Case Study: Fiscal and Economic Impacts of the 34th America’s Cup in San Francisco

Project Summary
A member of the San Francisco Board of Supervisors requested HMR (in our role as the contract Budget and Legislative Analyst) to review the economic and fiscal impacts to the City from hosting the 34th America’s Cup.

San Francisco hosted the 34th America’s Cup, which consisted of two America’s Cup World Series events in 2012, and the Louis Vuitton Cup Challenger Series and America’s Cup Finals in 2013. The City, the America’s Cup Organizing Committee, and the America’s Cup Event Authority entered into a Host and Venue Agreement, which set the terms for the City’s hosting of the America’s Cup events, and the Lease Disposition Agreement, which set the specific terms for the Event Authority’s use of City property.

Under the Agreement with the City, the Event Authority had exclusive and non-exclusive use of City property for the events at no cost to the Event Authority with the expectation that fundraising by the Organizing Committee would reimburse the City for a portion of the City’s hosting costs.

A consultant for the Office of Economic and Workforce Development developed economic and revenue projections for the event in 2010, prior to the City’s selection as the host city. The projections showed total economic benefits to City businesses and residents of $1.4 billion and the creation of 8,840 jobs. These projections were based on the participation of 15 racing syndicates. In actuality, the America’s Cup events in San Francisco attracted only four racing syndicates and fewer spectators than estimated. The final estimated economic benefit to businesses and residents was $364 million and only 3,858 new jobs.

HMR examined City revenues and expenditures related to the America’s Cup, the Organizing Committee’s performance in reaching its contractual goal to raise $32 million to offset City costs, a summary of investments made in Port property, various economic analysis reports on the event, and the Event Authority’s vacation of the Port venues at the end of the America’s Cup. We also reviewed the Event Authority’s compliance with the Workforce Development and Local Small Business Inclusion Plan.

Service and Topics Highlighted
Recreation and Parks, Special Events

Project Results
• HMR found that the actual economic benefit of the America’s Cup was far below the predicted level made by the Office of Economic and Workforce Development’s economic consultant.
• The City incurred a net cost of $11.5 million from hosting the America’s Cup rather than the $13 million in net revenues estimated prior to the City agreeing to host the event.
• There was a lack of contractor compliance with the City’s prevailing wage provisions.
• There was no mechanism to track small business participation goals set in the Workforce Development and Local Small Business Inclusion Plan.