Extended Visits

Top 10 Occupations	Employment	Average Annual Wages (\$)
Food Preparation and Serving-Related	3	28,382
Sales and Related	1	44,126
Office and Administrative Support	1	38,885
Building and Grounds Cleaning and Maintenance	0	27,828
Management	0	111,821
Personal Care and Service	0	31,182
Transportation and Material Moving	0	35,579
Arts, Design, Entertainment, Sports, and Media	0	51,743
Business and Financial Operations	0	75,853
Installation, Maintenance, and Repair	0	46,151
All Occupations	8	40,528

Additional Spending. An additional category is added here to incorporate spending that could occur during the events related to the America's Cup but are distinct from the other categories listed above. The only expenditure category here regards the spending of the owners of vessels actively participating in the spectator fleet. This includes local privately owned sail and power boats as well as Hornblower and other ferry type vessels that will be plying the waters carrying passengers as they watch the matches. It is estimated that over the course of the events, during the 3 months of sailing, some \$5 million in spending in the marine services sector might accrue.

Table 26: Detailed Impacts by Additional Spending

	Output	Employment	Labor Income
Direct Effects: Expenditure Categories			
Marine Sector	5,000,000	15.7	1,629,049
Total	5,000,000	15.7	1,629,049
Total Effects: Top 10 Industries			
Marine Sector	5,000,062	15.7	1,629,070
Wholesale Trade Businesses	251,378	1.0	97,142
Imputed Rental Activity For Owner-Occupied Dwellings	193,229	0.0	0
Retail Trade	188,982	1.7	80,602
Real Estate Establishments	163,244	0.5	25,558
Management Of Companies And Enterprises	146,403	0.5	78,442
Securities, Commodity Contracts, Investments, And Related	142,853	0.4	86,651
Telecommunications	121,557	0.2	22,650
Monetary Authorities And Depository Credit Intermediation	105,586	0.2	29,267
All Other Miscellaneous Professional, Scientific, And Technical Svcs.	104,000	0.2	10,808
Total	8,047,684	30.4	2,792,006

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% 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.

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