

Atlantic City Tourism Performance Indicators (AC-TPI)

1st Quarter 2013 Snapshot

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Executive Summary

After each quarter, the Lloyd D. Levenson Institute of Gaming, Hospitality and Tourism at The Richard Stockton College of New Jersey releases a report that analyses the Atlantic City Tourism market as a tourist destination. The Atlantic City Tourism Performance Indicators (AC-TPI) was launched earlier in 2013 as an annual summary of 2012.

The AC-TPI focuses on three key metrics, Atlantic City Luxury Tax, (serves as proxy for resort entertainment activity), the Atlantic City, Casino Parking Fee (proxy for transportation spend in and to Atlantic City), and Atlantic County Hotel Occupancy Fee (proxy for overnight tourist spend).

The results for Q1 2013 indicate:

- The Atlantic City Luxury Tax, always highest in the summer season, continued to reflect its seasonal nature, having reached a record \$4.5 million in July, 2012. The trend took a sharp run upward over the past three years. Q1 2013 is up slightly from Q1 2012, approximately \$150,000. An analysis of the prior months trailing total reveals that the past 12 months have been the highest 12 months on record, approximately \$35.6 million.
- The Atlantic City casino parking fee, continuing its downward trend of the last six years, was down 7.5% Year over Year Q1 2013 (\$5.6) vs. Q1 2012 (\$6.1). The remnants of Hurricane Sandy in late 2012 are likely responsible, especially given the very sharp decline in Q4 2012.
- The Atlantic County Hotel Occupancy fee, also very seasonal in nature, had its best month on record in August of 2008 (\$733.1). The total occupancy fee for Q1 2013 was \$1.1 million, up 10% Year over Year. The trailing total of \$5.6 million during the past seven years of our study period.

Atlantic City Tourism Performance Indicators (AC-TPI)

Atlantic City Tourism Performance Indicators (AC-TPI) 1st Quarter 2013 Snapshot

The Atlantic City Tourism Performance Indicators (AC-TPI) report was first released in March of 2013. That report described the broader context in which Atlantic City competes as a tourist destination (national and state) to show relative performance of the destination. It also described a lack reporting of non-gaming amenities in this well-established casino centric destination. It successfully began a longer term process of measuring broader aspects of the tourism economy in Atlantic City including traveler accommodations, transportation, food services and drinking places, recreation and entertainment, and shopping. This, the first of the quarterly updates to be prepared, provides updated tax revenue figures that closely track these key metrics: the Atlantic City Luxury Tax, Casino Parking Fee and the Atlantic County Hotel Occupancy Fee. These metrics, and their historical performance, are updated in the following sections. The inaugural annual report can be found on the Levenson Institute of Gaming, Hospitality and Tourism's website¹.

Atlantic City Luxury Tax

The Atlantic City Luxury Tax provides a very good surrogate for many of the non-gaming metrics, namely alcohol, entertainment and traveler accommodation. According to the New Jersey Division of Taxation:

"The Atlantic City Luxury Sales Tax applies to the receipts from specified retail sales within Atlantic City, including sales of alcoholic beverages for on-premises consumption; cover, minimum, or entertainment charges; room rental in hotels, inns, rooming, or boarding houses; hiring of rolling chairs, beach chairs, and cabanas; and tickets of admission within Atlantic City... The rate of tax is 3% on sales of alcoholic beverages sold by the drink and 9% on other taxable sales. The maximum combined Atlantic City rate and New Jersey State sales tax rate (excluding the State occupancy fee) may not exceed 13% effective July 15, 2006. The State sales tax rate is reduced to the extent that the city rate exceeds 7%, and the maximum combined Atlantic City rate and New Jersey rate

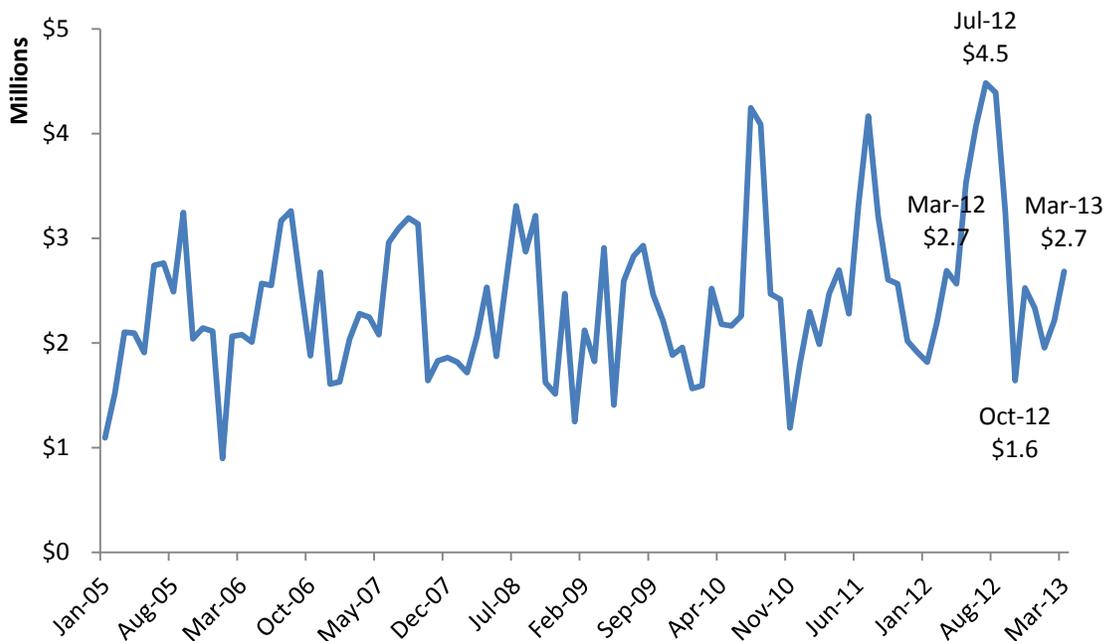
¹ Tyrrell, B.J. and Posner, I. (2013). Atlantic City Tourism Performance Indicators (AC-TPI): 2012 Annual Report. The Levenson Institute of Gaming, Hospitality and Tourism, March 2013, Pomona, NJ. Available online at: [http://intraweb.stockton.edu/eyos/business/content/docs/LIGHT/New%20AC%20TPI%20\(March%202013\)%20February%202012.pdf](http://intraweb.stockton.edu/eyos/business/content/docs/LIGHT/New%20AC%20TPI%20(March%202013)%20February%202012.pdf)

may not exceed 13%. Formerly, the maximum combined Atlantic City rate and the New Jersey sales tax rate could not exceed 12%.²

The analysis begins with an examination of the local Atlantic City market using Atlantic City Luxury Tax records.

Figure 1 below shows the Atlantic City Luxury Tax³ collections from January 2005 through March 2013. The highest recorded monthly total was experienced in July of 2012 at \$4.5 million. The graph shows the seasonal nature of the destination (and subsequently the tax), with more tax being generated in the summer months, the historically busy months for the tourist destination of Atlantic City. While this tax has been trending upward over the eight years under examination in the chart, that trend is difficult to discern given this seasonal nature. Notably, the four day closure of Atlantic City in the month of October 2012 resulting from Hurricane Sandy is visible in this graph as well. However, since October, the luxury tax appears to have rebounded.

Figure 1: Atlantic City Luxury Tax Collections, January 2005 through December 2012, \$millions



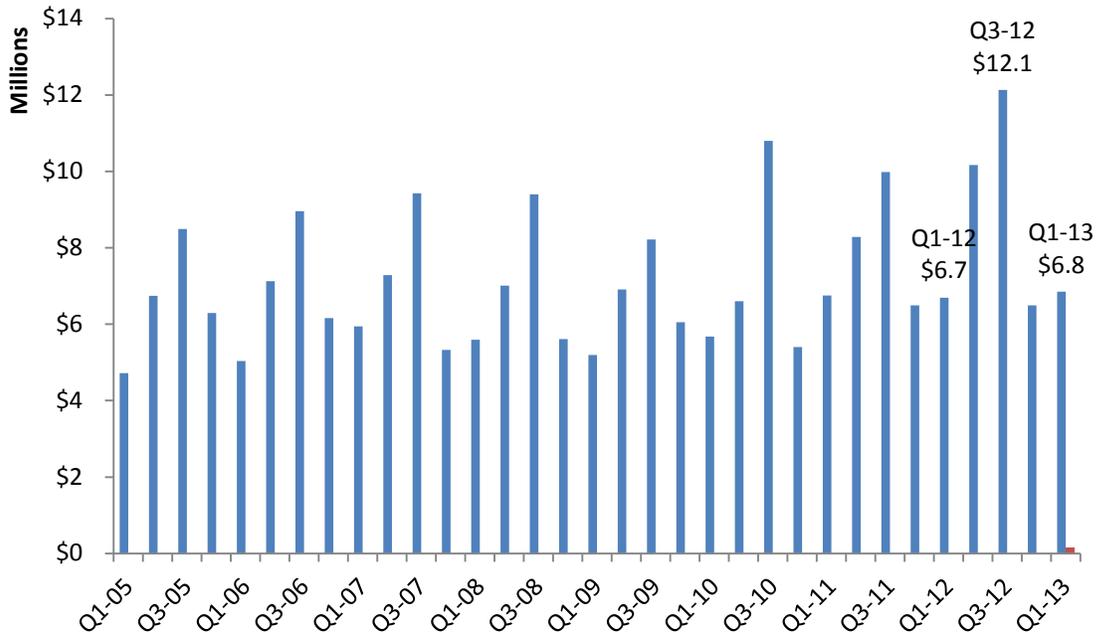
The seasonal trend is also discernible looking at the quarterly revenues (see Figure 2). The third quarter is always the strongest quarter of the year. In 2012, the Atlantic City Luxury Tax

² NJ Division of Taxation (2012). Atlantic City Luxury Tax Overview. Available online at: http://www.state.nj.us/treasury/taxation/acluxury_over.shtml

³ NJ Casino Control Commission (2013). Financial and Statistical Information; Historical Statistics. Available online at: <http://www.state.nj.us/casinos/financia/histori/>.

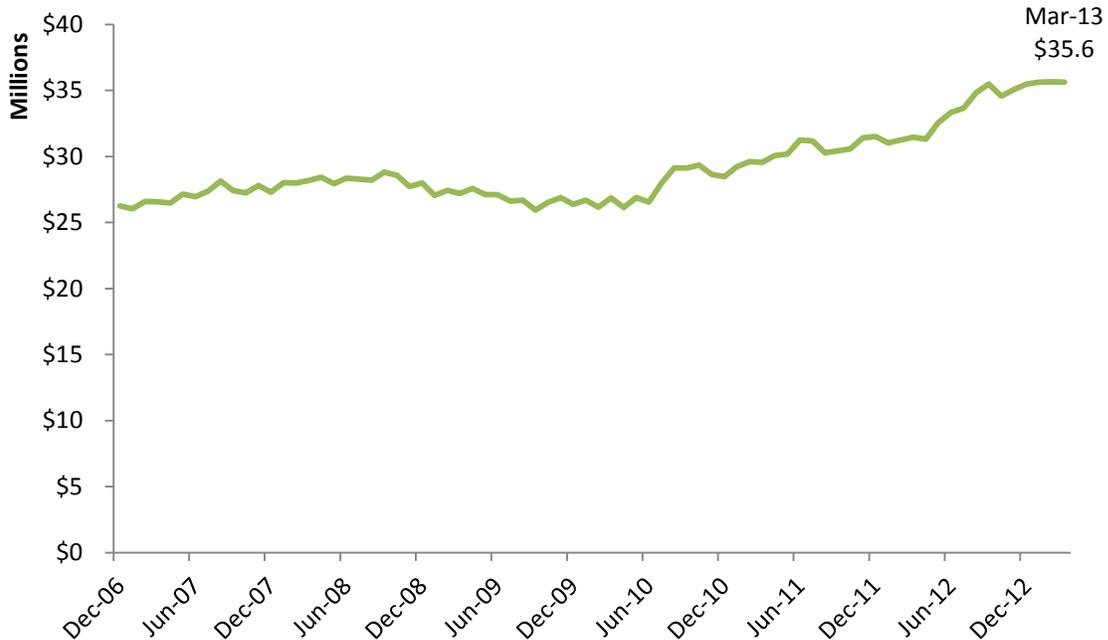
generated \$12.1 million, its highest quarter on record. The first quarter of 2013 was up slightly (\$150 thousand) over the first quarter of 2012.

Figure 2: Quarterly Atlantic City Luxury Tax Collections, 1st Quarter 2005 through 1st Quarter 2013, \$millions



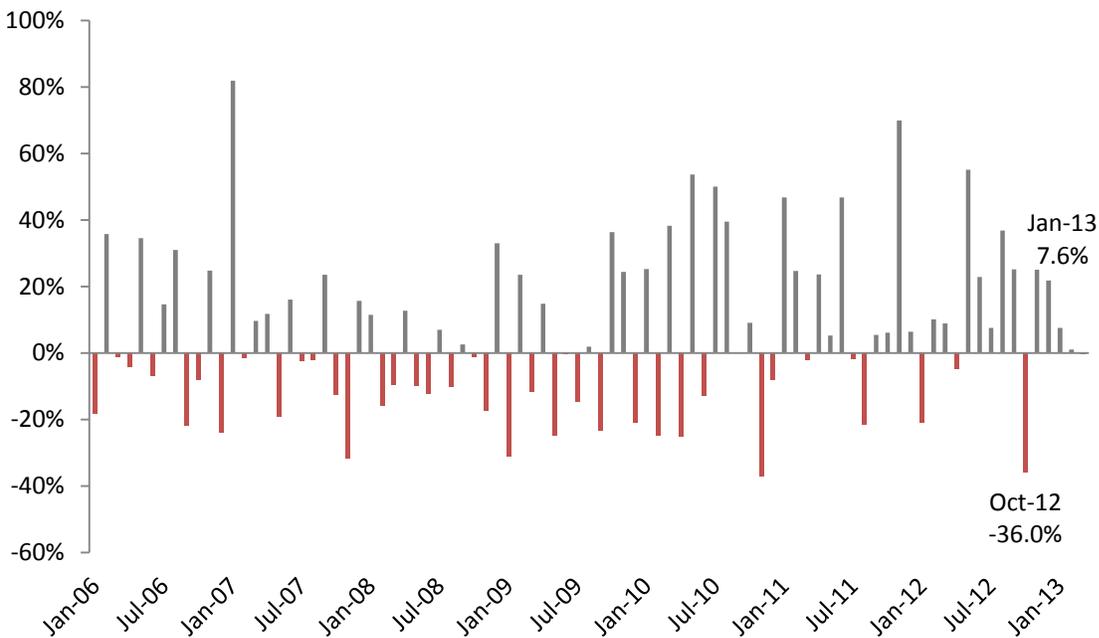
In order to see more clearly the longitudinal trends, a twelve month trailing total is provided. This figure is the summation of each of the current month and prior eleven months. This is accomplished below in Figure 3 which clearly indicates that the twelve month trailing total for the Atlantic City Luxury Tax has been steadily climbing throughout the study period. Indeed, the twelve month trailing total for March of 2013 experienced a new high at \$35.6 million. Thus, while the impact of Hurricane Sandy is still visible here, the trajectory of the 12 month trailing total appears to have recovered and the industry should remain cautiously optimistic heading into the busy 2nd and 3rd quarters.

Figure 3: 12 Month Trailing Total for the Atlantic City Luxury Tax, December 2005 to March 2013, \$millions



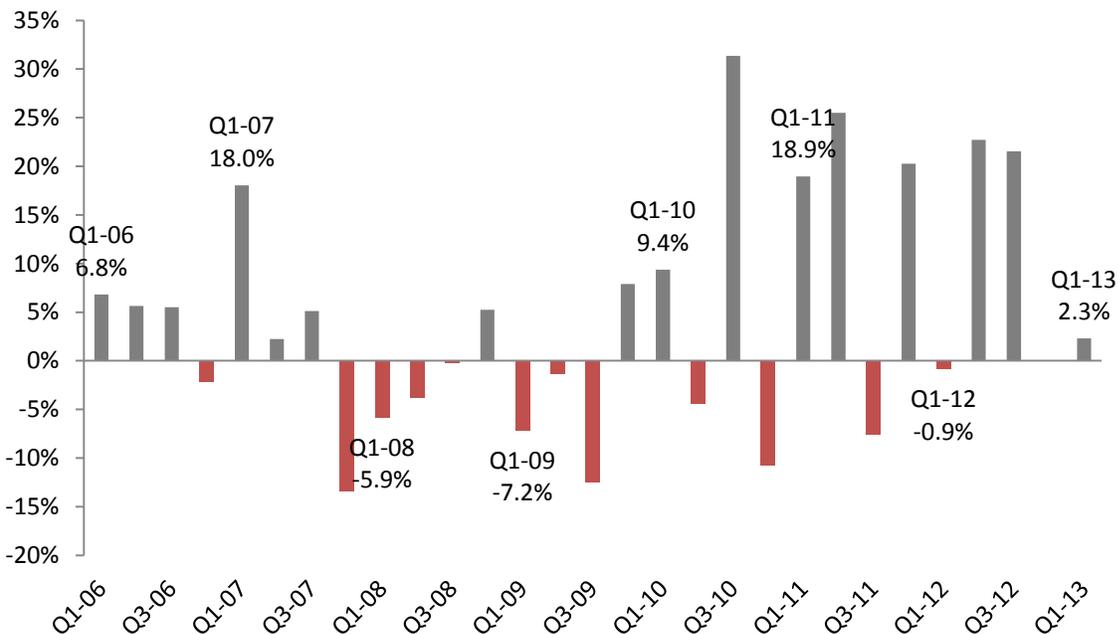
Year over Year (YoY) changes in the Atlantic City Luxury Tax collections can also be tracked to show how each month compared to the same month the prior year. Figure 4 below accomplishes this for the same study period. Nine of the past twelve months have been positive when compared to the prior year, including significant gains from May through September of 2012. The closure of Atlantic City at the end of October resulted in a 36.0% YoY decline for the month, with a strong November and December helping to close out a very positive year. January and February saw a slight downturn in this YoY positive change, recording more modest gains of 7.6% and 1.1% respectively. However, March was down, albeit very marginally (-0.3%). It is this YoY change that the Levenson Institute will be reporting as a monthly snapshot along with the comparable statistic for the other measures will be employed in examining the performance of the Atlantic City tourism economy.

Figure 4: Year over Year (YoY) Change in the Atlantic City Luxury Tax Collections, January 2006 through March 2013



Indeed, the strong November and December meant that, despite the impact of Hurricane Sandy on October numbers (down 36.0%), the fourth quarter would be essentially flat (0.0%) (see Figure 5). Of particular note were the increases of 31.4% and 21.5% in the third quarters of 2010 and 2012 respectively. Recall the seasonal nature of the Atlantic City resort is such that the third quarter is, by far, the strongest quarter in any given year. The third quarter of 2011 was down 7.6% compared to the third quarter of 2010, but that was a tough comparison given the growth in spending in 2010 and considering that a hurricane (Irene in August of 2011) impacted the third quarter of 2011 as well. Meanwhile, the 1st quarter of 2013 was up a modest 2.3%, an improvement over the same time period in 2012.

Figure 5: Year over Year (YoY) Change in the Quarterly Atlantic City Luxury Tax Collections, 1st Quarter 2006 through 1st Quarter 2013



Atlantic City Casino Parking Fee

The Casino Parking Fee figure is provided by the New Jersey Casino Control Commission (NJCCC). This figure serves as a surrogate for transportation, assuming that if the number of vehicles taxed has gone up or down, then so too will other expenditures on transportation to and from as well as within the resort and in the surrounding region. The tax is described by the NJCCC as:

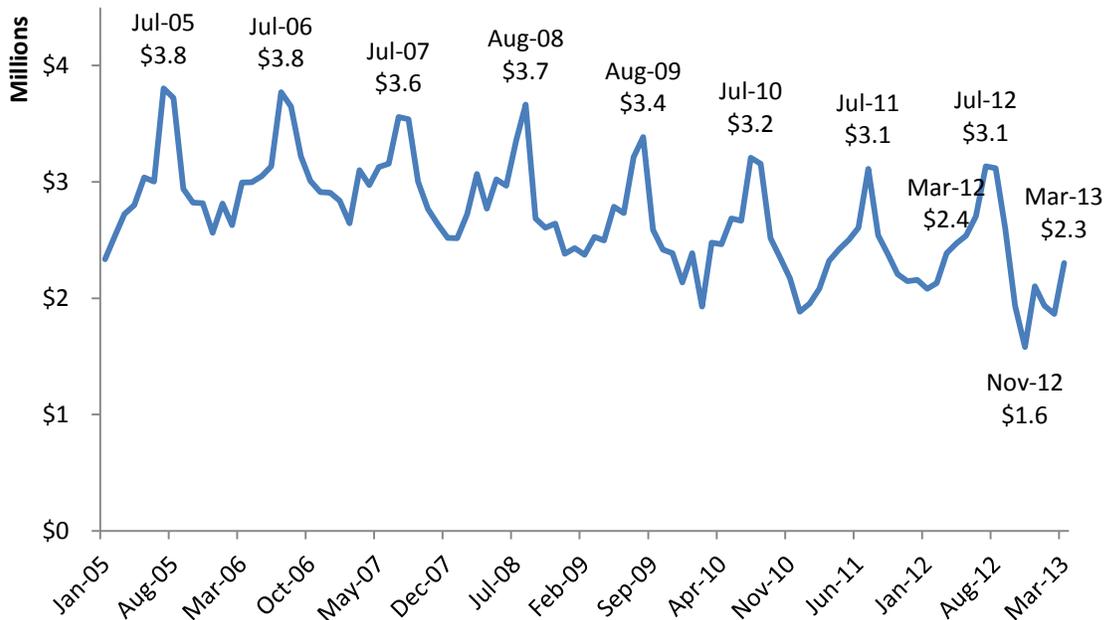
“By law, casinos remit a fee of \$3.00 per day for each parking space used by patrons in their facility. \$0.50 of the parking fee is deposited into the Casino Revenue Fund, with the remaining \$2.50 forwarded to the Casino Reinvestment Development Authority for public projects in Atlantic City. The commission audits and certifies the amounts payable by each casino under the law.”⁴

Figure 6 below shows that the Casino Parking Fee is also seasonal in nature, hitting its annual high every July, similar to the Atlantic City Luxury Tax described in the earlier section. The highest month in this study period was July 2010 at \$3.2 million, although both July 2011 and July 2012 were not below this figure by very much (July 2012 was only 2.4% lower than July

⁴ NJ Casino Control Commission (2012). Financial and Statistical Information: Parking Fees. Available online at: <http://www.nj.gov/casinos/financia/parking/>

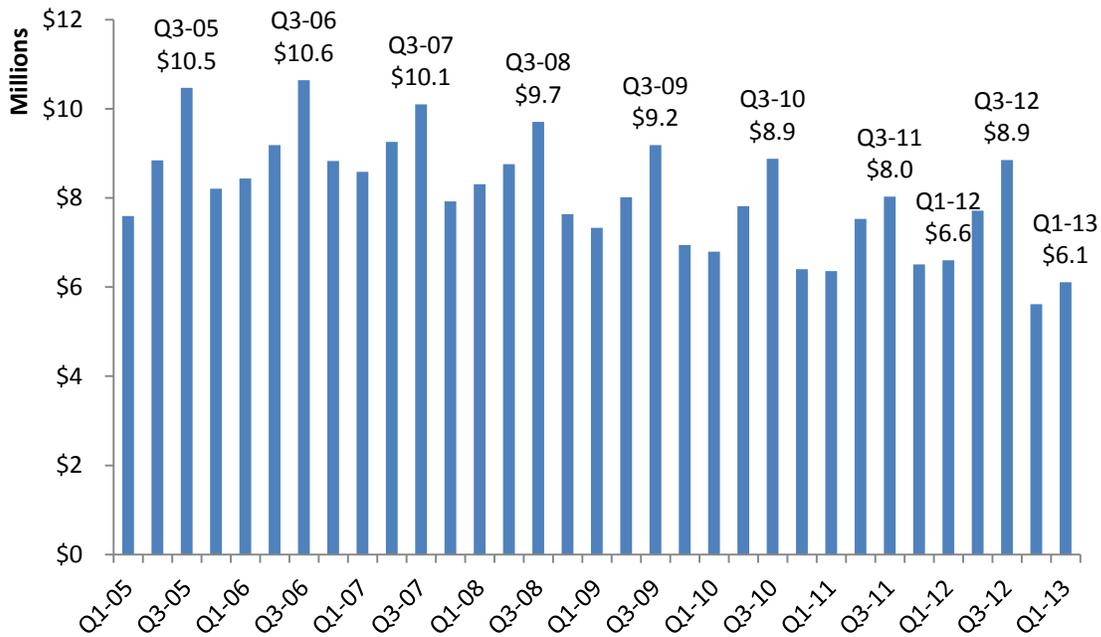
2010). Meanwhile, the latest figure, March 2013, was down compared to March 2012 (down \$174 thousand).

Figure 6: Casino Parking Fee, January 2005 through March 2013, \$millions



Of course, the strong July and August summer months help to make the third quarter the strongest in any given year as well. While 2012 looked to be experiencing healthy growth in patrons paying the Casino Parking Fee through the first three quarters, the impact of Hurricane Sandy would be reflected in the fourth quarter figures when only \$5.6 million would be collected (see Figure 7). The first quarter of 2013 was down nearly a half a million from the first quarter of 2012.

Figure 7: Quarterly Casino Parking Fee, 1st Quarter 2005 through 1st Quarter 2013, \$millions



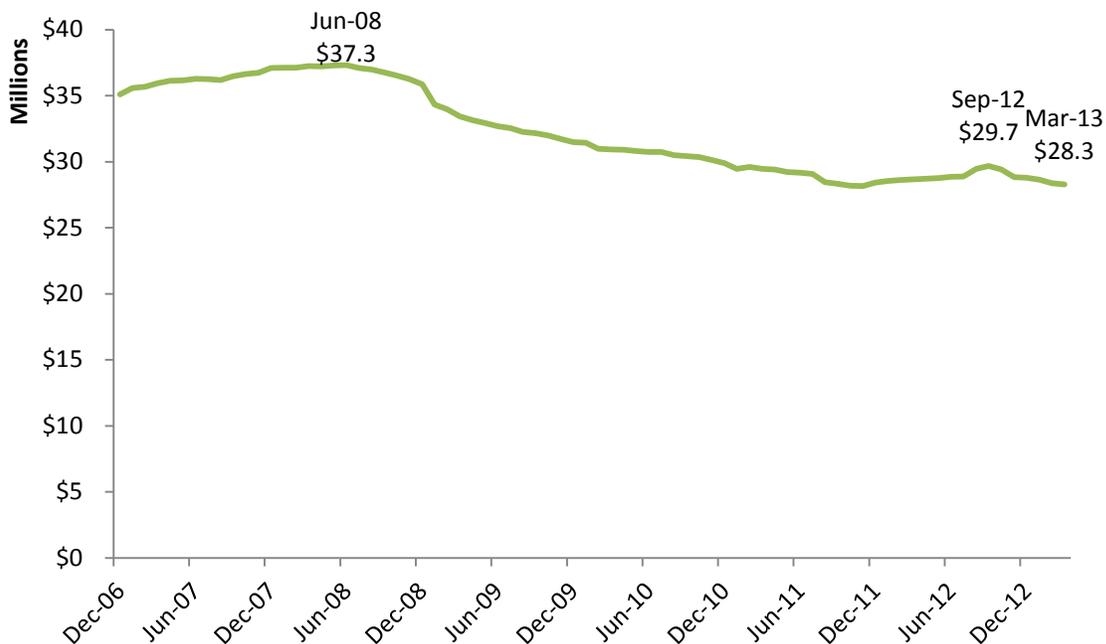
The resulting final year numbers would thus only show modest growth for the Casino Parking Fee (\$350 thousand, see Figure 8). Still, after four consecutive years of decline, the Casino Parking Fee has finally shown year over year growth in 2012.

Figure 8: Annual Casino Parking Fee Collections, 2005 through 2012, \$millions



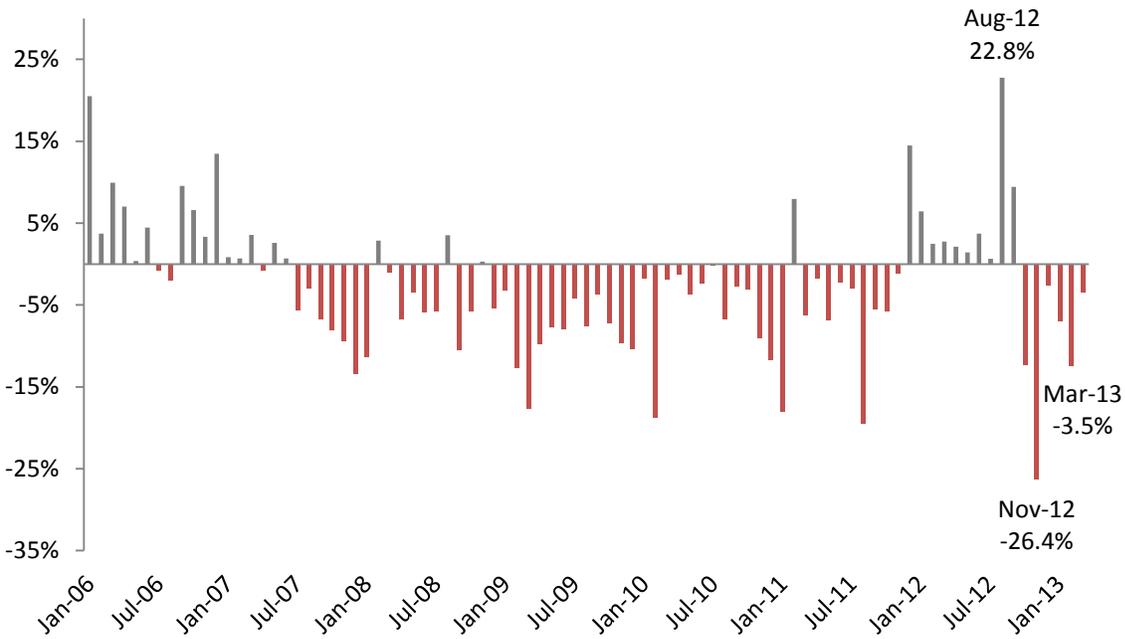
Once again, it is instructive to look at a twelve month trailing total to discern the longer term trend in the Casino Parking Fee. This is accomplished below in Figure 9. Here the picture is quite different than the analysis of the Atlantic City Luxury Tax in the prior section. The highest twelve month period in the study period was the twelve months ending December 2010, when the 12 months through December 2010 saw the Casino Parking Fee generating \$28.8 million. The twelve month trailing total bottomed out during the period with the twelve months ending November 2011 (\$28.2 million), but had been on the rise until the arrival of Hurricane Sandy. The most recent twelve month period ending in December of 2012 saw the Casino Parking Fee generate \$28.3 million, or 1.3% less than the March 2012 figure. Still, the Casino Parking Fee had largely been trending upward for the twelve months prior to the arrival of Hurricane Sandy. It will important to monitor if the 2nd and 3rd quarters mirror the growth shown in 2012.

Figure 9: 12 Month Trailing Total for the Casino Parking Fee, December 2006 to March 2013, \$millions



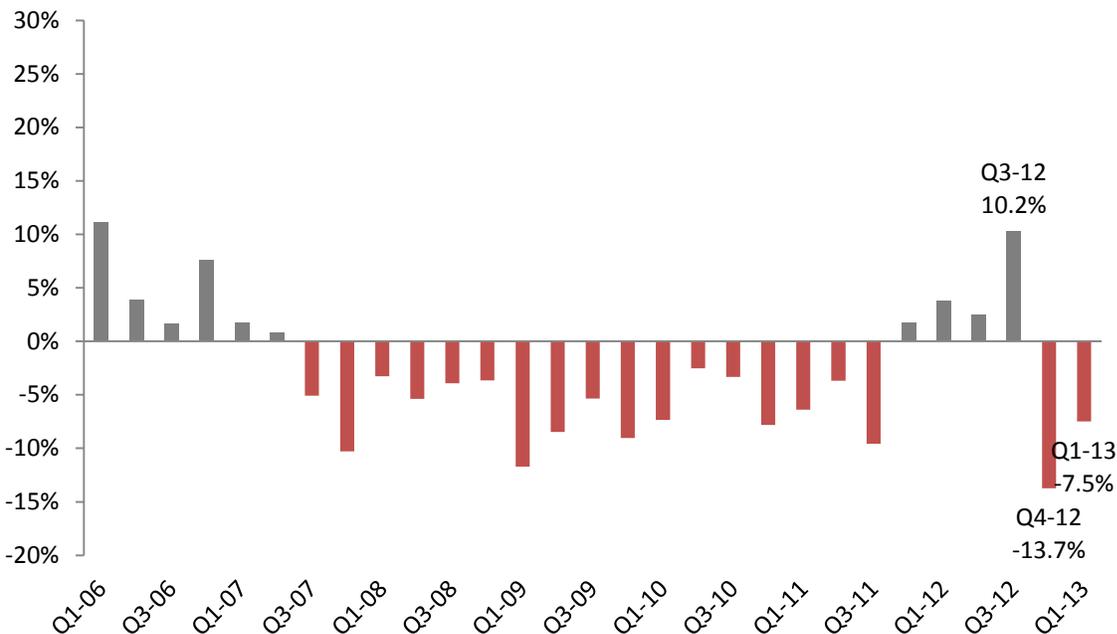
Finally, when we look at the Year over Year change in the Casino Parking Fee on a monthly basis (see Figure 10 below), we can see that January, February and March were all down compared with the prior year (-7%, -12.5% and -3.5% respectively). The first quarter of 2012 had shown modest gains in each month. Once again, this figure will comprise the monthly snapshot we provide in tracking the performance of the Atlantic City tourism economy.

Figure 10: Year over Year (YoY) Change in the Casino Parking Fee, January 2006 through March 2013



After four consecutive quarters of growth in Casino Parking Fee collections, the fourth quarter impact of Hurricane Sandy ended that streak. Between the four day closure, the cancellations of some high profile conventions (the NJ Education Association and League of Municipality conventions in particular), the impact on potential visitors in the Northeast whose homes or disposable income (likely both) were impacted by the storm, and all the negative publicity surrounding Hurricane Sandy, the fourth quarter would end down 13.7% (see Figure 11). That effect seems to be lessening, though lingering enough to show a -7.5% decline in the first quarter of 2013.

Figure 11: Year over Year (YoY) Change in the Quarterly Casino Parking Fee, 1st Quarter 2006 through 1st Quarter 2013



Atlantic County Hotel Occupancy Fee

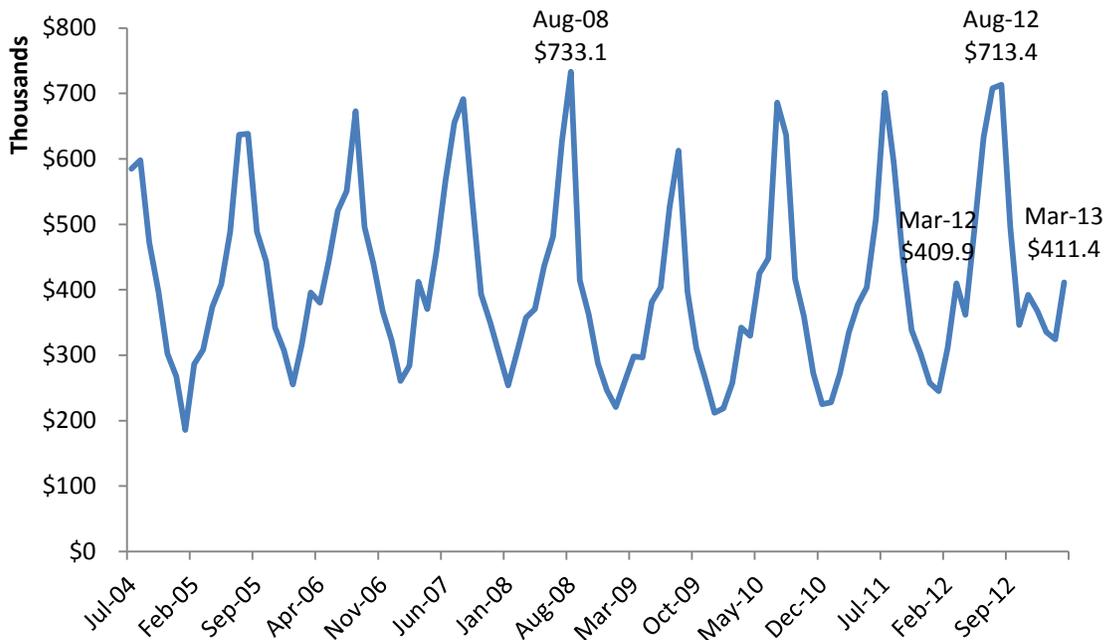
The Atlantic County Hotel Occupancy Fee will be utilized to get a concise picture of traveler accommodation for the region. While this figure is not Atlantic City specific, there is general consensus that the Atlantic City tourism market impacts the hotel industry throughout the county and thus is an accurate measure of the Atlantic City tourism economy. The figure is released by the New Jersey Division of Taxation and is described as:

“Legislation enacted in 2003 (P.L. 2003, c. 114) imposed a 7% State Occupancy Fee on the rent for every occupancy of a room in a hotel, motel or similar facility in most New Jersey municipalities, between August 1, 2003 and June 30, 2004. For occupancies on and after July 1, 2004, the Fee was reduced to 5%. A hotel/motel is a building regularly used and kept open for the lodging of guests, including bed and breakfasts, inns, etc. The State Occupancy Fee is imposed on the room rentals that are currently subject to the 7% New Jersey sales tax and is in addition to the sales tax. Special Rate Provisions: Since Newark, Jersey City, Atlantic City, Wildwood, Wildwood Crest, and North Wildwood already impose local taxes or fees on hotel/motel occupancies, the new State Occupancy Fee is imposed at a lower rate in those areas: Newark & Jersey City: State Occupancy

Fee is 1%; Atlantic City: State Occupancy Fee is 1%; The Wildwoods: State Occupancy Fee is 3.15%.”⁵

Figure 12 shows the Atlantic County Hotel Occupancy Fee collections from July 2004 through March of 2013. Once again, the figure is very seasonal in nature, with the summer months producing more tax revenue than the off season months. The best month on record for the tax is August of 2008 when \$733.1 thousand was collected in Hotel Occupancy Fee for Atlantic County. In August of 2012 the hotel occupancy fee generated \$713.4 thousand, or 2.6% below the August of 2008 high. That trend continued into 2013, with January of 2013 producing \$90 thousand more than 2012. The gain was not as dramatic in February, up only \$14 thousand compared to 2012. The latest figure, March 2013, saw the hotel occupancy fee generate a modest \$1.5 thousand more than March of 2012.

Figure 12: Atlantic County Hotel Occupancy Fee, July 2004 through March 2013, \$thousands

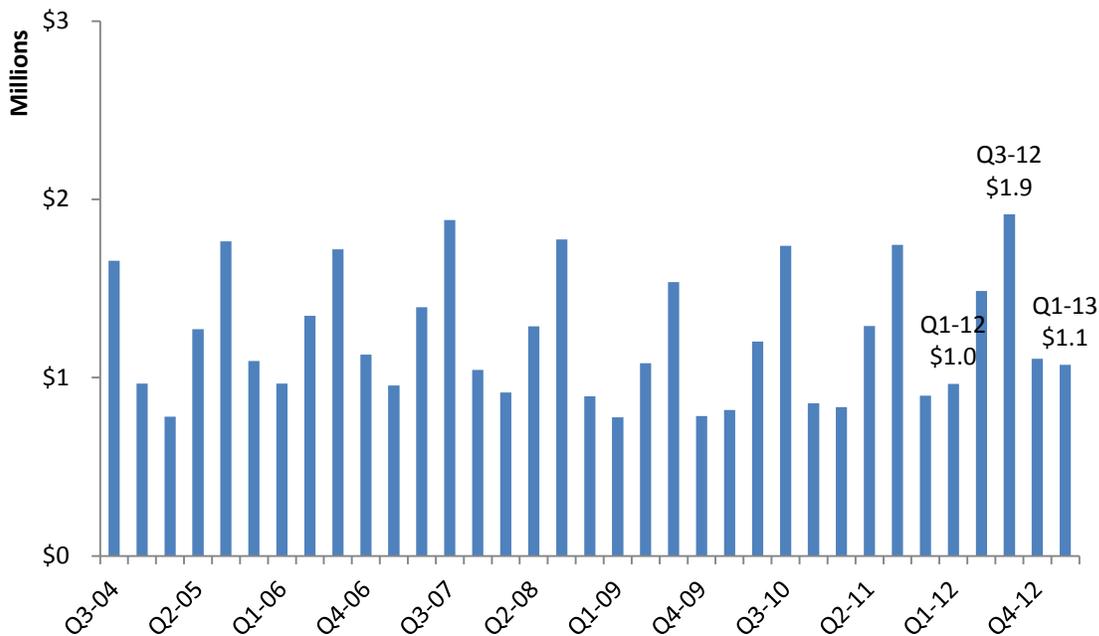


The strong August of 2012 figure, combined with the best July on record and best post-recession September would mean the third quarter of 2012 would be the strongest on record (\$1.9 million, see Figure 13) for collections of the Atlantic County Hotel Occupancy Fee. Unlike the Casino Parking Fee and Atlantic City Luxury Tax, Hurricane Sandy’s impact on the Hotel Occupancy Fee would be such that a large increase in demand for hotel rooms would occur. The result was the best fourth quarter (\$1.1 million) on record since the tax was initially collected. This increase in lodging demand was not isolated to Atlantic County, but is seen up

⁵ NJ Division of Taxation (2012). Hotel/Motel State Occupancy Fee. Available Online at: <http://www.state.nj.us/treasury/taxation/hotelfeeinfo.shtml>

and down the coast of New Jersey as individuals both impacted by Sandy and those here to assist in the recovery effort required accommodations that drove demand up in November and December of 2012 by historic year over year growth. The first quarter of 2013 continued this trend, albeit at a declining pace (up \$100 thousand). This increase in lodging demand following Hurricane Sandy is discussed in more detail in the Spring 2013 issue of LIGHT's On⁶, the Levenson Institute of Gaming, Hospitality and Tourism's bi-annual publication.

Figure 13: Atlantic County Hotel Occupancy Fee, 3rd Quarter 2004 through 1st Quarter 2013, \$millions

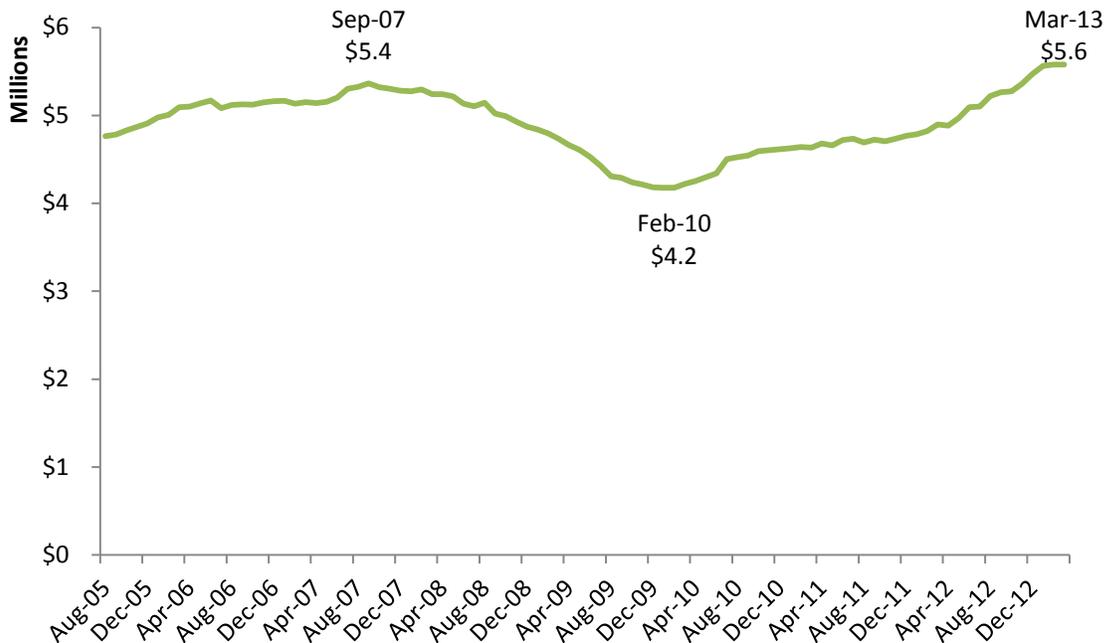


The twelve month trailing total for the Atlantic County Hotel Occupancy Fee is examined below in Figure 14. While the previous graph showed that the monthly high was experienced in August of 2008, the twelve month trailing total shown below makes it clear that the recessionary impacts on the hotel industry in Atlantic County coincided much more closely with the national recessionary trends that saw the economy begin to slump in the fourth quarter of 2007. It should be noted, however, that for most leisure destinations, indeed for the nation as a whole, the recessionary impacts did not generally start impacting the lodging industry until the fourth quarter of 2008. Still, the twelve month trailing total has been on the rise since February of 2010, a trend that is roughly identical to what we see on a statewide basis when

⁶ Tyrrell, Brian J. (2013). Hospitality Update: 2012 Proves to be a Record Setting Year for the New Jersey Lodging Industry, Aided by the Hurricane Sandy Recovery Effort. LIGHT's On, Volume 3, Issue 1.

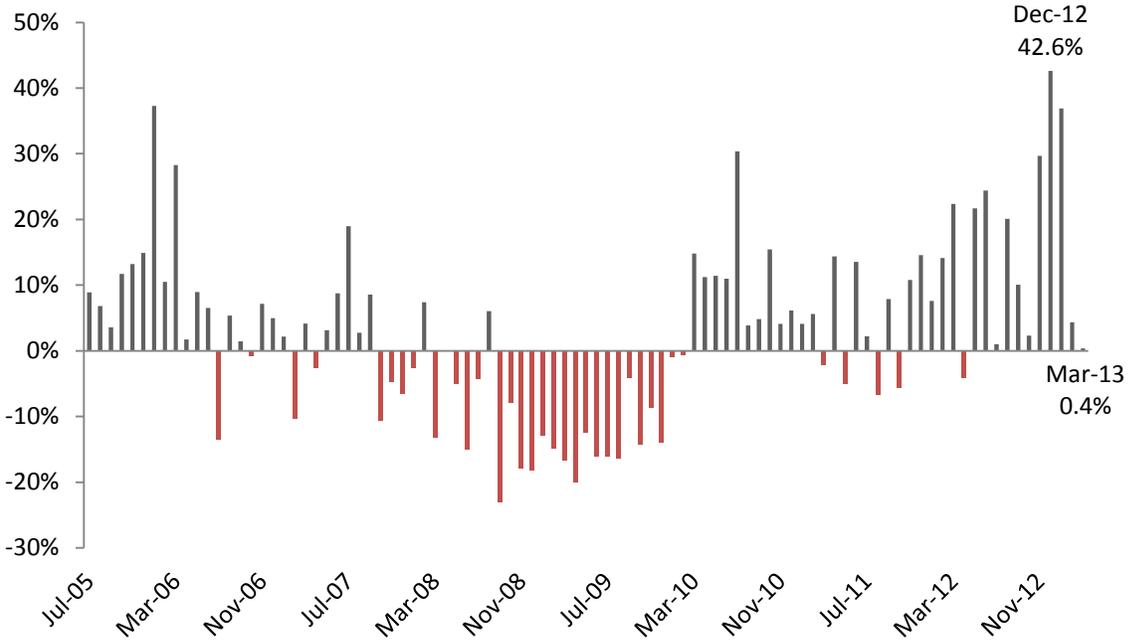
looking at the Hotel Occupancy Fee. The twelve months ending March of 2013 saw Atlantic County collecting \$5.6 million in Hotel Occupancy Fee, a new twelve month high for the tax.

Figure 14: 12 Month Trailing Total for the Atlantic County Hotel Occupancy Fee, August 2005 through March 2013, \$millions



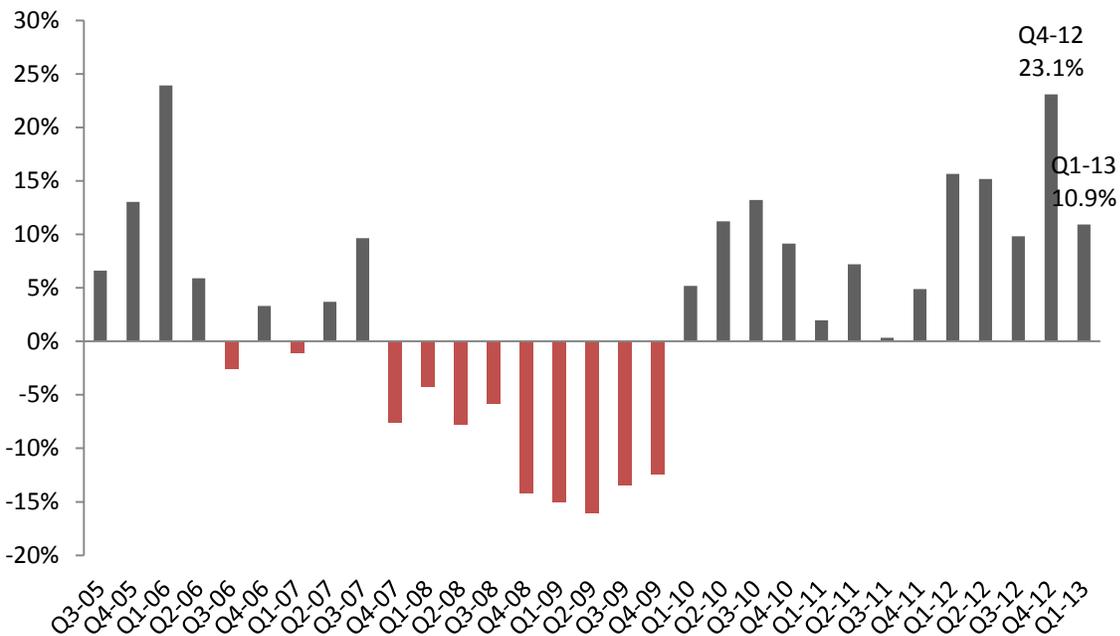
When the Levenson Institute examines the Year over Year change in the Atlantic County Hotel Occupancy Fee (see Figure 15) for the period, the impact of the recession can be clearly seen, roughly corresponding to the fourth quarter of 2007 to the first quarter of 2010. Since that time, however, there have only been five months that did not compare favorably to the same month the prior year. Indeed, in the past twelve months, there has been only one month that did not show positive gains when compared to the same month the prior year. Earlier in this report it was mentioned that January showed the similarly large gains experienced in the wake of Hurricane Sandy (January 2013 was up 36.9%). February showed a potential end to this hurricane induced demand, up only 4.3% compared with February of 2012. The most recent month’s data, March of 2013, realized only a 0.4% increase compared to March of 2012.

Figure 15: Year over Year (YoY) Change in the Atlantic County Hotel Occupancy Fee, July 2005 to March 2013



Despite the majority of hotel rooms in Atlantic County being shut down entirely for four days in October, the fourth quarter of 2012 saw the second highest (up 23.1%) year over year increase since the tax was first collected (see Figure 16). While the increase in lodging demand in the quarter is strong, it follows a string of 12 consecutive quarters in growth for the metric, dating back to the first quarter of 2010. The first quarter of 2013 was up nearly 11%, but as was mentioned above the majority of this was in January and likely associated with a Hurricane Sandy impact that appears to have finally run its course.

Figure 16: Year over Year (YoY) Change in Quarterly the Atlantic County Hotel Occupancy Fee, 3rd Quarter 2005 through 1st Quarter 2013



March 2013 Atlantic City Tourism Performance Indicators (AC-TPI) Snapshot

This report began by describing the need to enhance and broaden the manner in which the performance of the tourism economy in Atlantic City is measured and reported. It was noted that the news media are overly reliant on reporting gaming revenue, a figure that has been on the decline since multiple jurisdictions in the Northeast United States legalized and developed gaming facilities. It noted how the efforts at revitalization in Atlantic City were geared toward making the resort a more full service destination that had more to offer the visitor in terms of shopping, entertainment and restaurants. The Levenson Institute reviewed national and state wide efforts at measuring the tourism economy and revealed that the five major industries of traveler accommodation, food services and drinking places, entertainment, shopping and transportation were the agreed upon industries to measure the health of a tourism economy. The Levenson Institute also described how tax revenues can serve as surrogates for the TSA data that is not available at a discrete enough level for our purposes.

Indeed, the Levenson Institute has concluded that these three taxes can serve as an effective proxy for the performance of the tourism economy in Atlantic City. These taxes, or more precisely the Year over Year change in the monthly figures for these taxes, will be compiled into

an Atlantic City Tourism Performance Index Snapshot. A more detailed annual report will be provided to give the longer term picture of what is happening to the Atlantic City tourism economy. In between these reports, however, the Levenson Institute will provide a snapshot, on a monthly basis, as to the performance of the Atlantic City tourism economy as shown in Figure 17 below. The goal is to provide key metrics with analysis that can describe the results of the resorts current efforts at revitalizing the Atlantic City tourism economy.

Figure 17: March and 1st Quarter 2013 Year over Year Atlantic City Tourism Performance (AC-TPI) Index Snapshot

