

HARRY AND CAROL LEVY
FUND FOR ENTREPRENEURIAL PRACTICES

**THE CHICAGO 2016 OLYMPIC GAMES AND
MINORITY INCLUSION:
ECONOMIC IMPACTS AND OPPORTUNITIES**

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Introduction

In April the United States Olympic Committee selected Chica

planning effort, various grassroots community groups have weighed in with demands and requests for participation.

Mii40 TwBT/TT0 1 Tf0./TT9r participa

Section 1: Businesses

Overview of the State of Minority Businesses

Minority-owned businesses have made strides over the last decade. According to the U.S. Census the number of African-American-owned businesses grew by 45% between 1997 and 2002, more than four times the national rate for all businesses.

However, the breadth and impact of these businesses do not reflect the growing size and importance of minority communities nationally. In 1997, minorities comprised 27% of the U.S. population but only 15% of businesses were minority-owned. Experts predict the U.S. minority population will exceed 40% by 2050. Several reasons account for this potential disconnect between African-American-owned businesses and their contribution to the overall economy relative to their mainstream counterparts.¹ Minority-owned businesses typically lack the size, scale and capabilities of their mainstream counterparts. Minority-owned companies account for only 8.9% of U.S. companies with \$500,000 or more in revenues.² Minority-owned enterprises are disproportionately represented in low-growth and no-growth sectors.³ Obstacles to acquiring institutional capital increase minority reliance on personal debt and family financing.⁴

African American-owned businesses in Chicago have faced similar challenges. as other minority businesses. The rapid growth of minority-owned businesses nationwide is reflected in Chicago and its surrounding areas. (See Tables 1, 2 and 3 in the Appendices).

While there have been substantial improvements in creating opportunities for African-American businesses in recent years, work remains to be done. To leverage this need and apply it to the impact of the 2016 Games, we must recognize the problems plaguing African American-owned businesses and create solutions to reverse negative trends. Various factors account for why minority-owned businesses do not benefit from large-scale events, including:

1. Insufficient understanding/access to the bidding process
2. Unproven track record of successful large projects
3. Lack of minority representation on Olympic organizing committees

Big Ticket Projects

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Diversity Tools

ACOG adopted an Equal Economic Opportunity Plan (EEOP) to ensure fair and equal participation for minorities and women. These guidelines were based on standard government practice and fell in line with the City of Atlanta's Equal Business Opportunity (EBO) legislation. The EBO established annual business opportunity goals of 30% for African American-owned businesses, 3% for women-owned businesses and 1% for Hispanic, Asian, and Native-American businesses.⁶

However, unlike the City of Atlanta's EBO, ACOG's EEOP did not specify percentage participation goals. ACOG raised \$2.2 billion to operate the Games. Expenditures included an estimated \$650 million on Olympic venues, including the Olympic Stadium and the Olympic Village. An estimated \$385 million in contracts went to minority-owned firms, with about \$300 million spent, specifically, with black-owned companies.

“We told (the IOC) Atlanta had the capacity to do 30 to 40 percent of contracts in all areas. That was the norm. We expected no less. We let the market tell us what we could achieve.”

– Girard Geeter, director of the EEOP program for ACOG

Minority-owned businesses ensured they had a voice in the EEOP by getting a member of the Consortium for Minority Business Development appointed to the ACOG board and providing ACOG with a database of all qualified minority companies. This database was used to award contracts and monitor minority participation.⁷

Procurement

Many African-American firms were able to take advantage of the significant economic opportunity associated with the Atlanta Games. H.J. Russell & Co., the nation's largest African-American contractor, positioned itself as a partner in joint ventures with other majority-owned construction firms. Together they were able to secure 29% of the \$207 million Olympic stadium contract in addition to smaller joint ventures in other contracts such as the Centennial Olympic Park and the Coca-Cola Olympic City Theme Park. Another African-American construction firm, C.D. Moody Construction Co., took advantage of partnerships to secure contracts for the Olympic Stadium.⁸ African-Ame firm

1,461 registered African-American businesses). However, the success rate of African-American businesses trailed the majority-owned firms who won nearly 50% of their bids (or 3008 out of 6796 bids).

1996 Atlanta Olympic Games: Bidding Process

The Procurement and Contract Administration Division of ACOG managed the bidding procedures for Olympic contracts. This group

African American Business SWOT Analysis

We found the selection criteria of the Olympic Organizing Committee to be more of an art and less of a science. The selection criterion depends on commercial factors, technical factors and an in-depth financial appraisal of candidates to determine their economic standing. Chicago has a host of companies able to bid and win lucrative contracts in various sectors based on their size and relevant experience. The minimum economic requirements needed to win top-tier contracts will depend upon the scale of the contract and the risk involved.

However, based on companies that have won Olympic contracts in the past, there are several minimum standards a firm must possess before being considered. To further analyze the opportunities presented by the Olympics, a SWOT analysis (Strength, Weaknesses, Opportunities, Threats) was conducted on three industry sectors (Construction, Service, and Finance/Insurance/Real Estate).

SWOT Analysis: Finance, Insurance, and Real Estate Industry

Finance, insurance and real estate sector firms have the best chance at either securing the most lucrative contracts or securing contracts by partnering with majority firms.

Strengths

- Strong Financial service industry
- Several multi-million dollar Financial service companies; well-capitalized
- Leading African-American Investment Banking firms; well-capitalized
- Strong ties to

SWOT Analysis: Construction Industry

2. Insufficient understanding and access to the bidding process

Recommendations

African-American civic and business leadership should request the Mayor and Games organizers create an open bidding notification system through the establishment of a dedicated website providing a 'one stop shop' for Olympic contract information and application procedure.

Furthermore a detailed master schedule of Chicago 2016 contract particulars should be published as soon as possible. African-American civic and business leadership should encourage elected officials and Chicago 2016 organizers to employ a transparent, user-friendly process.

3. Participation

Recommendations

Publish targets by the end of 2007 for the inclusion of minority and women-owned firms within supply chains. These targets should be aggressive and regularly monitored by an independent body.

and with poverty rates as high as 30 percent, the ma

Summary of Key Recommendations

To the Chicago Olympic Organizing Committee:

Recommendation 1

Publish a detailed master procurement schedule noting contract availability for the Games, including requirements and application procedures. The schedule should include contracts for the Olympic Bid process as well as the Games. This schedule should be published no less than three months prior to the RFP deadline.

Recommendation 2

Immediately create an open and transparent bid process and notification system with the establishment of a website providing a ‘one stop shop’ with Olympic contract information.

Recommendation 3

Establish participation targets for African American owned and other minority owned firms. These targets should be regularly monitored by an independent specialist with quarterly results published. Participation targets should be set immediately.

Recommendation 4

Make diversity a procurement principle for all contracts and sponsorships (with respect to business enterprises and employees).

Recommendation 5

Institute a policy of priority hiring for residents of the communities in close proximity to the Olympic Stadium and other Olympic venues.

Recommendation 6

The decision-making body within the Olympic Committee overseeing contracts, investments and budget should have African-American membership proportionate to the city population.

To the City of Chicago:

Recommendation 7

Invest in public transit infrastructure serving and in proximity to the Olympic Stadium and other venues in the area.

Recommendation 8

Initiate strategies to increase commercial and retail investment and decrease retail leakage in communities surrounding the Olympic Stadium and other venues in the area.

Recommendation 9

Employ workforce development programs with the objective of increasing employment opportunities before, during, and after the Games with a particular emphasis on skill-based jobs.

Recommendation 10

Establish a commission attached to the Mayor’s Office to oversee revitalization inside the Olympic “ring” (within a one mile radius) of the aforementioned Olympic venues.

Recommendation 11

Enact affordable housing plans to ensure development does not lead to resident displacement.

To the African-American business community:

Recommendation 12

We recommend African-American firms lacking size, scale and capabilities form consortiums and joint ventures with other African-American firms.

Recommendation 13

The African American community should invest in and seek to increase their participation in tourism and hospitality industries with respect to business enterprise and employees.

Recommendation 14

Advocate for increased African American employment in the construction industry by promoting education and career paths within Chicago Public Schools and Chicago Community Colleges and by requiring Unions to provide an increased number of apprenticeships to reflect construction spending in the impacted communities.

Recommendation 15

African American businesses should build capacity and align growth around expanding markets that will be accelerated in the event of the Chicago 2016 Olympics. They should start now in investing in their businesses by tapping resources such as the Chicago Urban League’s Entrepreneurship Center and other local and state resources.



Appendix I: List of 15 Largest African American Companies in Chicago

Firm Name	Web address	Top executive	04 Sales	Year Est.	Employees
Johnso					

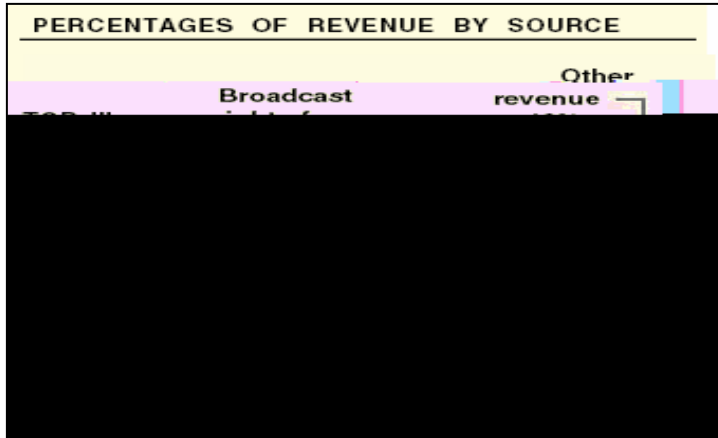
Appendix III: Estimated Olympics Economic Impact on Chicago by Sector

Breakdown of Economic Impact			
<i>Industry Sector</i>	<i>Expenditures</i>		<i>Jobs</i>
	millions	%	
Service Industry	2400	47%	43650
Transportation, Communications, Utilities	675	13%	20570
Nondurable Manufacturing	564	11%	2260
Wholesale and retail trade	473	9%	8400
Finance, insurance, real estate	394	8%	2670
Durable manufacturing	382	8%	1740
Construction	128	3%	1340
Government	26	1%	460
Other	13	0.3%	460
Total	5055		81550
<i>Sources: University of Illinois at Urbana-Champaign, Economics Research Associates, Selig Center for Economic Growth, University of Georgia, John Madden, Monash University</i>			

S\$
55,500,000
13,390,000
61,230,000
14,380,000
28,700,000
07,471,000
80,671,000
38,118,000
24,523,000
20,277,000
82,219,000

16, 0

Appendix V: Percentages of ACOG Revenue by Source¹²



Appendix VI: Atlanta Investments for New and Renovated Sports Facilities

Appendix VII: Employment Data for Washington Park and Vicinity

Community Area	Population 16+	Labor Force	Jobless	Unemployed	Unemployment Rate
Grand Boulevard	17,799	8,25	0	10009	Tm(7)

Appendix VIII: Income Data: for Washington Park

Washington Park	Total	%	Chicago %
Less than \$15K	1,989	47.1%	20.0%
\$15K - \$24,999	756	17.9%	12.5%
\$25K - \$34,999	447	10.6%	12.5%

Oakland	Total	%	Chicago %
Less than \$15K	1,190	56.7%	20.0%
\$15K - \$24,999	267	12.7%	12.5%

Appendix IX: Retail Leakage: Washington Park and Vicinity

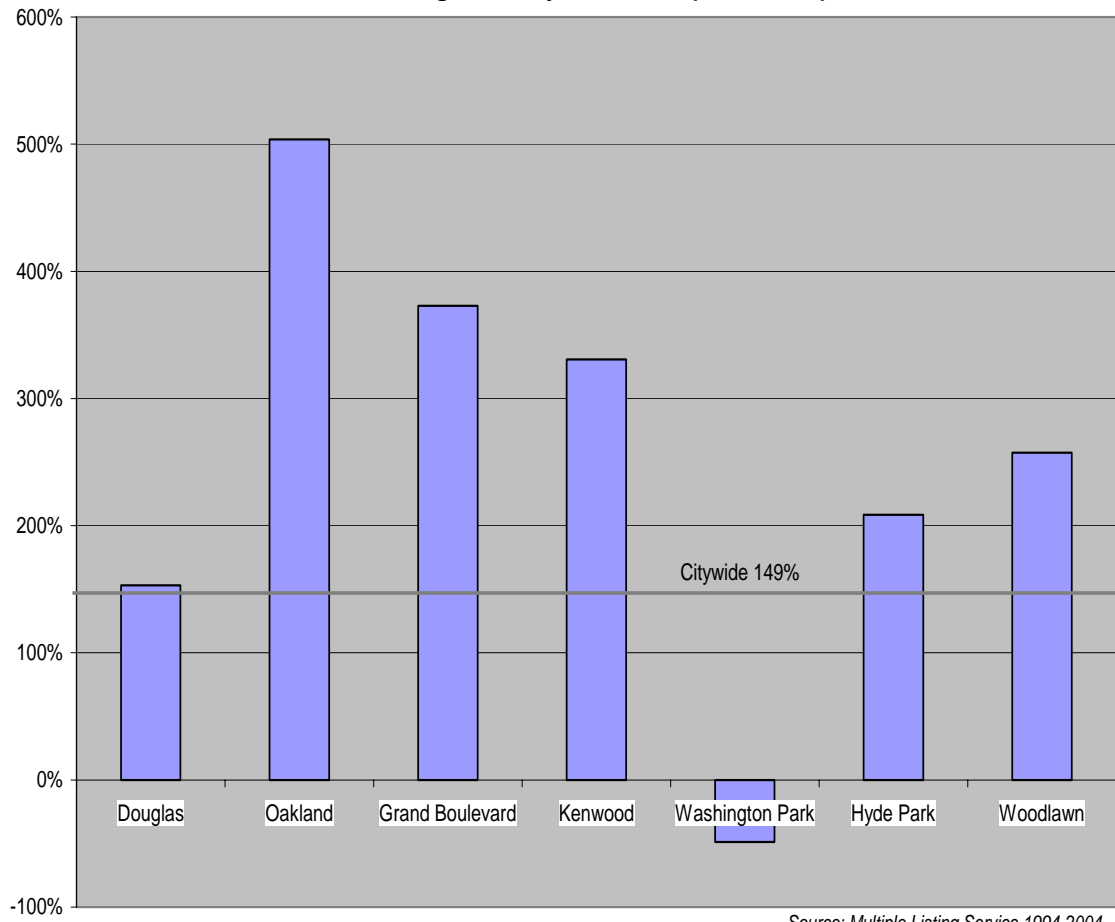
Washington
Park

Oakland

Douglas

Hyde

Percent Change in Average Sales Price: Single Family Detached (1994-2004)



Source: Multiple Listing Service 1994-2004

Table 3: Change in Minority-Owned Businesses in Chicago Illinois, 1997 - 2002

Group	Year	Number of Firms
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MAP A: COMMUNITY AREAS MAP WITA58.27425 689.04004 Tm(E)TTA58.27425 627.075P5g9.

