

- The Games, having been known to be scheduled for Los Angeles for six years, resulted in alternative vacation and visitation planning by out-of-town tourists and by regional residents, and some postponement of business trips.
- Regional residents spent substantial sums on participation in the 1984 Games they would otherwise have spent on other recreational activities in Southern California or outside the region.

ERA estimated that the potential worst case displacement value might be \$331 million, based upon both a slow tourist summer nationally and in Southern California as well as displacement caused by the Games. The worst case displacement value is composed of \$168 million of regional resident expenditures at the Games and \$163 million of lost out-of-region visitor/tourist expenditures which did not occur in Southern California for reasons described previously. Even if this worst case displacement is taken into consideration, the Games economic impact easily overcame the displacement and provided enormous benefit to the Southern California region.

#### 11.03.5

##### **Economic impact on government**

The economic activity created by hosting the Games produced substantial government revenues at all levels. The city of Los Angeles was expected to receive \$33.5 million in revenues and payments for services as a result of the Olympic Games. The special Olympic ticket distribution tax and special transient occupancy tax surcharge accounted for \$17.7 million of the total. Revenues accruing to the county of Los Angeles were estimated at \$192,000. This lower level principally resulted from a relative scarcity of visitor services that existed in the unincorporated county area. However, several countywide agencies received substantial revenues as a result of Olympic related activities. For example, the Los Angeles County Transportation Commission received \$1.739 million generated by the mass transit 0.5 percent sales tax levy and SB 325 sales tax allocation. Furthermore, incremental revenues accruing to other local political jurisdictions as a result of hosting the Games were estimated in the range of \$12.5 million, including payments by the LAOOC for law enforcement cost reimbursement contracts. The state of California was

#### **Summary of gross primary economic impact by component (thousands)**

<b>Gross primary impact activity</b>	<b>Gross expenditures</b>	<b>Value added component</b>
Pre-Olympic visitation and business activities	\$ 4,532	\$ 4,532
Communications, electronic media, and other related capital expenditures	100,000	80,000
Additional sponsorship advertising	4,000	4,000
LAOOC sponsors, LAOOC suppliers, and other corporate entertainment/representation expenditures	5,000	5,000
Cultural activities		
Events	11,500	9,200
Related expenditures	6,858	6,858
Related pre-Olympic sporting events		
Events	2,300	1,840
Related expenditures	1,000	1,000
Olympic Games and village operations	454,500	420,413
Licensed sponsors and suppliers goods and services to LAOOC	47,350	47,350
Out-of-town visitor expenditures		
Visitors in commercial accommodations	264,243	251,031
Visitors with friends/relatives	174,664	165,931
Local resident expenditures	19,847	18,855
Local souvenirs and merchandise	45,000	20,000
Non-local souvenirs and merchandise	50,000	10,000
Village resident expenditures	2,775	2,775
Local government revenues	48,324	48,324
Gross expenditure subtotal	1,241,893	1,097,109
Future value economic impact of LAOOC Amateur Athletic Foundation (minimum)	50,000	50,000
Total	1,291,893	1,147,109

expected to receive \$48.9 million in tax revenues attributable to the Games, with individual and corporate income tax accounting for 75 percent of the total. The value of new construction on government and university properties by the LAOOC and its donors and sponsors had been calculated to be roughly \$28 million. This value, when added to the estimated \$96.9 million in local and state governmental revenues generated by primary impact expenditures in Southern California, comprised a total of \$124.9 million in immediate revenues and long-term benefits.

#### 11.03.6

##### **Potential benefits to the community**

A future benefit for all Southern California will be generated by the LAOOC Amateur Athletic Foundation which will receive in excess of \$50 million from the 1984 Games operating surplus. As these funds and their interest earnings are expended in the region, additional positive economic impact will occur. The benefits will uniquely flow to the youth of the region for many years to come.

Among the other benefits to the communities in Southern California:

- The Games were located throughout Southern California, dispersing expenditures into many communities and governmental jurisdictions.

- The Olympic Games utilized a much larger scale of inventory of visitor accommodation capacity unique to the Southern California region (hotel/motel rooms, freeway networks, public and private sports venues) and literally spread over six counties.
- Governmental revenues from the economic activity generated by the Games were collected by or distributed to many local governments, rather than sharply focused at or near a single concentrated Olympic site.
- The new additions of sports venues (velodrome, swim stadium, shooting complex) occurred in different communities around the region, and were designed to be freestanding public and/or private operations for the long-term future.
- Telecommunications improvements via installation of fiber optics technology had occurred in the Los Angeles region earlier in response to the Games.
- The Olympic Games are leading to an increase in sporting events/national events to be scheduled in Southern California, which should be maintained into the future.

- Visitor capture investments (hotel/motel rooms, dining, etc.) were made earlier than normal, for the Games, and also because of increased regional business expectations.
- Cultural facilities were opened prior to the Games and enjoyed enhanced visitation. The new museums and exhibitions at Exposition Park recorded 1.5 million visitors during the Games, with substantial attendance increments continuing since the Games.
- Increased "host capacity" of the Southern California region is evident in the development of large numbers of new hotel rooms inventories—more than 12,000 since 1982.
- Southern California venue cities have become recognized national venue names and will gain enhanced business over the long run.
- Although there was a relatively modest amount of new permanent facility construction which took place for the 1984 Games, there nonetheless was an estimated \$28 million in facilities which remained in the community for future use.

#### 11.04

##### **Government financial involvement**

Two important events occurred early in the history of the LAOOC that made it imperative for it to hold an Olympic Games free of government financial involvement. On 7 November 1978, the voters of the city of Los Angeles passed a charter amendment prohibiting any capital expenditures by the city on the Olympics that would not, by binding legal commitment, be paid back. As a consequence of this amendment, the LAOOC had to be self-financing without reliance upon local government grants or loans.

Also during these early years the LAOOC made an attempt to procure a federal grant for \$200 million toward the funding of the Games. When the difficulty of securing this grant became apparent to the Organizing Committee, the principle of no local government funding was extended to no governmental funding of any sort. Services provided by all levels of government—local, state or federal—were paid for by the LAOOC following the pattern established by the city of Los Angeles and the passage of the charter amendment. The straightforward business approach to dealings with the government did not mean that the LAOOC sacrificed the goodwill needed to operate this enormous international event. On the contrary, this new approach to financing the Games allowed the various governments to focus their efforts on providing needed social services without having to fear that they would not be compensated for their efforts.

# Olympics in 'Crisis' as Just Two Cities Vie to Host Summer Games

By **Tariq Panja**

February 23, 2017, 4:48 AM PST

→ IOC sees Budapest withdraw from 2024 race after Rio troubles

→ Rio organizers still owe service providers; TV viewers down

From Athens to Sochi and on to Rio, stadiums and arenas in varying stages of decay are symbols of the crisis facing the [International Olympic Committee](https://www.bloomberg.com/quote/1603Z:SW) <<https://www.bloomberg.com/quote/1603Z:SW>>. Budapest's decision on Wednesday to withdraw its bid for the 2024 summer games leaves just two cities -- Los Angeles and Paris -- competing to play host to sport's biggest event.

The decision by the Hungarian capital came after thousands signed a petition urging local authorities not to pursue what would be a multibillion-dollar project. Perhaps mindful of the wastelands that now mark sites of previous games, local politicians and bid leaders met and backed down. Having just two cities in the running for one of sport's two landmark events -- the soccer World Cup is the other -- isn't a good look for the IOC.



Rio's Olympic Aquatic Stadium in disrepair. Photographer: Yasuyoshi Chiba/AFP via Getty Images

The Olympic movement "is at a crossroads which many would describe as the biggest crisis" since the Salt Lake City cash-for-votes scandal that threatened to topple the organization two decades ago, said Tim Crow, chief executive officer of London-based sports sponsorship agency [Synergy](http://synergy.global/) <<http://synergy.global/>>.

Just six months after Rio's \$20 billion games ended, several of the expensively built venues are struggling to find new occupants. Some, including the swimming venue where Michael Phelps won his record 28th medal, are already falling into disrepair. To make matters worse, the average age of television viewers is creeping up, and is now over 50.

## Taxpayers' Money

Los Angeles, which hosted the games in 1984, only entered the race after Boston pulled its bid following concern that local taxpayers would end up footing the bill for a sporting event that lasts a little under three weeks. The German city of Hamburg also withdrew following a poll of its citizens. Rome Mayor Virginia Raggi scrapped its plans upon being voted into office, saying the games "will bring only debt."

Eight cities initially expressed interest formally in hosting the 2024 games. Rio was picked following a final four city showdown in 2009, while 2020 host Tokyo beat two rivals in a run-off.

Hosting the Olympics is a “question that affects every taxpayer” and therefore should be subject to a referendum, Andras Fekete-Gyor, president of Hungary’s Momentum, the group that collected enough signatures to force a plebescite, told RTL television on Feb. 21. Hungarian officials decided to withdraw from the race before a referendum could be held.

The IOC has pointed out the transformational changes its events can bring to cities, usually citing the impact on 1992 host Barcelona, which regenerated its waterfront. But it should also claim ownership of the failures it leaves in its wake, said Synergy’s Crow, whose company’s clients have included several Olympic sponsors.

### **Taking Credit**

“When legacy works through big infrastructure projects they want to claim all the credit but when critics say they cost the taxpayer billions they say, ‘that’s not our budget,’” he said.

Organizers of the Rio games still owe service providers millions of dollars in unpaid bills. The games there were also a bust for TV networks, including NBCUniversal, which pays far more to broadcast the Olympics than any other company. Viewership was down 17 percent on London 2012, and the number for 18-to-49 year-olds coveted by advertisers was down by a quarter.

IOC President Thomas Bach has been aware of the problems since assuming office in 2013. He pushed through the so-called Agenda 2020, an attempt to tackle mounting costs and a lack of interest among the world’s youth. That hasn’t stopped the bids for the last two games ending with just two cities in the final race. Beijing beat Kazakhstan’s Almaty for the 2022 Winter Olympics.

— *With assistance by Zoltan Simon*



# BUSINESS INSIDER

## The cost of the Tokyo 2020 Olympics has already nearly doubled to \$12.6 billion

**AP** MARI YAMAGUCHI, ASSOCIATED PRESS  
JUN. 2, 2017, 9:47 AM

TOKYO (AP) — Taxpayers beware: The cost of hosting an Olympics is likely to be far more than advertised.

The price tag on the 2020 Tokyo Olympics has ballooned to nearly twice the initial estimate, even after a major cost-cutting effort.

A major reason is that cities exclude large amounts of associated costs when they submit a bid to host the Olympics.

"Those numbers in the bidding file are almost fiction," said Shinichi Ueyama, a Japanese public policy expert who led a Tokyo government investigation into the Olympics' cost.

The bid figures include only the core components such as the main facilities so that the bids are easier to compare. Building design, security measures, transportation and other costs are largely excluded.

It is common practice, but taxpayers may not be aware that the bid figures are incomplete, and the actual cost will end up far higher.

Tokyo 2020 organizers said this week that the estimated cost is now 1.4 trillion yen (\$12.6 billion). When Tokyo was awarded the Olympics in September 2013, the total was 730 billion yen (\$6.6 billion).

The cost of the 2012 London Olympics tripled from a bid estimate of \$6.5 billion to \$19 billion.

"Many advanced nations are now increasingly aware of the pattern and staying away from the Olympics," said Ueyama, a professor at Keio University in Tokyo. "If you take a survey in any democratic country, people would refuse to have their tax money spent on costly sports events."

Rising construction costs in Japan also contributed to the increase in costs for Tokyo, as well as the addition of five new sports after Tokyo won the bid. Much of the increase, though, was for non-construction costs.

The cost would likely be even higher if it were not for growing IOC concern about host city costs.

The \$51 billion price tag for the 2014 Winter Games in Sochi, Russia, led numerous cities to drop out of bidding for the 2022 and 2024 Olympics.

Thomas Bach, who took over as IOC president in 2013, has driven a cost-cutting agenda to entice cities to bid for future Games and minimize damage to the Olympic brand.

The IOC is encouraging the use of existing and temporary facilities instead of building new ones. Tokyo organizers have moved several events outside the city to do that.

Tokyo Gov. Yuriko Koike launched a further cost-cutting push after taking office last summer as one estimate for the 2020 Games rose to more than 3 trillion yen (\$27 billion).

The effort delayed for six months an agreement on how the various parties will share the costs.

Under a cost-allocation agreement announced Wednesday, the city of Tokyo and the Tokyo 2020 organizing committee will shoulder 600 billion yen (\$5.4 billion) each. The central government will contribute 150 billion yen (\$1.4 billion).

A remaining 35 billion yen (\$315 million) still needs to be sorted out between Tokyo and neighboring municipalities that will host some of the competitions.

Bidders almost always present the lowest estimate to promote an image that they are taking a conservative approach, according to a report issued last fall by the Tokyo investigation panel.

The organizing committee will eventually disband, and under the terms of the host city agreement, Tokyo taxpayers will be on the hook for any shortfall left behind.



Eugene Hoshiko/AP

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Associated Press writer Graham Dunbar in Geneva contributed to this story.

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