

# Update on Los Angeles' Bid for the 2024 Olympics

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## EXECUTIVE SUMMARY

In September, the International Olympic Committee (IOC) will choose Los Angeles or Paris to host the 2024 Olympic and Paralympic Games. Since we published our November 2016 report on Los Angeles' bid, local Olympic organizers have updated the bid and their budget plans, including a new concept to increase public participation in the Opening and Closing Ceremonies. This report provides an update on those bid changes and discusses the federal government's role in the Games, as well as an economic study released by Olympic organizers in January.

As we discussed in November, Los Angeles city leaders have worked with local Games organizers to greatly reduce the financial risks that have plagued prior Olympics. Most importantly, Los Angeles' 2024 bid relies exclusively on existing sports facilities or facilities already on track to be completed by 2024 (such as the new National Football League stadium in Inglewood). That being said, history tells us that significant financial risks can emerge after cities are chosen to host the Olympics. Last year, the Legislature passed a bill allowing the Governor to negotiate a backup financial guarantee of up to \$250 million with Games organizers. In the coming months, state departments should be gathering information on potential 2024 Games impacts on state operations, as the Governor prepares to negotiate this guarantee. If Los Angeles is chosen to host the Olympics, the Legislature, with its ability to provide oversight to state departments, can play a constructive role in making the Games a success and keeping its financial risks low. In so doing, the Legislature can reduce the chance that any of the \$250 million guarantee will ever need to be paid from the state treasury.

## BID UPDATE

Los Angeles and Paris are competing to host the 2024 Olympic and Paralympic Games. (A previous candidate city, Budapest, recently withdrew its bid for the 2024 Games.) LA 2024, the private group of local bid organizers in

Los Angeles, submitted its final bid documents to the IOC at the beginning of February 2017.

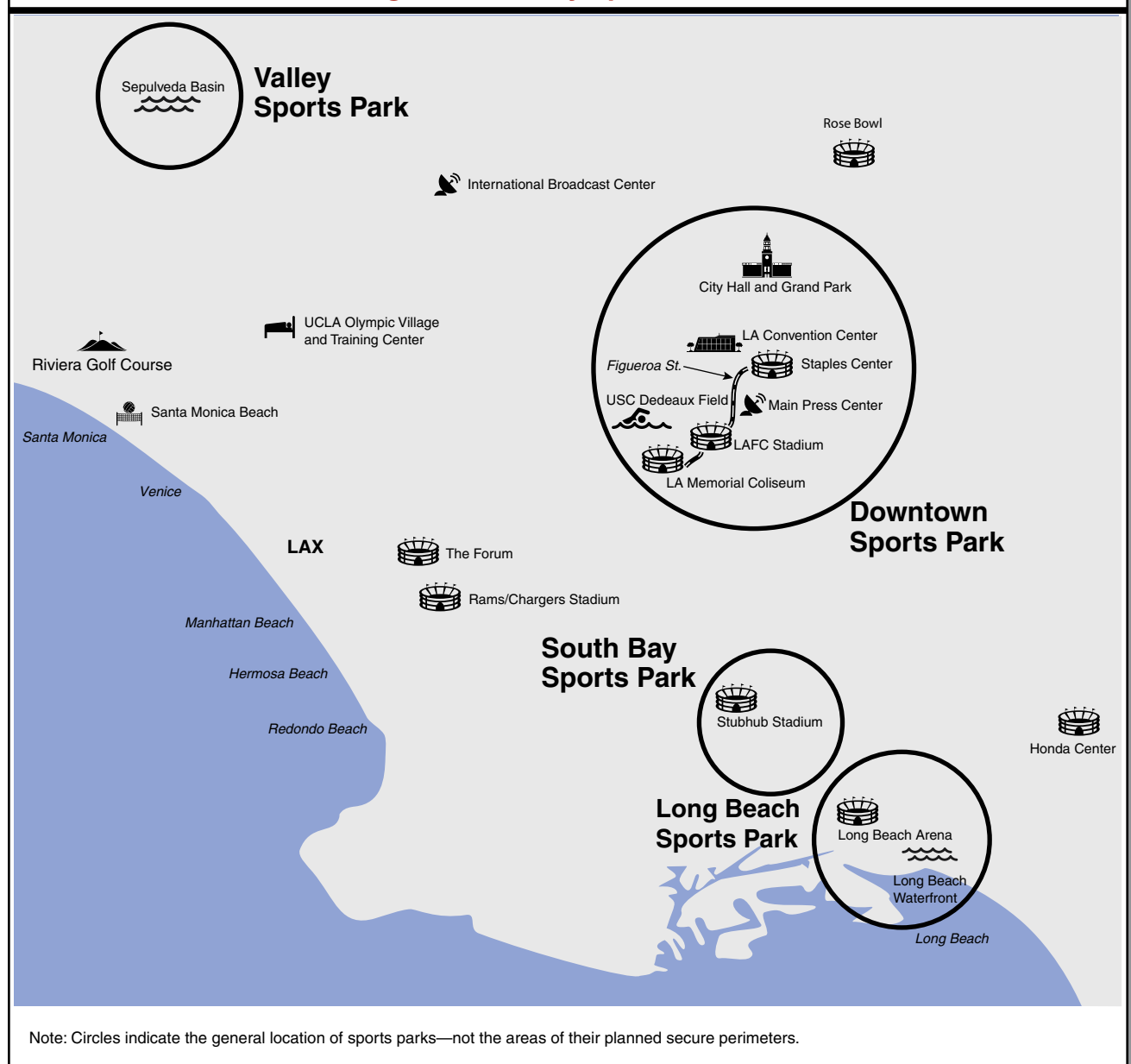
We described Los Angeles' Olympic bid in our November 10, 2016 report, *Los Angeles' Bid for the 2024 Olympics and Paralympics* (see section entitled "The Los Angeles Bid"). Since then, as the

February 2017 bid documents were finalized, there have been updates to the bid, especially LA 2024's new plan for the Olympics' Opening and Closing Ceremonies. Many of the updates—both those discussed in this section and otherwise—reportedly came from feedback provided to LA 2024 by past Olympic and Paralympic athletes, as summarized in the nearby box.

**New Stadium and the Ceremonies.** LA 2024 has proposed a new concept for the Games' Opening and Closing Ceremonies, each of which will feature events at both the Los Angeles Memorial Coliseum and the planned Los Angeles Stadium at Hollywood Park in Inglewood (the "Rams/Chargers Stadium" on Figure 1, which is updated from the comparable map in our

**Figure 1**

**Selected Venues for Los Angeles' 2024 Olympic Bid**



### Athlete Feedback on the Los Angeles Bid

In finalizing its bid, LA 2024 surveyed thousands of former U.S. Olympic and Paralympic athletes. Feedback reportedly fit into seven categories, which helped shaped recent revisions to Los Angeles' bid. Those seven categories were:

- ***Seamless Transition to Olympic Village.*** Survey results emphasized that the University of California, Los Angeles (UCLA) Olympic Village needs to feel instantly welcoming and comfortable for athletes from around the world. To that end, UCLA staff and others—plus LA 2024 volunteers—would assist arriving athletes. The bid also anticipates that Olympic and Paralympic athletes chosen to compete in Los Angeles would be provided handheld wireless devices with an application dubbed the LA 2024 Athlete Concierge. Via this app, athletes would access maps, dining, entertainment, and transportation information.
- ***Nutrition, Rest, and Training Facilities.*** Olympic and Paralympic athletes demand facilities that allow them to stay healthy and rested. UCLA facilities will provide varied options to serve athletes' differing nutrition, rest, relaxation, and training preferences, including blackout shades, quiet rooms, and stretching/meditation areas.
- ***Family and Friends.*** LA 2024 plans a first-of-its-kind program to offer athletes' families a partially subsidized village of their own. Further, two complimentary tickets would be provided for family or friends to attend each athlete's competitions. The Athlete Concierge would notify athletes if additional tickets are available.
- ***Get Around Without Hassle.*** Athletes told LA 2024 that past transport schedules between Olympic Villages and venues were often time-intensive and confusing. Helped by planned signage and volunteers, the Athlete Concierge also would provide athletes with clear transportation information in the LA 2024 plan.
- ***Fun and Socializing.*** LA 2024 plans an Athlete House that athletes could reserve via the Athlete Concierge to eat and socialize with friends and family. Athletes would have access to transportation to Los Angeles-area attractions and special deals on Olympic merchandise, which athletes and visitors often trade for fun.
- ***Transition to Post-Games Life.*** For many athletes, the Games are the concluding event in their sporting careers. Many athletes face challenges in transitioning to post-Games life. Working with California's public and private educational institutions, LA 2024 plans to offer programs to address these issues, such as a symposium to explore educational opportunities, such as attendance at U.S. universities.
- ***Enhance Opportunities for Women.*** Enhancing gender equality in sports is a priority for the Olympic Movement. LA 2024 pledges to emphasize gender equity in its operations and management staff, equal training and competition facilities, and new training opportunities for women judges and coaches. Further, with women representing most of the U.S. Olympic audience, LA 2024 commits to work with NBC, other broadcasters, and Olympic sponsors to promote female Olympians and Paralympians.

November report). By including both stadiums—and other events throughout the city—the LA 2024 plan would expand significantly the number of residents and visitors able to participate in the ceremonies. In the current plan, the ceremonies would proceed as follows:

- **Opening Ceremony (July 19, 2024).** The Opening Ceremony would begin with a torch relay at the Coliseum, which would have 70,000 spectators for a program of entertainment and a live viewing experience for all of the evening's events. The relay would proceed through city streets to the Rams/Chargers stadium. At this second stadium, 85,000 spectators would witness the formal Opening Ceremony, including the Parade of Nations, the official opening of the Games, and the lighting of the Olympic Cauldron. In the current plan, the cauldron lighting at the new stadium would trigger a lighting of the Coliseum's cauldron, which would remain lit throughout the Games. Average ticket prices are estimated at \$1,783 at the Rams/Chargers stadium (comparable to prices for events like the Super Bowl and the NBA Finals) and \$350 at the Coliseum.
- **Closing Ceremony (August 4, 2024).** The Coliseum would host the formal elements of the Closing Ceremony, including the Parade of Athletes and the traditional performance by the 2028 Olympic host city (scheduled to be chosen in 2021). Average ticket prices at the Coliseum are estimated at \$1,226. A simultaneous celebration at the Rams/Chargers stadium would have ticket prices averaging about \$300.

As bid planning proceeded last year, the possibility of shifting ceremonies from the Coliseum to the stadium in Inglewood caused concern among some

in Los Angeles. The two-stadium ceremony concept, however, eventually received broad approval from the Los Angeles City Council. Under the January 2017 memorandum of understanding (MOU) between LA 2024 and the city, any future change to the ceremony plan requires City Council approval. Moreover, essentially any change that moves a planned competition venue, the Media Village, or the Olympic Village outside city limits would require City Council approval, which shall not be “unreasonably withheld” or conditioned under the MOU.

#### ***Additional Venue and Village***

**Announcements.** Since the release of our November report, LA 2024 has added a few venues to its plan. As with the previously announced venues, all of these new venues either exist or are already on track to exist by 2024, as summarized in Figure 2 (an updated version of a figure from our November report). The events affected by the recent venue announcements include:

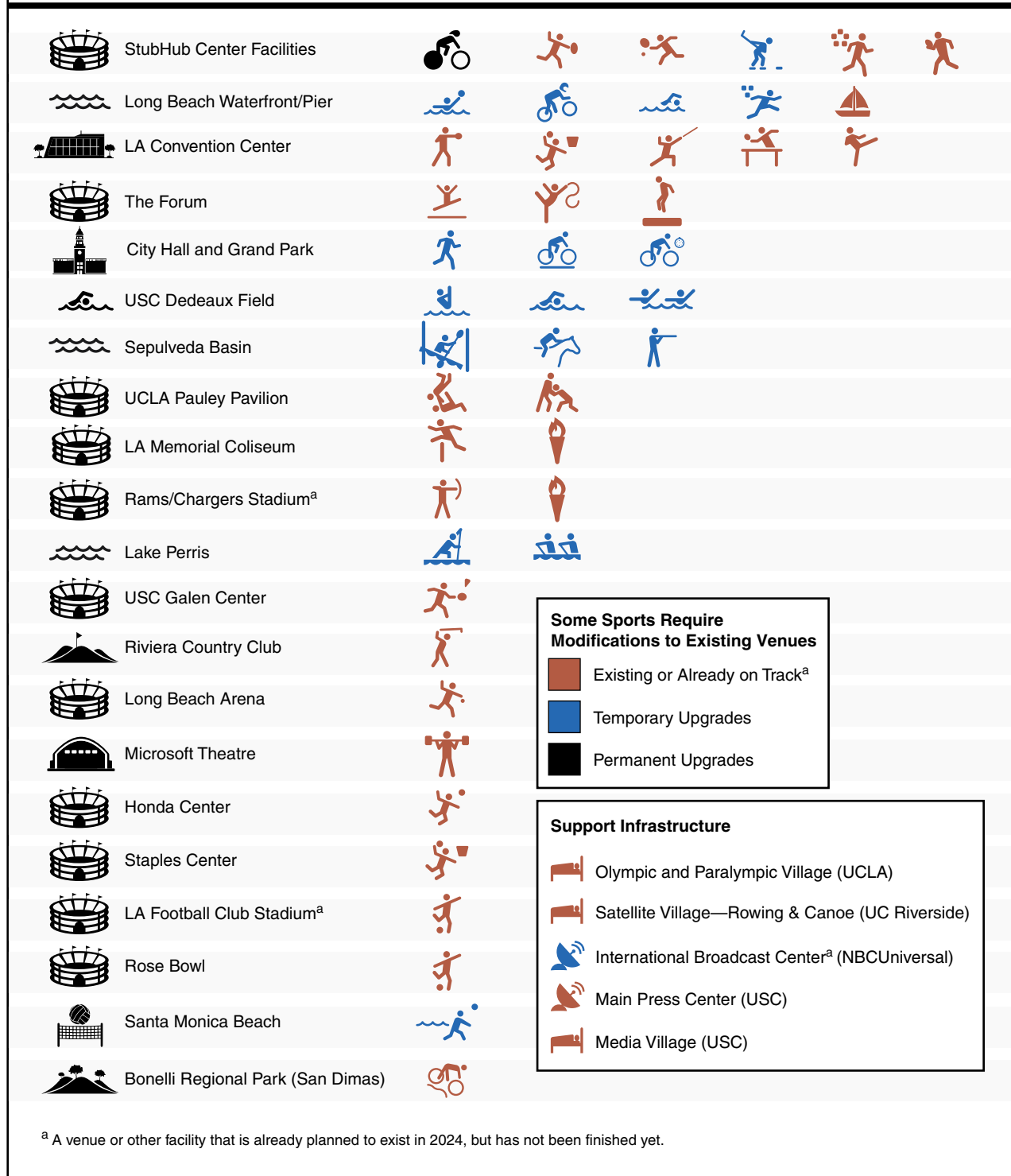
- **Archery.** A temporary venue at the planned Rams/Chargers stadium—extending over a man-made lake in the stadium's entertainment district—is the new Olympic and Paralympic archery venue.
- **Mountain Bike.** Olympic mountain biking events are slated for the Frank G. Bonelli Regional Park in San Dimas, which is a unit of the Los Angeles County park system. According to bid documents, with minimal enhancement required for the park, the region “will be left with a world-class course” able to host future international mountain bike events.
- **Modern Pentathlon.** The modern pentathlon combines five different events—pistol shooting, fencing, swimming, horse riding, and running—said to simulate the experience of a 19<sup>th</sup> Century cavalry soldier

behind enemy lines. In the LA 2024 bid plan, all five events would occur at a single stadium: the StubHub Stadium in Carson.

**Satellite Olympic Village at UC Riverside.**  
The bid plan also now includes a new satellite Olympic Village at the University of California,

**Figure 2**

**All Planned Olympic Venues Exist or Already on Track to Exist in 2024**



Riverside (UC Riverside) for rowing and canoe/kayak channel athletes. The satellite village is needed because these athletes' venue—Lake Perris (a state recreation area southeast of Riverside)—is some distance from the main athlete's village at the University of California, Los Angeles (UCLA). Athletes staying at UC Riverside would also have a bed at UCLA before and after their competitions.

#### ***Leading Anti-Doping Resources at UCLA.***

A legacy of the 1984 Los Angeles Games, the UCLA Olympic Analytical Laboratory is one of the leading research institutions in the field of athletic doping. It is also the world's largest World Anti-Doping Agency (WADA) accredited sports testing facility. Just a few miles from the planned Olympic Village, this UCLA facility would be the anti-doping lab for the Los Angeles Games. WADA standards require strict sample collection and processing standards that the UCLA lab is well positioned to meet. During the Games, samples will travel to the lab using strict chain-of-custody procedures, including electronically monitored vehicles and personnel. In 2024, anti-doping discussions would be a part of educational programs for athletes competing in the Los Angeles Games.

### **UPDATED OLYMPIC FINANCIAL PLAN**

With the submission of its final bid documents to the IOC in February, LA 2024 updated its financial plan. A summary of the plan is shown in Figure 3 (amounts are in 2016 dollars). Using economists' assumptions shown in the bid documents—specifically, an average annual inflation rate of approximately 1.9 percent—the \$5.3 billion of revenues shown in Figure 3 translates to \$6.2 billion in estimated 2024 dollars.

#### ***10 Percent Contingency Fund Budgeted.***

The LA 2024 budget plan includes a contingency fund of \$488 million (2016 dollars)—equal to 10.1 percent of budgeted expenditures to host the Games. In 2024 dollars, this amount equals

**Figure 3**

### **LA 2024 Budget Plan**

*2016 Dollars (In Billions)*

<b>Revenue</b>	
Domestic sponsorships	\$1.93
Ticket sales	1.54
IOC contributions (broadcast revenues)	0.73
IOC Olympic Partner Program (sponsorships)	0.39
Licensing and merchandising	0.23
Other revenues (net)	0.51
<b>Total Revenues</b>	<b>\$5.33</b>
<b>Spending</b>	
<b>Venue infrastructure</b>	
Temporary infrastructure	\$0.86
Energy (excluding consumption)	0.26
Capital investment	0.07
Subtotal	(\$1.19)
<b>Sports, games services, and operations</b>	
Venue operations management	\$0.31
Transport	0.18
Sports	0.09
Food and beverage	0.07
Test events	0.06
Logistics	0.06
Other	0.22
Subtotal	(\$1.00)
<b>Marketing rights and royalties</b>	<b>\$0.71</b>
<b>People management</b>	<b>\$0.69</b>
<b>Technology</b>	
Information technology	\$0.25
Internet infrastructure	0.14
Telecommunications	0.14
Subtotal	(\$0.53)
<b>Corporate administration and legacy</b>	<b>\$0.29</b>
<b>Ceremonies and culture</b>	
Opening and closing ceremonies	\$0.14
Torch relay	0.03
Other (net)	0.02
Subtotal	(\$0.20)
<b>Communications, marketing, and look</b>	<b>\$0.19</b>
<b>Other expenses</b>	<b>\$0.05</b>
<b>Total Spending</b>	<b>\$4.84</b>
<b>Contingency</b>	
10.1 percent of costs	\$0.49

Note: Based on LA 2024 Stage 3 Submission to IOC, February 2017, Table 121A-121B.  
IOC = International Olympic Committee.

\$567 million. The plan is for this contingency fund to be divided into two pots of money: an “allocated contingency” of \$250 million governed under the terms of LA 2024’s MOU with the city and a flexible “unallocated contingency” for the rest of the contingency account. Under the MOU, the allocated contingency could only be used to cover Games budget shortfalls with the city government’s written consent, which may not be “unreasonably withheld, conditioned, or delayed.” The MOU does not limit LA 2024’s use of the rest of the contingency.

In LA 2024’s MOU with the city, Olympic organizers agree—beginning in 2022—to start setting aside funds in the allocated contingency account. The bulk of LA 2024’s revenues would be received in 2023 and 2024, and under the agreement with the city, this allocated contingency is scheduled to have a \$70 million balance set aside by early 2024, with the remaining \$180 million to be deposited in early 2025. In 2025, the Games essentially would “close its books” and determine whether any debts remain to be repaid by LA 2024, insurers, the city, the state, or other parties. If there are profits remaining, these would be disbursed pursuant to agreements with the U.S. Olympic Committee and the IOC. In SB 1465 (de León)—the 2016 legislation allowing the Governor to agree to a backup financial guarantee for the Games—it was envisioned that any Games profit would be devoted to legacy programs for youth and other Californians. This is similar to the manner in which 1984 Games profits were devoted to youth sports programs in Southern California.

## CITY AGREEMENTS

***City of Los Angeles Is Lead Public Guarantor.*** Before LA 2024 submitted its final bid documents to the IOC, the Los Angeles City Council formally agreed to provide a number of contractual guarantees required for Olympic bid cities. Among

the most important of these guarantees is one in which the city commits to cover any potential financial shortfall of the Olympic organizing committee. (Senate Bill 1465 limits the state’s guarantee to cover Games shortfalls to a maximum of \$250 million, but only after all other required sources of funding have chipped in, including the city. The city, in particular, must expend at least \$250 million of its security for the Games before the state guarantee pays anything.) As discussed in our November report on the bid, prior Olympics have experienced billions of dollars of cost overruns or other shortfalls. Accordingly, city officials were well aware of the financial risks in approving this bid and spent months developing strategies to mitigate those risks, as discussed below.

***Risk Mitigation Efforts.*** Perhaps the most important risk mitigation efforts undertaken by the city and its partners occurred early in the bid process, at which time a plan for an expensive new Olympic Village was scrapped and replaced with the plan to use existing residential facilities at UCLA to house athletes. In addition, bid organizers and the city focused early on a plan to use existing or already-on-track venues and infrastructure exclusively for the Games, thereby eliminating the need to build big, new facilities that have escalated costs for prior Olympic Games.

The city and bid organizers also agreed that LA 2024 would—if the IOC picks Los Angeles to host the 2024 Games—purchase an apparently unprecedented set of insurance policies to cover certain financial risks. LA 2024 is required to maintain those policies “in accordance with prudent commercial best practices,” including policies to protect against natural disasters, terrorism, event cancellation, and coverage for reduced ticket sales and other revenue sources should the events become less appealing. Public liability and indemnity insurance is required to protect against financial risks associated with

death, injury, or damage to property suffered by third parties. The city and the state must be listed as “additional insured” parties on these policies.

In addition, city representatives will make up at least one-sixth of the LA 2024 organizing committee board of directors, with city representation also guaranteed on board committees. Participation by city representatives, it is thought, will help keep the city apprised of issues with planning for the Games, including potential increases in costs or revenue shortfalls. Agreements between LA 2024 and the city also include transparency requirements, including requirements to appear before City Council, provide briefings with city staff, and submit various informational documents.

**KPMG Review.** The City Council engaged an independent firm, KPMG, to prepare a public report reviewing the LA 2024 financial plan. That report was released in December. KPMG said that the level of rigor in the development of the budget was “detailed at this stage of the bid process.” KPMG found the budget to be “substantially reasonable, complete, and [that it] adhered to a bottom-up conservative approach.” The report further noted, “The strategy of using existing infrastructure rather than undertaking large scale capital development reduces the overall risk of hosting the Games for the City of Los Angeles.” While the report included no major negative findings, it did comment that the ongoing viability of the LA 2024 budget depends on “continued adherence to the assumptions and estimates made at this stage in the bid process.”

KPMG did note a few relatively minor critiques of the budget plan, such as the following:

- ***Ticketing Estimates Deviated From Conservative Approach.*** In its budget plan, LA 2024 assumes that 97 percent of available seats are sold—similar to the overall ticket sell rate for the 2012 Games in London (reportedly, the highest

level achieved among recent Olympics). According to KPMG, this did not represent a conservative approach of determining assumed ticket sell rates “based on the popularity of the sport and timing of the session (weekdays versus evenings or weekends).” The report noted that very popular events (ceremonies, basketball, track, gymnastics, and soccer) typically account for 70 percent of ticket revenue. KPMG ran a stress scenario that reduced less popular sports’ sell rates by as much as one-fifth. That stress scenario, the report concluded, reduced ticket and corresponding food and beverage revenue by over \$40 million—a very small potential shortfall compared to the overall amount of ticket revenue (\$1.4 billion).

- ***Limited Comparability to Industry Benchmarks.*** In the areas of professional staff costs, administration costs, and venue contingency, KPMG found that LA 2024’s generally thorough estimates were of a nature that made it difficult to compare them to industry benchmarks. To some extent, this is because of the unusual features of Los Angeles’ bid—for example, the lack of big, new venue projects. With regard to venue contingency estimates, LA 2024 told KPMG that it included a 7 percent to 12 percent design contingency within its figures. Construction contingency costs were estimated on a venue-by-venue basis “taking into account the risk of temporary overlay versus permanent investment,” KPMG wrote. Furthermore, construction contingency was included in the overall contingency line item. Thus, “even though LA 2024 did not set aside amounts for market risk and



owner-directed changes,” as similar events sometimes do, the budget’s “contingency is reasonable given the temporary nature of the works, the current level of design, and present stage in the budget process.”

## FEDERAL GOVERNMENT ROLE

Olympics are mega-events, requiring billions of dollars, years for preparation, and the involvement of every level of government, including the national government. Both the U.S. Congress (through a resolution) and the new President have expressed support for Los Angeles’ bid. While the U.S. government—unlike national governments of other Olympic hosts—is not a direct underwriter of Olympic Games, it does play a significant role whenever the U.S. hosts the Games. We have learned more about the federal government’s role in a possible Los Angeles Games as the 2024 bid has progressed. Below, we summarize the expected or possible federal role in the areas of security, immigration, and infrastructure funding.

### Security

***U.S. Secret Service Coordinates Security.*** If Los Angeles is selected, the federal government is expected to designate the 2024 Games as a National Special Security Event (NSSE). (Other NSSEs include Super Bowls, presidential nominating conventions, and presidential inaugurations.) Federal law mandates a single chain of command for integrated security operations at NSSEs, led by the U.S. Secret Service, which would be in charge of coordinating the design, planning, and implementation of Games operational security. LA 2024’s bid documents envision a security command structure called the California Olympic and Paralympic Public Safety Command (COPPSC) that would include local, state, and federal agencies—similar to the unified command established in Utah during the 2002 Olympic

Winter Games. Other federal agencies to be involved with COPPSC include, but are not limited to, the following:

- ***Department of Homeland Security (DHS).*** DHS (which includes the Secret Service) would manage coordination of all federal, state, and local agencies delivering security services.
- ***Federal Bureau of Investigation (FBI).*** The FBI would be the lead agency for crisis management; hostage rescue; and detection of chemical, nuclear, and biological weapons attacks. The FBI’s role includes coordinating with other national and international intelligence agencies to identify, assess, monitor, and prevent terrorist and other security threats to the Games.
- ***Department of Defense (DOD).*** The military, including the reserves and National Guard, would support local and other federal agencies with logistics, communications, explosives detections, and air support. For the 2002 Salt Lake City Games, DOD provided 4,500 military personnel to support security operations.
- ***Federal Emergency Management Agency (FEMA).*** FEMA would coordinate federal responses, working with state and local agencies, in the event of unexpected incidents, such as natural disasters, during the Games.
- ***Federal Aviation Administration (FAA) and Coast Guard.*** FAA would implement temporary flight restrictions to protect Los Angeles-area airspace during the Games. Similarly, the Coast Guard would implement temporary safety zones over waterways affected by the Games.

In total, the U.S. government would devote thousands of its personnel and potentially tens or hundreds of millions of dollars of support to a Los Angeles Games. That support would encompass years of planning and threat assessment aimed at keeping Los Angeles safe during the Games.

***Feds May Cover Portion of Security Costs.***

Under Los Angeles' MOU with LA 2024, the city and Olympic organizers agree to negotiate on a level of enhanced municipal services necessary to support the Games, and LA 2024 will reimburse Los Angeles and other municipalities for that level of service. The LA 2024 budget, according to the analysis by KPMG, includes the cost of requirements to support security activities in and around the venues—for example, fencing, power, cabling, tents/cabins, and some private security for pedestrian and vehicle screening. But KPMG's analysis makes clear that a host city may incur costs associated with the Games that are outside of Olympic organizers' budgets. For example, KPMG observed that "operational security costs for the full deployment of law enforcement, overtime, planning, and coordination activities are not included in the budget except for a modest allocation" to municipal services.

In recent years, Congress has appropriated funds to reimburse state and local law enforcement for certain extraordinary security costs related to NSSEs, which could cover a significant portion of extraordinary security costs not covered by funding from Olympic organizers. For example, Philadelphia reportedly applied for and received \$43 million in NSSE-related grants for overtime and added supplies needed to secure the 2016 Democratic National Convention, and Cleveland reportedly received \$50 million for similar costs for the 2016 Republican National Convention. Grants have been made to NSSE cities recently via congressional appropriations to the Office of Justice Programs at the U.S. Department of Justice.

KPMG also has recommended that Los Angeles and other local law enforcement agencies "discuss the additional costs of security beyond those covered by NSSE designation, with the view of determining the required timing for application to grant programs." Such additional grants may be desirable to cover some costs not reimbursed from either the Games budget or the NSSE-related federal grants discussed above.

**Immigration**

***U.S. Immigration and the Games.*** Different countries choose Olympic athletes in different ways and on different schedules, with team additions and changes occurring until near the time of the Opening Ceremonies. Therefore, for a Games to be successful, immigration authorities must act quickly to facilitate quick turnaround of visas and other documents that allow athletes, coaches, officials, and others to enter the host country. In a bid document transmitted to the IOC in October 2016, LA 2024 stated its intent to work with the U.S. Departments of Labor, State, and Homeland Security to devise expedited immigration procedures similar to those used for the 2002 Salt Lake City Games. During the Salt Lake City Games, work permits and entry visas for those connected with the Games received priority status, which reduced the average processing time to one week.

***President's Executive Orders.*** On January 27, 2017, the President signed an executive order that, among other provisions, temporarily suspended entry of citizens from seven countries (Iraq, Iran, Libya, Somalia, Sudan, Syria, and Yemen). Following various court challenges, the implementation of that order was enjoined. The President signed a new order on March 6 that, among other things, temporarily paused entry to the U.S. by nationals from six of those countries (it excluded Iraq), subject to various exceptions. This

order also is being challenged in federal courts in Hawaii and elsewhere, as of the date this analysis was finalized. On January 30, U.S. Olympic Committee (USOC) officials released a statement based on discussions with federal officials. The statement said that the U.S. government had advised the USOC that it will work “to ensure that athletes and officials from all countries will have expedited access to the United States in order to participate in international athletic competitions.”

### Infrastructure Funding

***Governor’s Request for Olympic-Related Infrastructure Support.*** At his inauguration on January 20, 2017, the President reiterated his intent to focus on improving the nation’s infrastructure. At the request of the White House, the National Governors Association (NGA) has been assembling lists of possible infrastructure projects across the country, presumably for possible federal funding support. In its response to the NGA on February 7, the Governor’s Office listed more than \$100 billion in possible California infrastructure projects, including expanding and improving the Los Angeles County Metropolitan Transportation Authority (Metro) purple line, the Metro project to connect the Los Angeles International Airport (LAX) central terminal area to the Crenshaw/LAX and green Metro line, and the orange bus rapid transit (BRT) line. The Governor’s Office list noted that these Metro improvements would benefit commuters and the 2024 Olympic bid.

***Additional Infrastructure Funding Helpful, but Not Required.*** In its bid documents, LA 2024 stated that no new infrastructure projects are required for the city to host the Olympics—a fact that is unusual for Olympic cities. Nevertheless, improvements are ongoing to the Los Angeles area transportation system, like those funded from the recently approved county sales tax measure (Measure M). LA 2024’s bid documents

highlight that these new improvements—including improvements like those listed in the February 7 letter from the Governor’s Office—will aid the region in hosting the Games. Specifically, LA 2024 notes that Metro’s current fixed guideway transit (including subway, light rail, and BRT) is slated to expand from over 120 miles and 111 stations now by adding about 20 miles of rail and 24 new stations by 2024, including an automated people mover at LAX.

***Transit Key to Games Planning.*** Parking near key venue locations will be restricted to official Games vehicles and nearby residents and businesses only. The Olympic bid also aims to reduce Games-time traffic volumes in Los Angeles County by at least 15 percent in part to help ensure that athletes and other Olympic guests can travel promptly to and from events in designated Olympic Route Network lanes. For these reasons, public transit options are key to the LA 2024 plan. Ticketed spectators, as well as Games volunteers and others, will be provided public transport access to and from the events they are attending. The ticketing technology platform will include information on transit options. KPMG, in its evaluation of the LA 2024 budget, noted that timely completion of ongoing infrastructure projects is important in ensuring an efficiently managed Games. Bid documents specifically note that the acceleration of the Purple Line to Westwood—funded from Measure M and anticipated to be completed in 2024—would be desirable for hosting the Games. Added federal funding could boost that construction effort.

### ECONOMIC STUDY

The IOC requires candidate cities to submit economic impact studies with their Olympic bids. LA 2024 released its required study in January 2017. The study was conducted for LA 2024 by Beacon Economics, a California economics consulting

firm, and the Center for Economic Forecasting and Development at UC Riverside.

**Study Uses Common Forecasting Techniques.**

The LA 2024 economic impact study uses a “multiplier approach,” typical in such studies. In short, the study considers likely levels of direct spending by LA 2024, Games attendees, and visitors before, during, and after the Games—specifically during a period ending in 2025. As these expenditures occur—funded largely from currency “exported” from other states and countries into the Los Angeles economy—this spending would create a “ripple effect,” resulting in even more spending in the area economy and a total economic impact that is greater than the level of direct spending mentioned above. For example, LA 2024 will use funding from the IOC to hire contractors to make temporary improvements to venues, those contractors will buy supplies, and their employees will buy groceries and other goods and services. The study anticipates that there would be between 2.6 million and 3.3 million people attending the 2024 Games and that 41 percent of attendees would come from outside the Los Angeles area. Such visitors from elsewhere in the U.S.

and around the world will bring their money and spend between \$1 billion and \$2 billion in Los Angeles, according to the study, resulting in hotels, restaurants, and other businesses buying supplies and their employees, in turn, spending some of that money close to home in Southern California.

**Up to \$10 Billion**

**Net Increase in**

**Local Economy.** The

Los Angeles-Long Beach-Anaheim metropolitan area had a gross domestic product (GDP)—the estimated value of goods and services produced there—of \$931 billion in 2015—the lion’s share of California’s \$2.5 trillion statewide annual GDP. As summarized in Figure 4, the study estimates that the net additional economic output in the City of Los Angeles due to the Games would total between \$9 billion and \$10 billion (in 2016 dollars). This output would be spread across several years, mostly, it appears, between 2020 and 2025, but with some of the economic activity occurring slightly earlier or later. In addition to the economic effect in the city, the study finds there also would be economic output gains elsewhere in California (estimated at about \$3 billion in gross output) and in other U.S. states too (estimated at about \$4 billion in gross output).

**Job Creation and Tax Dollars.** By increasing economic output, the Games would temporarily increase employment in the Los Angeles area, as well as state and local tax dollars. The economic impact study estimates that the net increase in full-time equivalent jobs due to the Games would total over 60,000 in Los Angeles, as

**Figure 4**

**Estimated Economic Output Effects in Los Angeles Over Multiyear Period**

*Includes Direct, Indirect, and Induced Effects (In Billions, 2016 Dollars)*

	Low End of Range	High End of Range
Pre-Games Olympic spending	\$1.9	\$1.9
During-Games Olympic spending	6.5	6.5
During-Games visitors	1.9	2.3
Pre-Games and Post-Games visitors	0.4	0.5
<b>Gross Additional Economic Output</b>	<b>\$10.6</b>	<b>\$11.2</b>
Offsetting effects (effects of fewer regular visitors)	-1.2	-1.6
<b>Net Additional Economic Output</b>	<b>\$9.4</b>	<b>\$9.6</b>
<b>Full-Time Equivalent Jobs (Net Increase in Thousands)</b>	<b>62</b>	<b>65</b>

Source: Study conducted by Beacon Economics LLC and the UC Riverside School of Business Center for Economic Forecasting and Development, as commissioned by LA 2024.

shown in Figure 4. The bulk of these jobs would result from spending in the economy during the Games—suggesting the jobs will be temporary. The study also estimates an increase in state and local tax revenue throughout California of around \$700 million, as well as increases in federal tax revenue.

**Offsetting Economic Reductions.** The 1984 Olympics caused a significant, short-term reduction in overall visitation to Los Angeles. Analysts attributed the reduction in part to fears of traffic congestion and of potentially exorbitant hotel pricing. In addition, some facilities that usually host conventions and other visitors were unavailable for non-Olympics visitors at times. LA 2024’s economic impact study acknowledges that there would be some similar concerns for the Los Angeles tourism economy in 2024. Specifically, the study anticipates a 3 percent reduction in total visitor numbers. Nevertheless, the study’s authors anticipate that visitors coming for the Games would spend roughly double the amount of a normal tourist to Los Angeles—more than offsetting the anticipated decline in visitation.

## LAO COMMENTS

### ***Big Intergovernmental Effort Required.***

Figure 5 (see next page) summarizes key elements of the timeline if Los Angeles is chosen this fall to host the 2024 Games. Between now and 2024, the focus of activity would be on Olympics organizers, their contractors working to get venues ready, and international athletics groups. Over time, however, the city, other local governments, and the state—along with federal officials—would have an increasing workload to prepare to manage security and other tasks related to the Games. Various state departments would be involved, such as the California Highway Patrol, Caltrans, the Military Department, the Office of Emergency Services, the university systems, the state park system (involved

with the Lake Perris venue), the California Science Center (adjacent to the Coliseum), and gambling regulators (due to potential increases in illegal betting related to the Games). Given the issues that caused visitation declines in 1984, it would also be important for the public-private California Travel and Tourism Commission (Visit California) to coordinate with local leaders in promoting domestic and international tourism during the Games.

**Future Legislative Oversight.** In the coming months, the executive branch needs to be increasingly well informed about potential issues related to the Olympics. State departments need to help LA 2024 prepare, as well as make sure the Governor is prepared as he enters into negotiations with LA 2024. Senate Bill 1465 envisions that the agreement between the Governor and LA 2024 for a backup state financial guarantee of no more than \$250 million would “be determined on or about the time” of Los Angeles’ selection as the 2024 host city—which would occur in September, just six months from now. Given this time frame, the Legislature may wish to enquire in the coming months as to the administration’s effort to prepare for possible negotiations with LA 2024. For example, what potential Olympic-related impacts have state departments identified to date? Also, does the administration have a plan to work with the city and LA 2024 to offset some state Games-related costs with federal NSSE funding and to meet regularly to discuss cost and operational issues? By learning more about the entire scope of potential Olympic-related impacts to state government, the Legislature would be better prepared to provide feedback to the Governor in advance of these negotiations and to monitor how state departments’ activities evolve later.

### ***Efforts to Mitigate Financial Risk Noteworthy.***

As we discussed in our November report, Los Angeles’ bid makes significant efforts to

reduce the financial risks that have plagued prior Olympic cities. Basing its bid on existing or already-on-track venues and infrastructure reduces the chance that cost overruns will occur. More broadly, if Los Angeles is selected, Olympic organizers and local leaders can focus largely for the next seven years on preparing the region to

host a fun, successful event for athletes and visitors, rather than focusing on keeping big construction projects on time and on budget. We agree with city officials that the current Olympic bid plan is fairly low risk for the city and, by extension, the state as well. Moreover, billions of dollars of outside money—from visitors and international broadcast

**Figure 5**

**Rough Timeline if Los Angeles Is Chosen to Host the 2024 Games**

<b>2017</b>	<ul style="list-style-type: none"> <li>• International Olympic Committee (IOC) Evaluation Commission visits city (May 10-12)</li> <li>• Commission publishes findings and LA 2024 given right to respond (summer)</li> <li>• Briefing for IOC Members and Sports Federations (July: Switzerland)</li> <li>• IOC selection of 2024 Host City and LA's victory celebration (September 13: Peru)</li> <li>• City of Los Angeles must sign IOC Host City Contract without reserve or amendment</li> <li>• Formal establishment of LA Organizing Committee for the Olympic Games</li> </ul>
<b>2018</b>	<ul style="list-style-type: none"> <li>• Events related to PyeongChang Olympic and Paralympic Winter Games (February-March)</li> <li>• Launch of LA 2024 emblem and marketing program</li> </ul>
<b>2019</b>	<ul style="list-style-type: none"> <li>• Expansion of LA 2024 volunteer program</li> <li>• National partnership announcements</li> <li>• Launch of education and community youth programs</li> </ul>
<b>2020</b>	<ul style="list-style-type: none"> <li>• Update to Games plan and sustainability goals report</li> <li>• Community participation programs</li> <li>• Events related to Tokyo Olympic and Paralympic Games (July-September) <ul style="list-style-type: none"> <li>– Including LA 2024's performance at Tokyo Closing Ceremony</li> </ul> </li> </ul>
<b>2021</b>	<ul style="list-style-type: none"> <li>• Super Bowl LV (February 7: Inglewood)</li> <li>• Launch of four-year cultural program, national promotional program</li> <li>• Launch of LA 2024 mascots and new product lines</li> </ul>
<b>2022</b>	<ul style="list-style-type: none"> <li>• Events related to Beijing Olympic and Paralympic Winter Games (February-March)</li> <li>• Ticketing program launch</li> <li>• Unveiling of torch, medals, and "Look of the Games"</li> </ul>
<b>2023</b>	<ul style="list-style-type: none"> <li>• Torchbearer selection campaign</li> <li>• National Live Site plans announced</li> <li>• Test events begin</li> </ul>
<b>2024</b>	<ul style="list-style-type: none"> <li>• Olympic Torch Relay crosses the U.S.</li> <li>• Cultural Olympiad: arts and cultural activities leading up to the Games</li> <li>• Olympic trials</li> <li>• Final preparations across Los Angeles region</li> <li>• Ramp-up of security and transportation activities to support the Games</li> <li>• Promotional activity and sponsor activation in full force</li> <li>• The Olympic Games in Los Angeles (July 19-August 4)</li> <li>• The Paralympic Games in Los Angeles (August 16-29)</li> <li>• Post-Games activities (venue disassembly)</li> </ul>
<b>2025</b>	<ul style="list-style-type: none"> <li>• Post-Games financial reporting</li> </ul>

contracts—will flow into the Los Angeles economy if it hosts the Games, generating some added local economic activity and potentially hundreds of millions of local and state tax dollars. We note that the Games will generate at least several billion dollars of added local economic activity even if there are larger offsets to economic gains not identified in LA 2024’s economic impact study (for example, a greater reduction in non-Olympic tourism than that study estimates).

***Resolve Needed to Keep Costs Low.*** While the current Los Angeles bid appears to be low risk, it is easy to imagine that pressures could emerge to change one or more elements of the bid plan in future years. For example, expectations about venue amenities needed for a particular sport could change, and officials could push LA 2024 to make additional, costly improvements at one or more sites. Alternatively, owing to the strict timelines involved in planning for the Games, costs for construction labor and supplies could escalate more than Games organizers expect in the early 2020s, and this could escalate venue improvement costs. Ticket revenues could fall below expectations. Faced with any of these challenges, to keep the Games as a low-risk financial proposition, city and state officials would need to resolutely resist any changes that could produce future financial

shortfalls. For example, if requests emerge to change a venue, city and state officials would need to encourage LA 2024 to find ways to minimize any such costs. If ticket or other revenues fall short, these officials would need to encourage LA 2024 to look for savings to offset that potential shortfall. In our view, both city and state officials, including the Legislature, may be able to play a constructive role in helping LA 2024 cope with these sorts of concerns.

***Complexity for Every Level of Government.*** The Olympics and Paralympics are among the world’s largest, most visible public events. They bring organizational, financial, logistic, and security challenges far beyond other events hosted by large cities. If Los Angeles is selected, hundreds of millions of state tax dollars will be on the line, and the City of Los Angeles will have much more on the line as the primary financial guarantor for the Games. While the current bid is designed to keep financial risks low, every level of government, including the federal government, will have a stake in making the Los Angeles Games a success. At the state level, the Legislature, with its ability to provide oversight to state departments, can play a constructive role in helping the Games and keeping its financial risks low.



### **LAO Publications**

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This brief was prepared by Jason Sisney and Carolyn Chu. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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