

THE CHICAGO 2016 OLYMPIC GAMES AND MINORITY INCLUSION:

ECONOMIC IMPACTS AND OPPORTUNITIES

June 2007

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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.

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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. 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. Minority-owned enterprises are disproportionately represented in low-growth and no-growth sectors. Obstacles to acquiring institutional capital increase minority reliance on personal debt and family financing.

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

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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. 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 official sand 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 indeTw $12\ 0\ 0$.20348e





Section 2: Neighborhoods and Communities

Washington Park and Vicinity: Neighborhood Profile

Chicago's Washington Park neighborhood has been shackled by decades of private and public disinvestment leaving unemployment, run-down businesses, liquor stores, dilapidated housing, vacant lots and crime.

According to the 2000 U.S. Census, the Washington Park community had one of the highest rates of poverty in Chicago, nearly 52%, while also having a homeownership rate of 10%, one of the lowest citywide. Approximately 78% of Washington Park households had annual incomes below \$35,000 while 25% of residential units in Washington Park were vacant. With a median income of \$15,160, 25% of Washington Park's households received some type of public assistance. Washington Park's rate of unemployment is 21.1%

Washington Park's location is its saving grace. Its close proximity to the world-renowned University of Chicago campus, its immediate connection to one of the city's largest open space areas (the park itself), and its nestled accessibility to several of the city's major transportation arteries, including the Dan Ryan Expressway and the Chicago Transit Authority's Red and Green commuter train lines make Washington Park a primary candidate for urban revitalization. Developer and retail interest, spurred by public incentive, have aided and abetted the city's candidacy. The demolition of the Robert Taylor public housing development has helped to reduce crime.

Building the Olympic Stadium in Washington Park should not, by itself, be seen as a growth catalyst. But real estate prices traditionally rise in the areas closest to Olympic venues. In Washington Park infrastructure and transit improvements are necessary preconditions for growth. Real estate remains cheap in comparison to much of the city. While detached single family home prices rose 200% or more in nearby Hyde Park, Kenwood, Oakland and Woodlawn (between 1994 and 2004), Washington Park prices fell 49%.

As the revitalization of Washington Park advances there are several obstacles. For every dollar spent in Washington Park, \$5.18 is spent outside of it. Washington Park's retail leakage underscores the need for development. Put simply, the neighborhood is a virtual desert for supermarkets, services, restaurants and small businesses. And its residents are disconnected from employment opportunities.

A 2002 survey conducted by the International Council of Shopping Centers (ICSC) and Business for Social Responsibility (BSR) identified common barriers to development in underserved markets similar to Washington Park. Public safety is one of the primary obstacles. However, in the case of Washington Park, the community's high-crime past plays a more prominent role in blocking redevelopment than the actual crime statistics being used. The building of an Olympic Stadium in Washington Park may be the catalyst that private development requires to launch investment.



- Applying government workforce development programs, resources and initiatives that emphasize training to employment opportunities in underserved markets.
- Creating business incubators for potential and already-existing businesses to enhance the viability of private investment efforts.
- Providing financing opportunities for franchisee entrepreneurs who have the business acumen but encounter roadblocks to acquiring capital.

Impact on Atlanta Neighborhoods

Atlanta committed significant resources to redeveloping some of the city's most distressed areas. The City created a separate entity known as the Corporation for Olympic Development in Atlanta (CODA) to oversee revitalization in 13 neighborhoods inside the "Olympic ring." CODA oversaw design and construction of pedestrian corridors and parks and the installation of 37 works of public art. Some of Atlanta's poorest neighborhoods received infrastructure improvements such as repaved streets, improved lighting and increased signage.

"The driver was Maynard Jackson, who said if we're going to have this party, we need to have a permanent legacy for this city. He caught hell when it started. The neighborhoods were up in arms about them putting up another stadium in neighborhoods that already suffered from parking issues and late-night games. The neighborhoods were saying, 'What's in it for us?' We finally got people to the point where they believed in it."

--Clara Axam, former president and CEO of CODA

Atlanta's experience shows that preserving affordable housing in neighborhoods in proximity to the Games should be a priority. Demolition of low-income housing to build Olympic venues, and the desire of city and state officials to ensure that Atlanta would be camera-ready when the spectators arrived led to the displacement of thousands of Atlanta's poorest citizens, most of them African American. Large-scale demolitions and land acquisitions had a severe effect on the poor citizens of Atlanta in the run-up to the Games.

According to Fair Play for Housing Rights: Mega-Events, Olympic Games and Housing Rights, a study authored by the Centre on Housing Rights and Evictions: 2,077 units of public housing were destroyed in Atlanta, while displacing 5,813 residents. This made way for the Olympic Village and Olympic Stadium. Another 10,000 units were lost to increases in rents, code enforcements and demolitions, displacing an estimated 25,000 people.

Among the low-income housing casualties in Atlanta was the Techwood/Clark Howell public housing community, which once held a spot on the list of historic places. The Summer Hill neighborhood underwent large-scale redevelopment, including town home and condominium complexes unaffordable to the residents who once resided there. Some of the low-income housing torn down was replaced with mixed-income units due to the insistence of community-based groups overs



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 <u>decision-making</u> 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.

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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.

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

Firm Name	Web addresss	Top executive	04 Sales	Year Est.	Employees

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Appendix III: Estimated Olympics Economic Impact on Chicago by Sector

Breakdown of Economic Impact					
Industry Sector	Expend	litures	Jobs		
	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		

Sources: University of Illinois at Urbana-Champaign, Economics Research Associates, Selig Center for Economic Growth, University of Georgia, John Madden, Monash University

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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

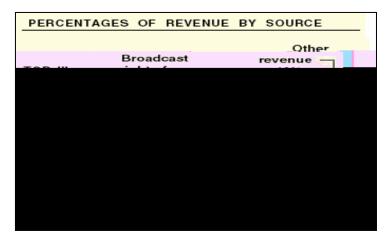
20,277,000

82,219,000

16, 0



Appendix V: Percentages of ACOG Revenue by Source 12



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%

Chicago						
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	Oakland	Douglas	Hyde
Park	Cakianu	Douglas	



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

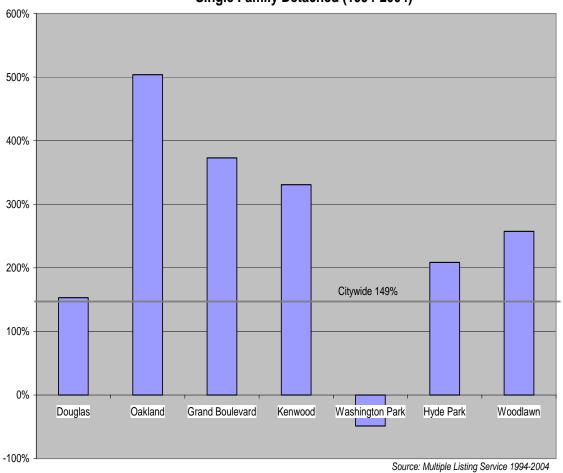




Table 3: Change in Minority-Owned Businesses in Chicago Illinois, 1997 - 2002

Group Year Number

of Firms



MAP A: COMMUNITY AREAS MAP WITA58.27425 689.04004 Tm(E)TTA58.27425 627.075P5g9.