Atlantic City Tourism Performance Indicators (AC-TPI)

2012 Annual Report

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Acknowledgements

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Introduction

Gross Gaming revenue in Atlantic City has been on the decline since 2006[1] when it peaked at $5.2 Billion, coinciding with the introduction of gaming the in key feeder markets of Atlantic City. As competition for the gaming dollars of Northeast United States residents increased, Atlantic City has reacted by increasingly diversifying its destination offerings. The diversification of products and services to guests of the resort has brought about a renewed focus on increasing the entertainment, restaurant and shopping options for the visitor. This effort has been bolstered by an expanded marketing campaign aided by state mandated investment by the casinos in a public-private partnership consisting of the Casino Reinvestment Development Authority (CRDA) and the Atlantic City Alliance (ACA) respectively. The ACA has since produced what many have come to know as the "DO AC" campaign, whose marketing focus goes beyond gaming to emphasize the non-gaming options of entertainment, restaurants and shopping in the region.

Still, the news media continue to focus almost exclusively on the decline in casino gaming revenue in Atlantic City. It is clear however, that as the resort transforms into a more full service destination, a set of metrics that can measure progress of this transformation is increasingly necessary. Atlantic City's performance should include metrics by which other destinations are measured that necessarily include a set of non-gaming metrics. Indeed, Atlantic City no longer holds a monopoly on gaming revenue in the northeast and needs to increasingly view its competition as other resort destinations. Strategic success of the resort's current efforts requires a set of metrics for investors and policy makers that measure the efforts at expanding the region's tourism economy, not just gaming.

Towards that end, the Levenson Institute (LIGHT) has studied how the performance of tourism destinations is measured around the world, an issue that the United Nations World Tourism Organization (UNWTO) has grappled with for several decades. The solution is not necessarily straightforward for one main reason; tourism is not an industry per se, but rather a collection of industries that partially or wholly (in the case of the hotel industry) contributes to the tourism economy. Consider, for instance, the restaurant industry. Not all food and beverage expenditures are a result of a visitor to any particular destination. School lunches, hospital meals, even the occasional meal away from home by a local resident, should not be included when considering the impact of restaurant revenue on the local tourism economy. The same holds true for entertainment, shopping and transportation revenue for any destination.

[1] New Jersey Division of Gaming Enforcement (2012). Quarterly Press Releases and Statistical Summaries. Available online at: http://www.nj.gov/oag/ge/quarterlypressreleases.html

Understanding this dilemma, the UNWTO began what they term a Travel and Tourism Satellite Accounting (TSA) system for destinations that aims to estimate the impact of a tourism economy in a manner that allows for comparability, both longitudinally as well as between destinations. In their own words:

> *"The UNWTO Statistics and Tourism Satellite Account Programme is committed to developing tourism measurement for furthering knowledge of the sector, monitoring progress, evaluating impact, promoting results-focused management, and highlighting strategic issues for policy objectives...the programme works towards advancing the methodological frameworks for measuring tourism."*[2]

The program measures tourism performance on five key metrics; Traveler Accommodation, Shopping, Food Services and Drinking Places, Entertainment and Transportation. It has since been adopted by several nations (including the United States) and has been adapted to measure the performance of the tourism economy in many states within the United States (including New Jersey). In the United States, the Bureau of Economic Analysis (BEA) provides a TSA system for the measurement of tourism economies in the United States.

Travel and Tourism Satellite Accounts (TSA's)[3] [4]

The Travel and Tourism Satellite Accounting (TSA) system for reporting on the performance of the travel and tourism industry was adopted by the United Nations World Tourism Organization in 1998. TSA's allow for the estimation of what are sometimes disparate components of various enterprises that ultimately provide goods and services to the traveling public. Unlike many other industries where one can measure directly the amount of goods and services produced in a given year, tourism is really about consumption, rather than production. For example, the number of hotel rooms produced in a given year is good information on the growth of supply of hotel rooms in that particular year, but informs little about the demand for hotel rooms as the majority of travelers will not have stayed in a hotel room that was brand new in that given year.

According to the United Nations, TSA's allow the researcher to "analyze in detail all the aspects of demand for goods and services which might be directly associated with the activity of

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[2] United Nations World Tourism Organization (2012). Statistics and Tourism Satellite Accounts. Available online at http://statistics.unwto.org/en.

[3] Much of the following sections was adapted from an earlier report by the author as noted in the following footnote.

[4] Tyrrell, B.J. (2012). The Economic Impact of Somerset County Tourism. Paper presented to the Somerset County Business Partnership, Bridgewater, New Jersey.

visitors; to observe the operational interface with the supply of such goods and services within the same economy of reference; and to describe how this supply interacts with other economic activities"[5]. Accordingly, it is proper to review tourism's performance by first reviewing the Office of Travel and Tourism Industry's estimation of tourism performance in the United States, then transitioning from there into the New Jersey Division of Travel and Tourism's estimate of tourism performance in the state of New Jersey. Finally, this report will discuss how to use this knowledge as the basis in selecting of a set of metrics that hold promise for measuring the tourism economy performance in Atlantic City.

Tourism Spending in the United States

Total tourism related output in the United States for 2011 was nearly $1.2 trillion[5] (see Figure 1 below). Spending on tourism goods and services continued through 2011, its second year of increases, having gained 8.1% in 2010 and 5.6% in 2011. This is encouraging news after experiencing declines in the few years prior owing largely to the national recession. The $1.2 trillion spent in 2011 is still below the pre-recession high experienced in 2006. Since increases are projected for 2012, it would not be surprising to see a new record set for travel and tourism in the United States this year. Through the first three quarters of 2012, the Bureau of Economic Analysis[6] estimates the industry is expected to produce $1.4 trillion in 2012.

[5] United Nations. (2012). Travel and Tourism Satellite Account: Recommended Methodological Framework. Available online at: http://unstats.un.org/unsd/tradeserv/EGTS/updated%20TSA%20RMF%20v.1.pdf

[6] Bureau of Economic Analysis. (2012). Travel and Tourism Spending Slowed in the Third Quarter of 2012. Available online at: http://tinet.ita.doc.gov/research/programs/satellite/tour312.pdf

Figure 1: All Tourism Goods and Services for the United States, 1998 through 2011, $billions[7]

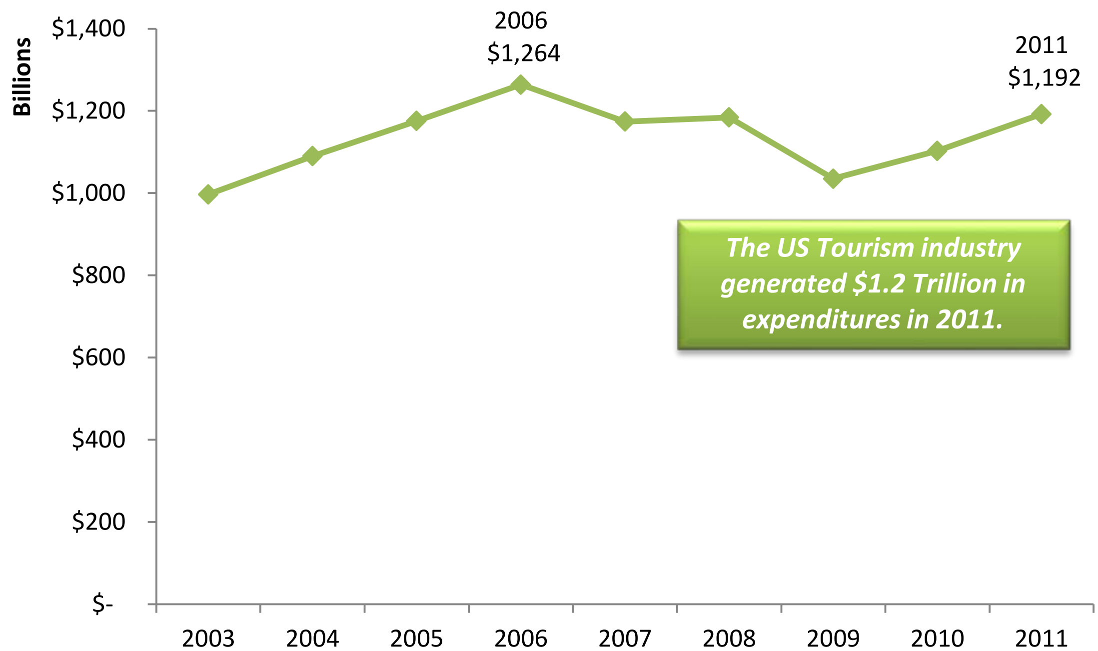
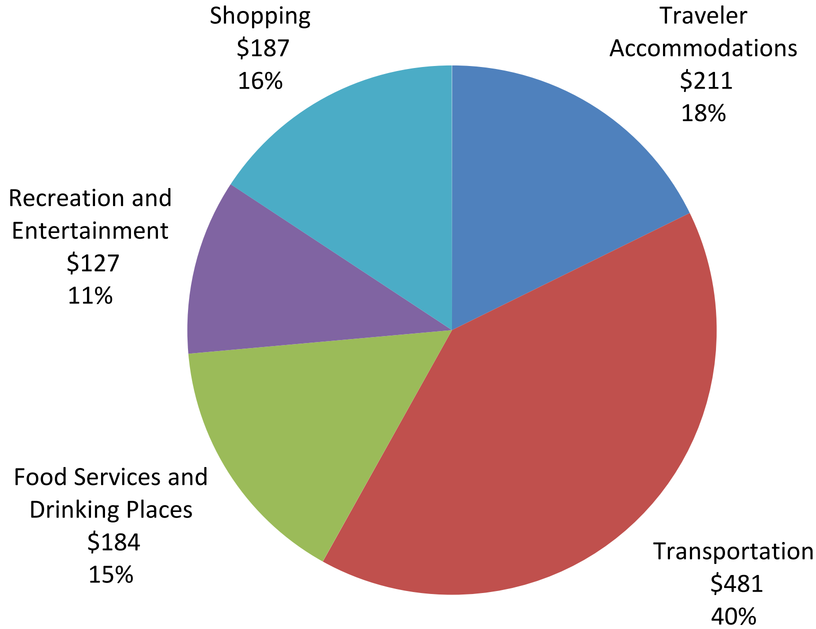


Figure 2 below shows just where visitors spent those dollars. It is important to note that the distribution of tourist dollars amongst these tourism goods and services categories can vary markedly between different levels of geography. In the present context, it is important to understand that New Jersey is, by and large, a destination to which visitors travel by vehicle. This results in less spending on transportation by the average visitor which can be an opportunity for additional spending at the destination itself.

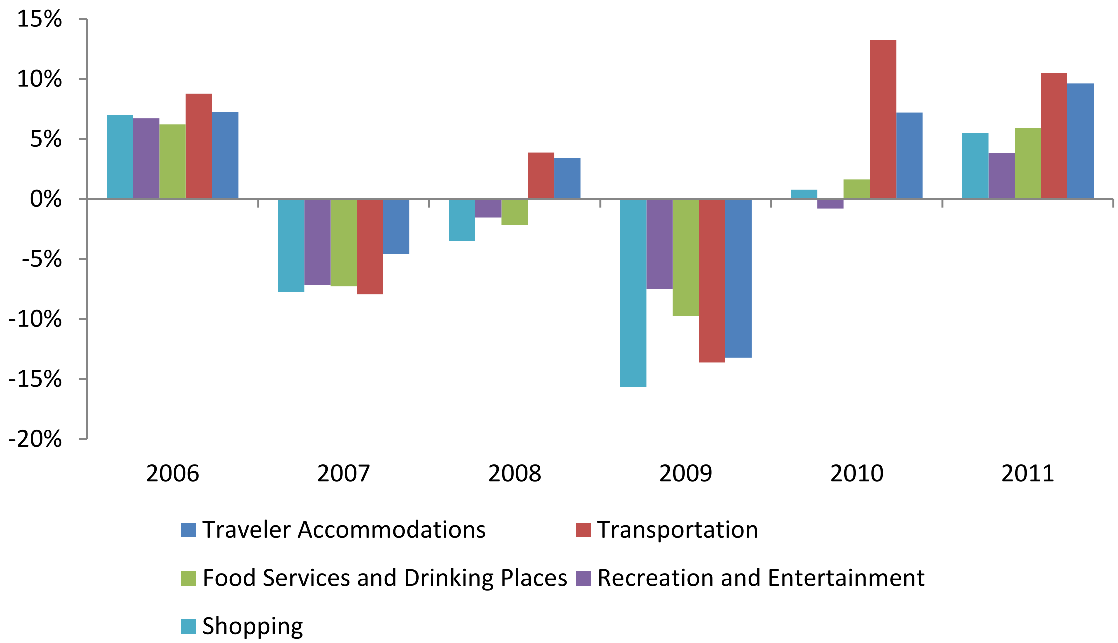
[7] Office of Travel and Tourism Industries. (2012). Travel and Tourism Output, Prices and Employment. Available online at: http://tinet.ita.doc.gov/research/programs/satellite/tour411.xls

Figure 2: 2011 Tourism Goods and Services for the United States by Industry, $billions



In 2011 spending was up in each of the tourism goods and services categories, and particularly strong in the traveler accommodations and transportation sectors (Figure 3 below). This marks the second consecutive strong year in a row of growth in spending on traveler accommodation and transportation sectors. Through the first three quarters of 2012, there are some signs of a slowdown in spending on transportation[6]. Prices for passenger air transportation, have decreased during the year as well and helps account for the reduced spending. The full year is expected out this summer.

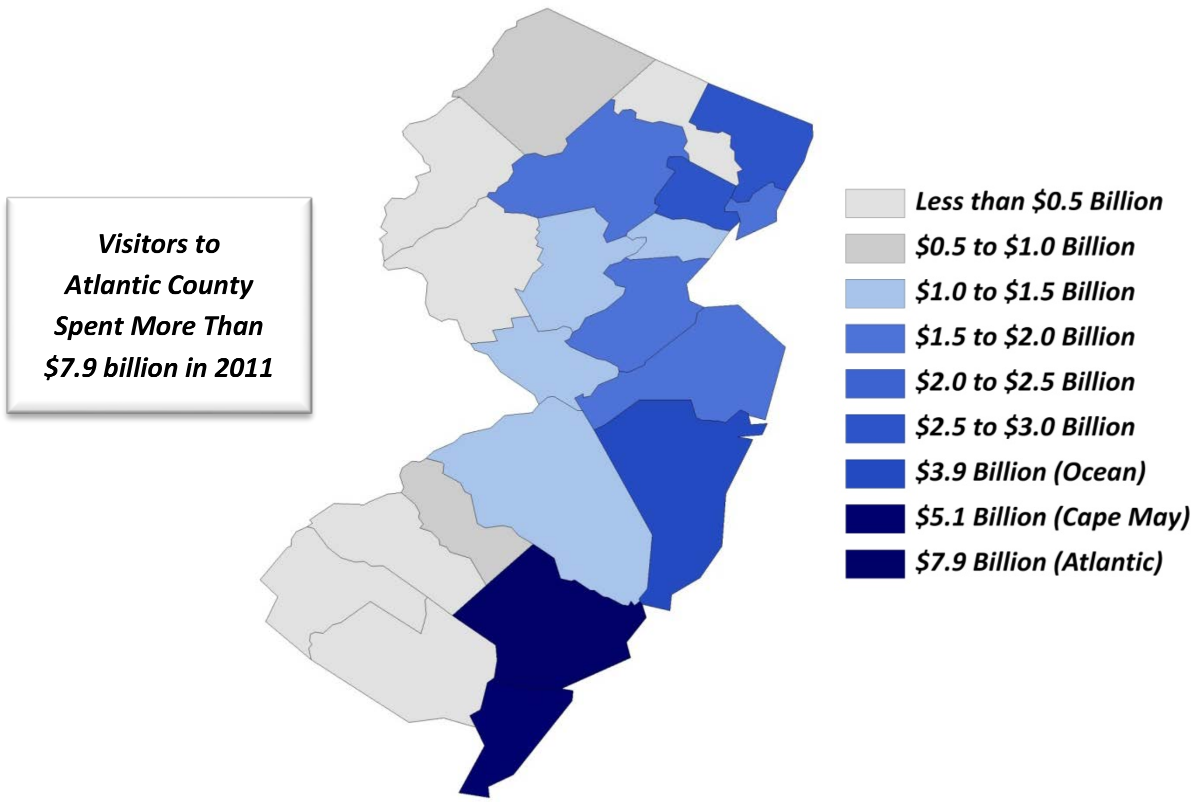
Figure 3: Year over Year Change in Tourism Expenditures for the United States by Industry



Tourism Spending in New Jersey

Figure 4 below provides a review of where tourists spent their monies in 2011, the last year for which complete data are available. The source of the figures provided in this map is the annual economic impact study that the New Jersey Division of Travel and Tourism conducts, a report that can reliably be used as a metric to compare with the current report. Visitors to New Jersey spent $38 billion statewide in 2011, a figure which represents an increase of roughly 7% from the prior year and also marks the second year of growth in spending on tourism in a row following the national recession. Employment also increased statewide, albeit by a significantly smaller margin (0.6%). Still, tourism is the fifth largest employer in the state of New Jersey, providing direct employment to more than 312 thousand residents.

Figure 4: Tourism Expenditures in New Jersey, 2011[8]

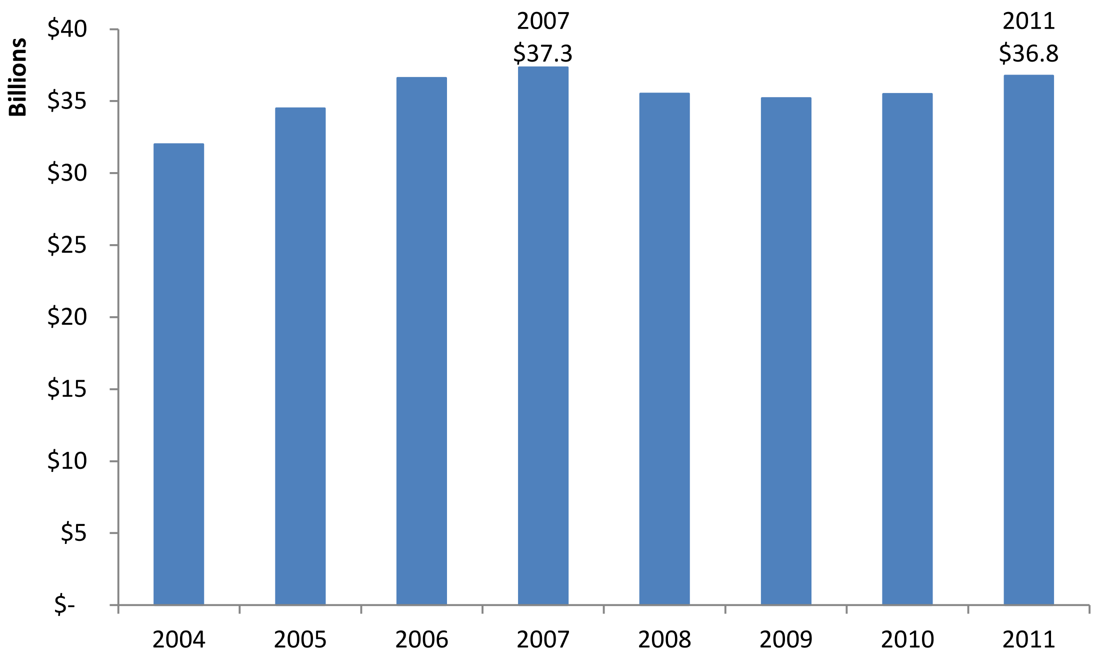


Reviewing the total tourism goods and services figures over time requires an examination of the annual economic impact studies of several years (see Figure 5 below). First, it should be noted that the figures reported here are from three studies representing two authors from two different companies. Still, there is considerable agreement between the two authors, due in large part to similar methodologies. Of note, however, is some discrepancy with respect to when the national recession began to seriously impact the tourism economy in New Jersey. Early estimates by Global Insight[9] showed that New Jersey may have actually seen a slight uptick in travel and tourism expenditures in the state in 2008, with the worst of the decline occurring in 2009. A later revision of the figures from 2007 through 2009 by the current author of the state's tourism economic impact study, Tourism Economics, would suggest the negative impacts of the recession were well underway in New Jersey by 2008. Still, estimates of the

[8] Sacks, A. (2012). The Strengthening of Tourism in New Jersey: 2011 Market Performance and Economic Impact. Annual report prepared for the NJ Division of Travel and Tourism by Tourism Economics, an Oxford Economics Company. Available online at: http://www.visitnj.org/sites/visitnj.org/files/2012-03-nj-gov-conference-oxford.pdf
[9] McGill, K. (2009). NJ Tourism: Holding Its Own During Difficult Times. Available online at: http://www.visitnj.org/sites/visitnj.org/files/tourism-ecom-impact-2008.pdf

depth of the decline occurring in 2009 are consistent in both studies, both on a percentage basis as well as a dollar value. We've chosen to utilize the more recent estimate from Tourism Economics for the years 2007 through 2011 which shows the decline beginning in 2008. 2012 figures are expected to be released in mid-March.

Figure 5: All Tourism Goods and Services for NJ, 2004 through 2011, $billions[10 11 12]



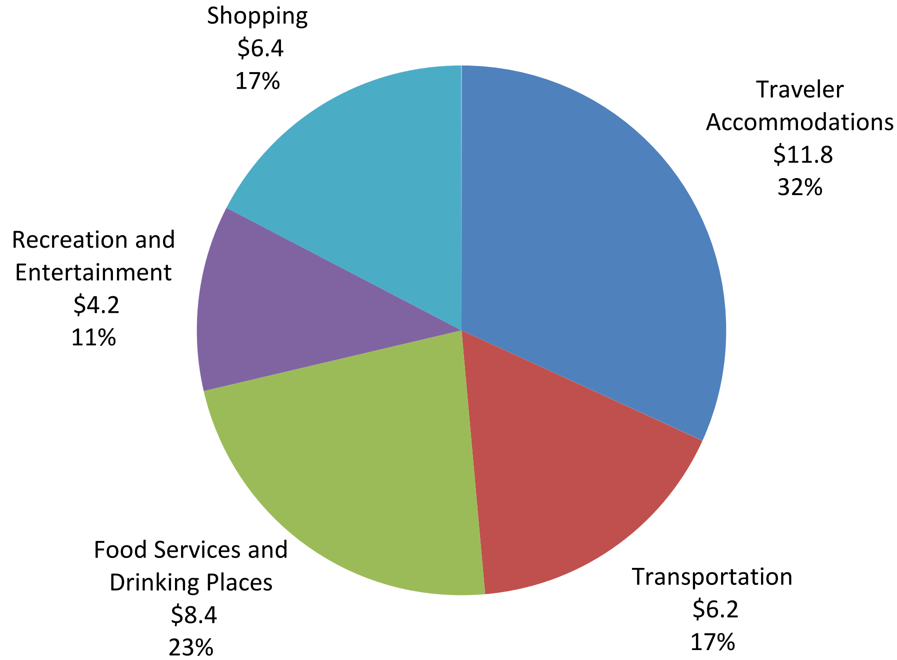
The tourism economy in New Jersey is broken down into its component parts in Figure 6 below. As was noted above, transportation to New Jersey consists of a relatively stronger drive market and relatively weaker air transportation market than does the whole of the United States (compare with Figure 2 above). Also, perhaps owing to the very seasonal nature of the shore tourism in the state, higher room rates during these peak seasons help to increase traveler accommodation spending as a percentage of tourists spending. Indeed, the ratio of food to accommodations in the United States is 1 to 1.1 while the comparable ratio in New Jersey is 1 to 1.4, a considerable difference (27.3%).

[10] Sacks, A. (2012). The Strengthening of Tourism in New Jersey: 2011 Market Performance and Economic Impact. Annual report prepared for the NJ Division of Travel and Tourism by Tourism Economics, an Oxford Economics Company. Available online at: http://www.visitnj.org/sites/visitnj.org/files/2012-03-nj-gov-conference-oxford.pdf

[11] McGill, K. (2006). An Impressive 2005 for NJ Tourism. Annual report prepared for the New Jersey Division of Travel and Tourism by Global Insight. Available online at http://www.visitnj.org/sites/visitnj.org/files/2006-07-tourism-ecom-impact.pdf.

[12] McGill, K. (2005). The New Jersey Tourism Satellite Account: A Comprehensive Understanding of the Economic Contribution of Travel & Tourism in the State of New Jersey. Annual report prepared for the NJ Division of Travel and Tourism by Global Insight. Available online at http://www.visitnj.org/sites/visitnj.org/files/2005-06-tourism-ecom-impact.pdf.

Figure 6: 2011 Tourism Goods and Services for NJ by Industry, $billions[8]



Unfortunately, measuring the local tourism economy in Atlantic City is not as straightforward as the above analysis. Namely, the Bureau Economic Analysis (BEA) does not report figures for TSA's at the local level and the county level statistics are only available on an annual basis, coinciding with the New Jersey Division of Travel and Tourism annual study. Still, finding surrogates for the above metrics at the local level is certainly possible. It is the goal of the Levenson Institute of Gaming, Hospitality and Tourism to utilize metrics that can act as these surrogates and be able to measure Year over Year (YoY) changes in tourism performance for Atlantic City.

Atlantic City Tourism Performance Indicators (AC-TPI)

Now that the context for tourism performance has been established, both at the national and state level, attention will be turned to the Atlantic City market. As was described earlier, the BEA figures are not available on a monthly basis for the Atlantic City tourism economy. We've also established the need for a more precise description of the tourism economy. Gaming revenue is reported monthly by the New Jersey Division of Gaming Enforcement. What is lacking, however, is a precise measurement of those other aspects of the tourism economy in Atlantic City including traveler accommodations, transportation, food services and drinking places, recreation and entertainment, and shopping. It is not the goal of this report to place a value on each of these metrics, but rather to report the monthly changes in their values as compared to the prior year (YoY). In order to achieve this, tax revenue figures that closely track these key metrics can serve as a reasonable proxy, for example the Atlantic City Luxury Tax, Casino Parking Fee and the Atlantic County Hotel Occupancy Fee. These metrics, and their historical performance, are reported in the following sections.

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 NJ Division of Taxation:

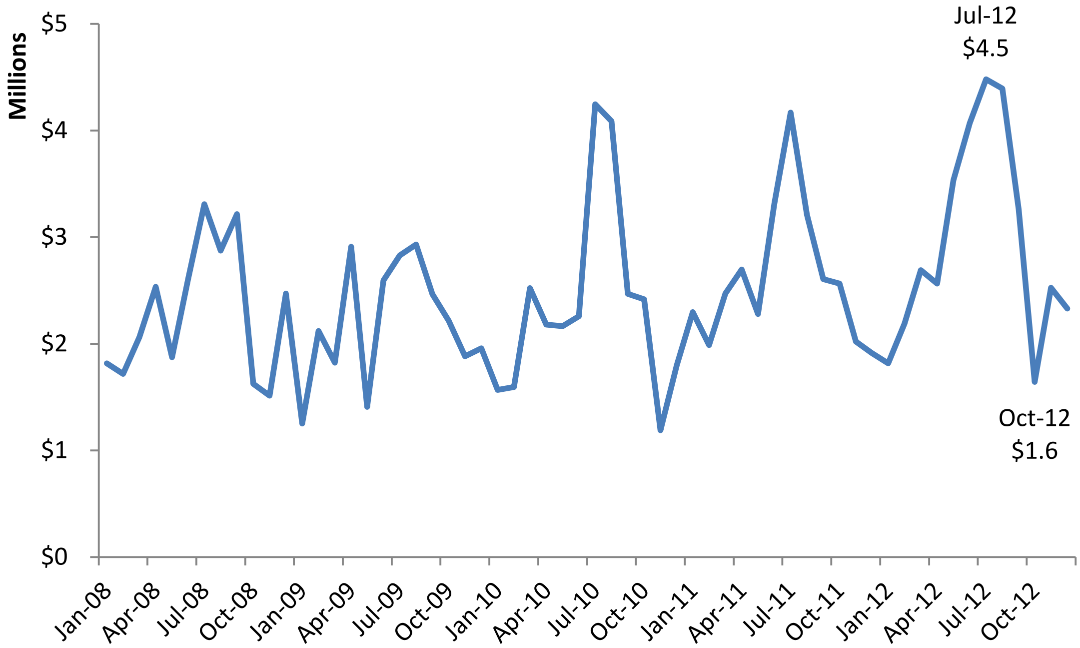
> *"The Atlantic City Luxury Sales Tax applies to the receipts from specified retail sales within Atlantic City, including sales of alcoholic beverages for on-premises consumption; cover, minimum, or entertainment charges; room rental in hotels, inns, rooming, or boarding houses; hiring of rolling chairs, 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 may not exceed 13%. Formerly, the maximum combined Atlantic City rate and the New Jersey sales tax rate could not exceed 12%."*[13]

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

Figure 7 below shows the Atlantic City Luxury Tax collections from January 2008 through December 2012. 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 three 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, November and December appear to have rebounded nicely.

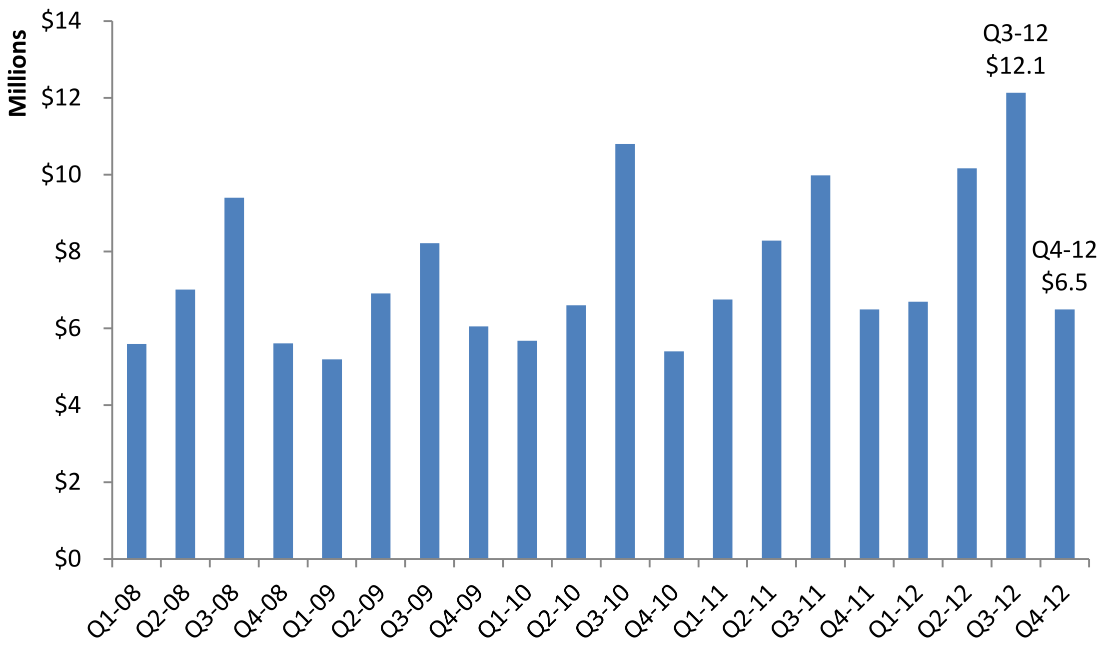
[13] NJ Division of Taxation (2012). Atlantic City Luxury Tax Overview. Available online at: http://www.state.nj.us/treasury/taxation/acluxury_over.shtml

Figure 7: Atlantic City Luxury Tax Collections, January 2008 through December 2012, $millions



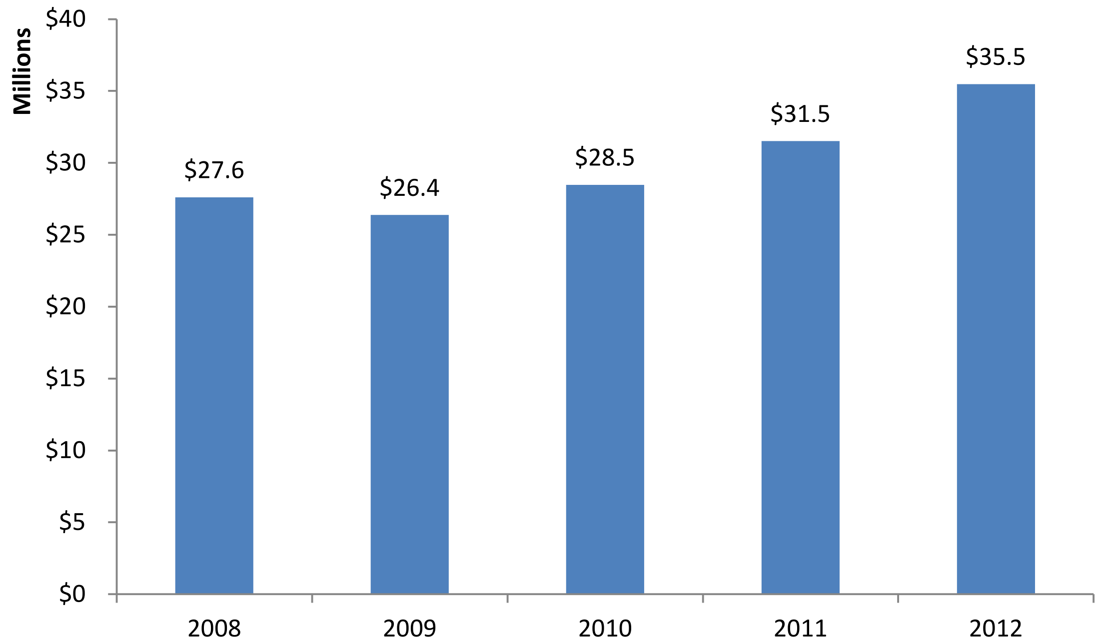
The seasonal trend is also discernible looking at the quarterly revenues (see Figure 8). The third quarter is always the strongest quarter of the year. In 2012, the Atlantic City Luxury Tax generated $12.1 million, its best quarter on record.

Figure 8: Quarterly Atlantic City Luxury Tax Collections, 1st Quarter 2008 through 4th Quarter 2012, $millions



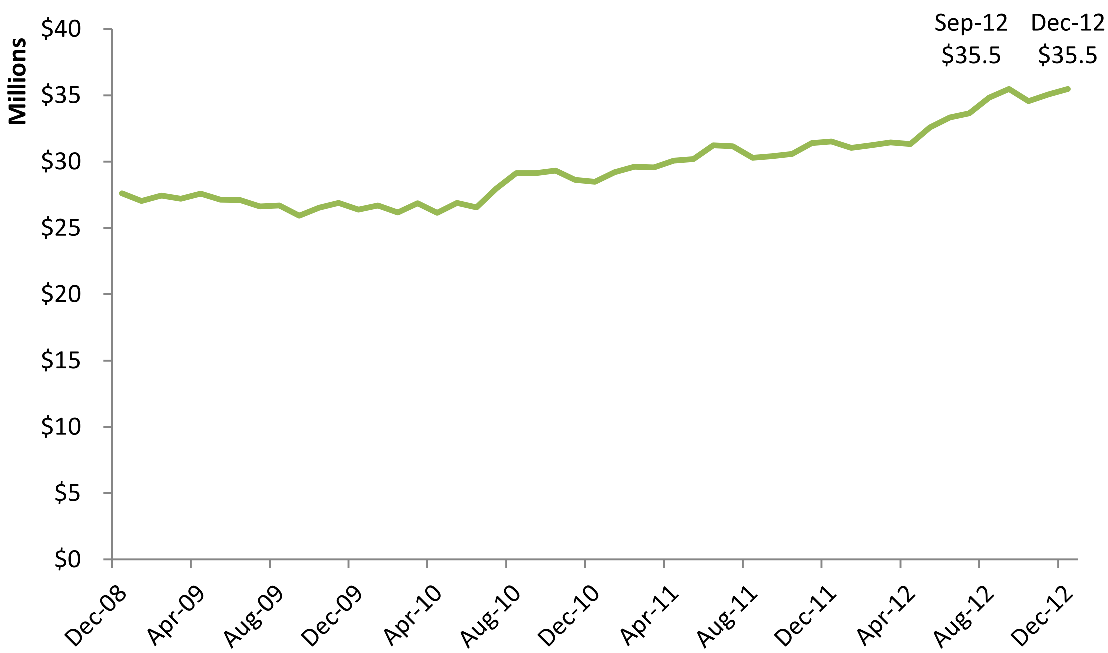
And so similar to the increases in tourism spending in both the US and NJ, spending on taxable items subject to the Atlantic City Luxury Tax have been on the rise since 2010 (see Figure 9). Three consecutive years of growth in spending on items taxed under the Atlantic City Luxury Tax was capped off with a very strong 2012 at $35.5 million.

Figure 9: Annual Atlantic City Luxury Tax Collections, 2008 through 2012, $millions



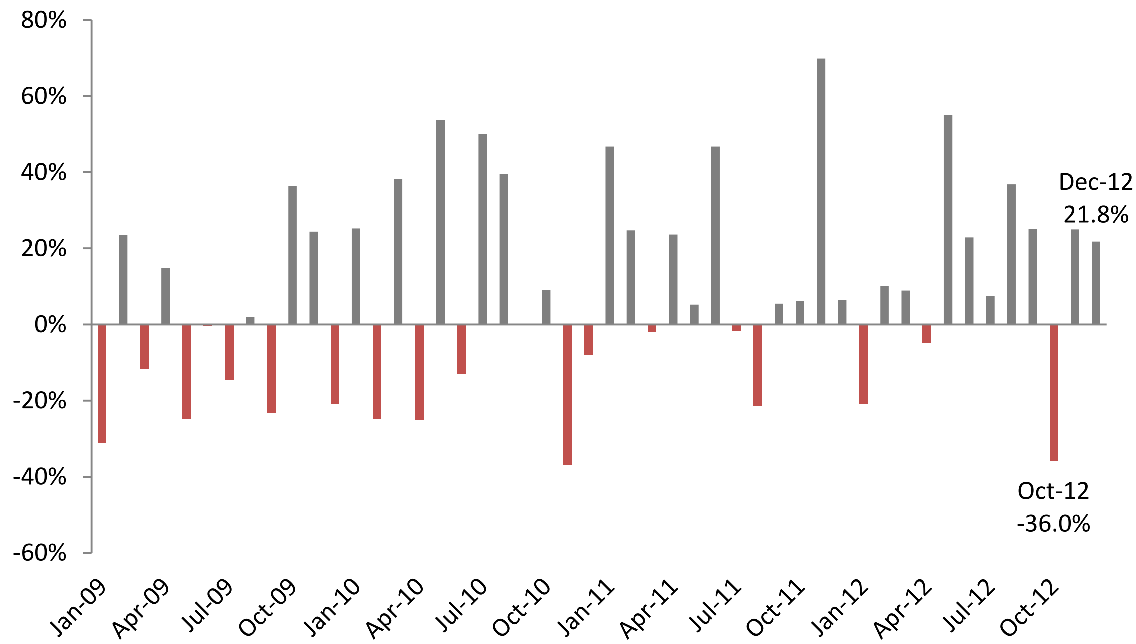
In order to more clearly see the longitudinal trends, a twelve month trailing total is provided. This figure is the summation of each of the current month and prior eleven months. This is accomplished below in Figure 10 which clearly indicates that the twelve month trailing total for the Atlantic City Luxury Tax has been steadily climbing throughout the study period. Indeed, the twelve month trailing total for September of 2012 experienced a new high at $35.5 million. And while the impact of Hurricane Sandy is still visible here, the trajectory of the 12 month trailing total appears to have recovered and December's 12 month trailing total was less than $1,000 off that September pace..

Figure 10: 12 Month Trailing Total for the Atlantic City Luxury Tax, December 2008 to December 2012, $millions



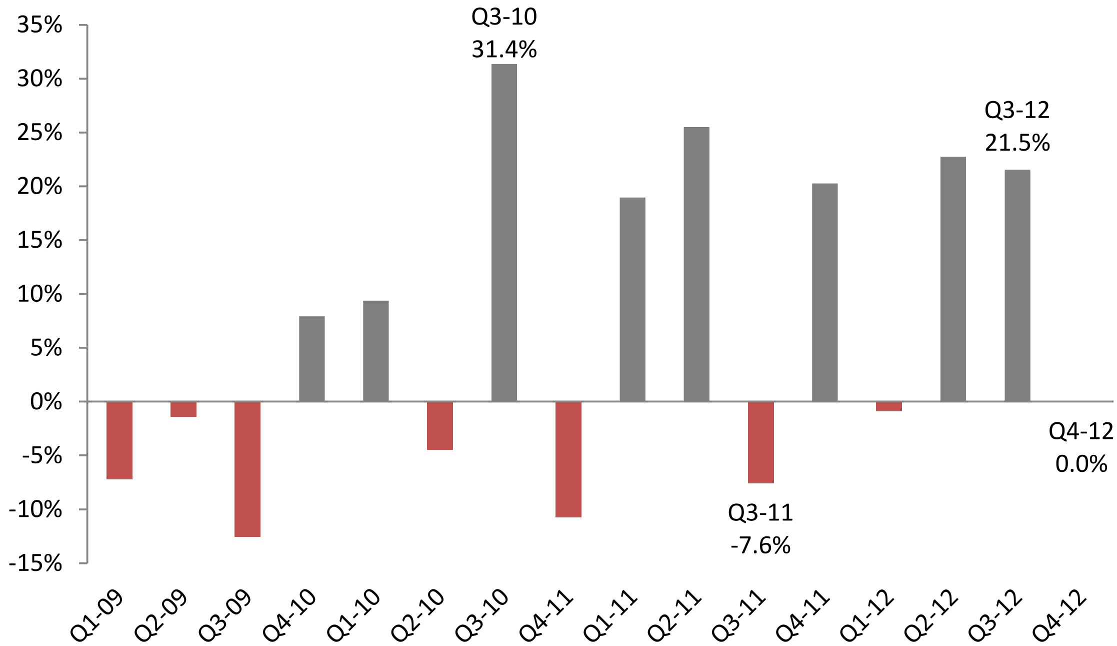
Year over Year (YoY) changes in the Atlantic City Luxury Tax collections can also be tracked to show how each month compared to the same month the prior year. Figure 11 below accomplishes this for the same study period. Ten of the past twelve months have been positive when compared to the prior year, 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, but a strong November and December help to close out a very positive year. 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. The most recent month's data, December 2012, saw a 21.8% increase when compared with December of 2011.

Figure 11: Year over Year (YoY) Change in the Atlantic City Luxury Tax Collections, January 2009 through December 2012



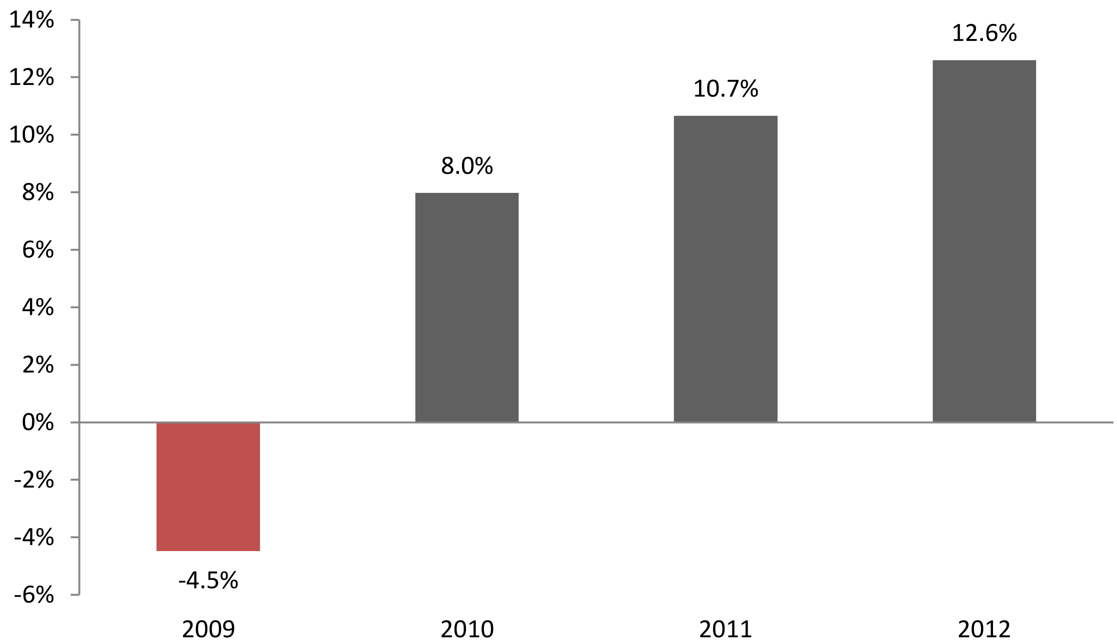
Indeed, the strong November and December meant that, despite the impact of Hurricane Sandy on October numbers (down 36.0%), the fourth quarter would be essentially flat (0.0%) (see Figure 12). Particularly impressive was the increases of 31.4% and 21.5% in the third quarters of 2010 and 2012 respectively. 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.

Figure 12: Year over Year (YoY) Change in the Quarterly Atlantic City Luxury Tax Collections, 1st Quarter 2009 through 4th Quarter 2012



The full year growth in spending on non-gaming amenities taxed under the Atlantic City Luxury Tax for 2012 (up 12.6%, see Figure 13) was very impressive growth. That it would follow two years which averaged nearly double digit growth made 2012's performance particularly impressive. The growth in spending displayed by the Atlantic City Luxury Tax receipts over the past three years definitely speaks to a shift in the spending by the Atlantic City visitor. Despite declining gaming revenues, we are seeing strong growth in spending on the non-gaming destination amenities covered by the Atlantic City Luxury Tax.

Figure 13: Year over Year (YoY) Change in the Annual Atlantic City Luxury Tax Collections, 2009 through 2012



Atlantic City Casino Parking Fee

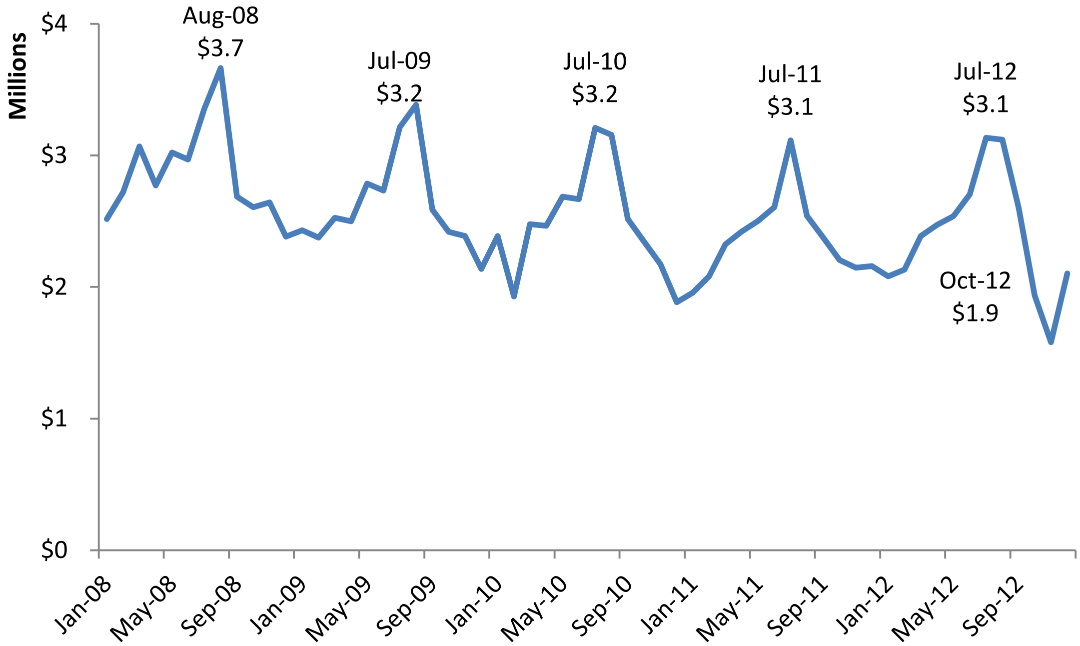
The Casino Parking Fee figure is provided by the NJ Casino Control Commission (NJCCC). This figure serves as a surrogate for transportation, assuming that if the number of vehicles taxed has gone up or down, then so too will other expenditures on transportation to and from as well as within the resort. 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."*[14]

Figure 14 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 2010).

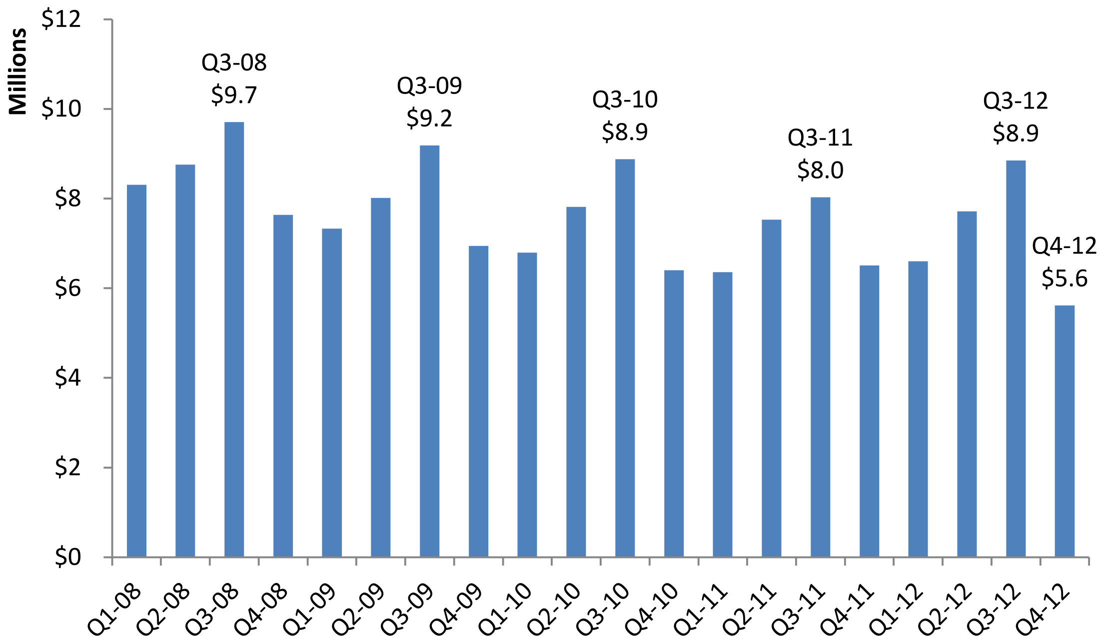
[14] NJ Casino Control Commission (2012). Financial and Statistical Information: Parking Fees. Available online at: http://www.nj.gov/casinos/financia/parking/

Figure 14: Casino Parking Fee, January 2008 through December 2012, $millions



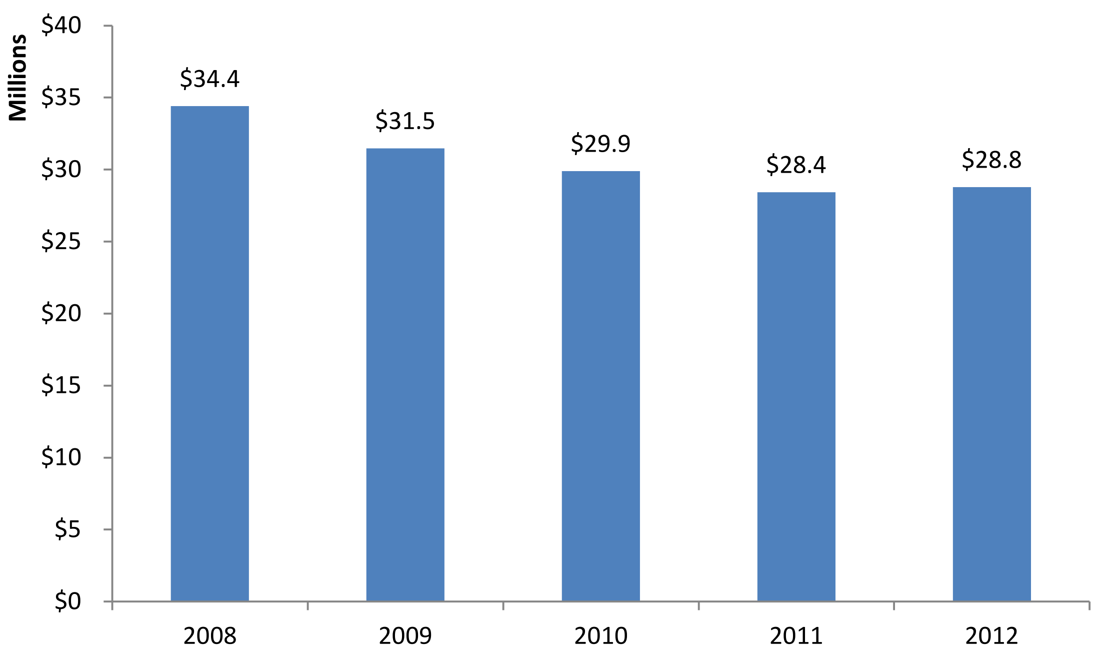
Of course, the strong July and August summer months help to make the third quarter the strongest in any given year as well. While 2012 looked to be experiencing healthy growth in patrons paying the Casino Parking Fee through the first three quarters, the impact of Hurricane Sandy would be reflected in the fourth quarter figures when only $5.6 Million would be collected (see Figure 15).

Figure 15: Quarterly Casino Parking Fee, 1st Quarter 2008 through 4th Quarter 2012, $millions



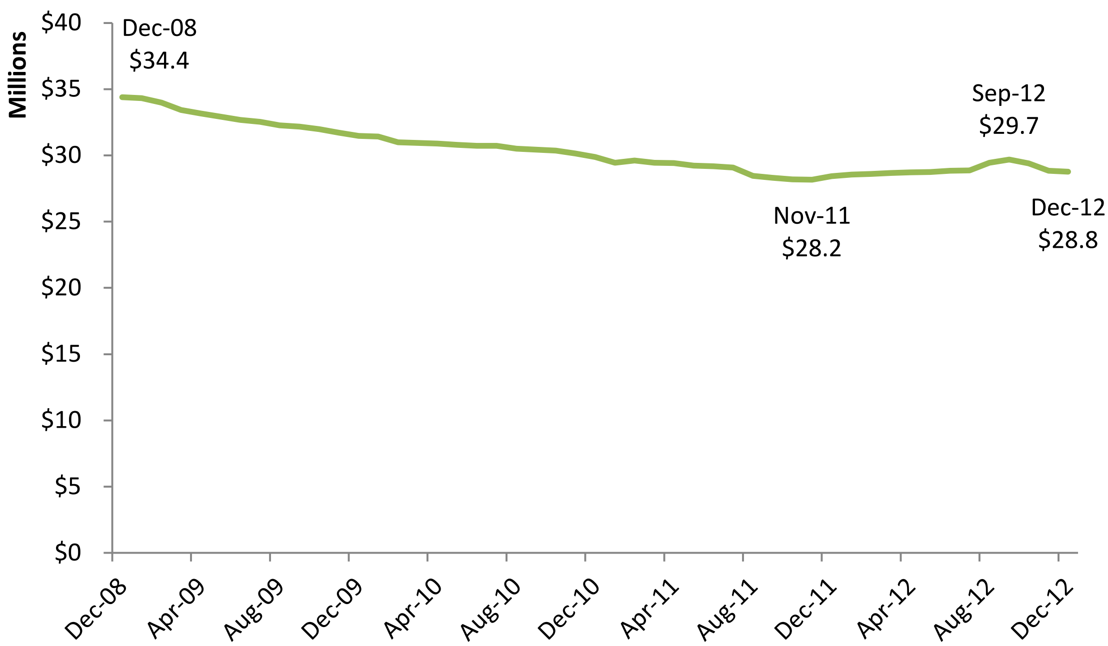
The resulting final year numbers would thus only show modest growth for the Casino Parking Fee ($350 thousand, see Figure 16). Still, it is encouraging that, after four consecutive years of decline, the Casino Parking Fee has finally shown year over year growth in 2012.

Figure 16: Annual Casino Parking Fee Collections, 2008 through 2012, $millions



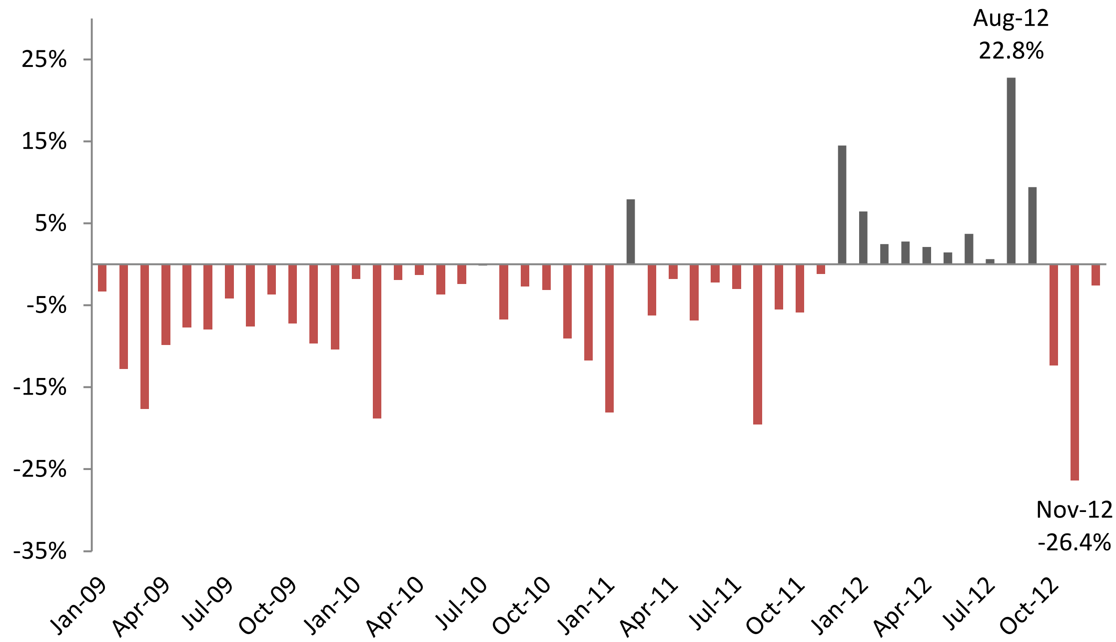
Once again, it is instructive to look at a twelve month trailing total to discern the longer term trend in the Casino Parking Fee. This is accomplished below in Figure 17. Here the picture is quite different than the analysis of the Atlantic City Luxury Tax in the prior section. The highest twelve month 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 $29.4 million, or 1.7% less than the December 2011 figure. Still, the Casino Parking Fee has been trending in an upward direction for the last nine months and, if the trend continues, will likely hit new near term highs.

Figure 17: 12 Month Trailing Total for the Casino Parking Fee, December 2008 to December 2012, $millions



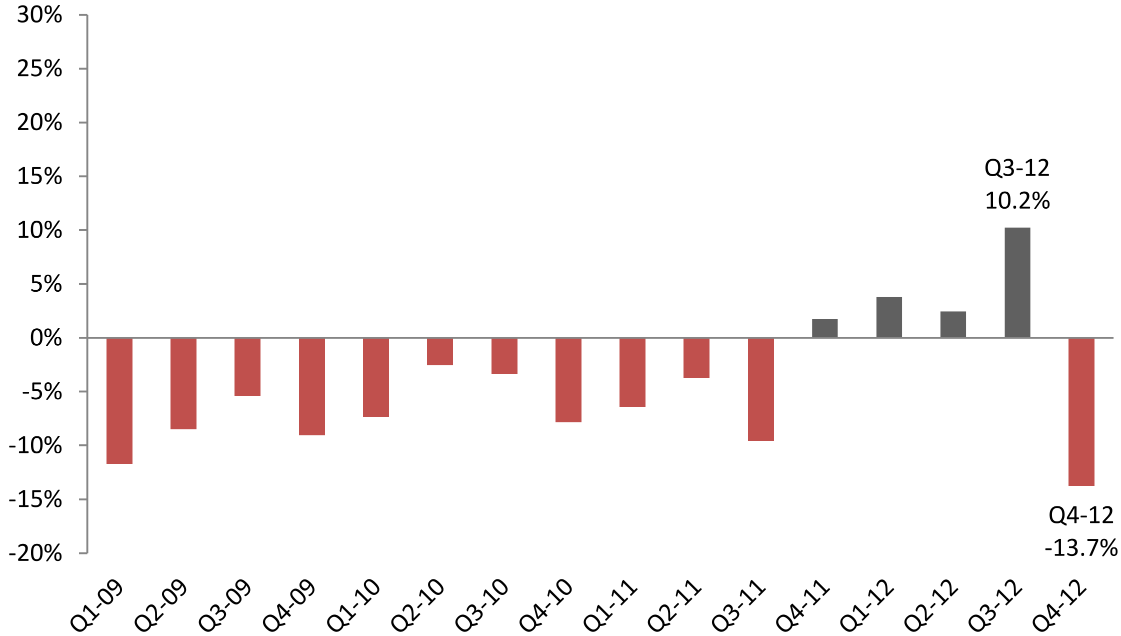
Finally, when we look at the Year over Year change in the Casino Parking Fee on a monthly basis (see Figure 18 below), we can see that October 2012 experienced a 12.3% reduction in the amount collected, a reversal in recent trends no doubt resulting from the closing of the casinos with the advent of Hurricane Sandy. October 2012 notwithstanding, ten of the past twelve months have been positive relative to the same month the prior year. August of 2012 was particularly robust, having bested August of 2011 by 22.8%, and followed up by a nearly double digit gain (9.4%) in September. Once again, this figure will comprise the monthly snapshot we provide in tracking the performance of the Atlantic City tourism economy.

Figure 18: Year over Year (YoY) Change in the Casino Parking Fee, January 2009 through December 2012



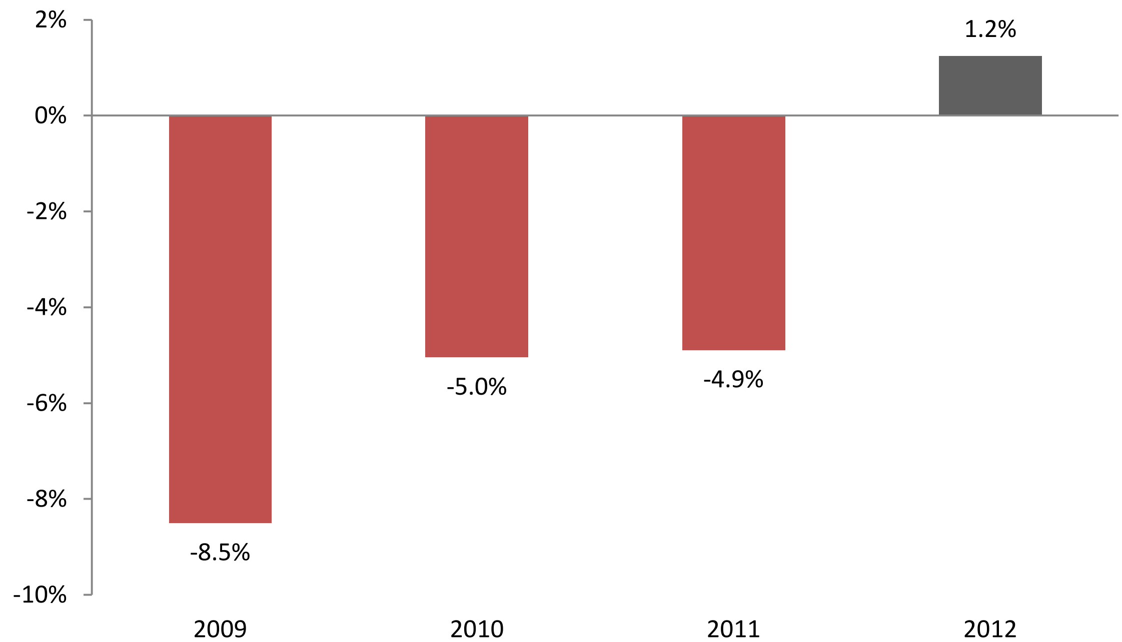
After four consecutive quarters of growth in Casino Parking Fee collections, the fourth quarter impact of Hurricane Sandy would end that streak. Between the four day closure, the cancellations of some high profile conventions (the NJ Education Association and League of Municipality conventions in particular), 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 19). Still, the double digit growth in Casino Parking Fee collections in the third quarter of 2012 (up 10.2%) was very impressive indeed. Recall that the third quarter is consistently the quarter every year with the most Casino Parking Fee collections.

Figure 19: Year over Year (YoY) Change in the Quarterly Casino Parking Fee, 1st Quarter 2009 through 3rd Quarter 2012



Despite the fourth quarter performance, the Casino Parking Fee would end the year with the first year over year increase (up 1.2%, see Figure 20) in collections following three straight years of decline. While modest in size, the growth reflects growth in the volume of visit trips to Atlantic City. Coupled with the above analysis of robust annual growth in the Atlantic City Luxury Tax, we might surmise that this growth in visitors includes a healthy growth in visitors willing to spend money on non-gaming options in the resort.

Figure 20: Year over Year (YoY) Change in the Annual Casino Parking Fee Collections, 2009 through 2012



Atlantic County Hotel Occupancy Fee

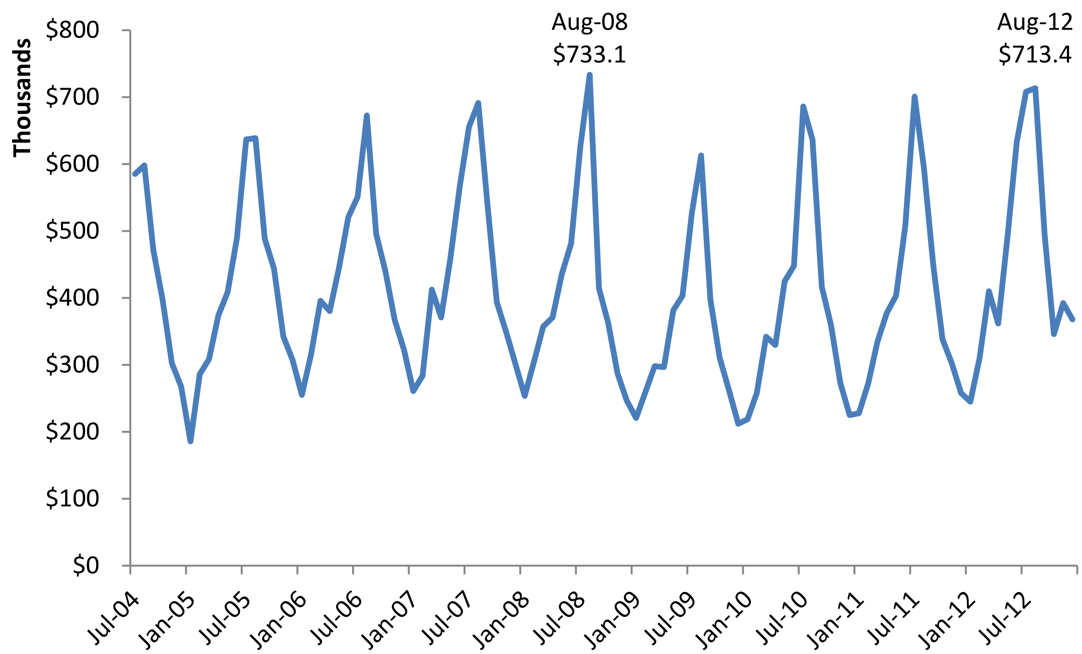
The Atlantic County Hotel Occupancy Fee will be utilized to get a concise picture of traveler accommodation for the region. While this figure is not Atlantic City specific, there is general consensus that the Atlantic City tourism market impacts the hotel industry throughout the county and thus is an accurate measure of the Atlantic City tourism economy. The figure is released by the NJ 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%."[15]

Figure 21 shows the Atlantic County Hotel Occupancy Fee collections from July 2004 through December of 2012. 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.

Figure 21: Atlantic County Hotel Occupancy Fee, July 2004 through December 2012, $thousands

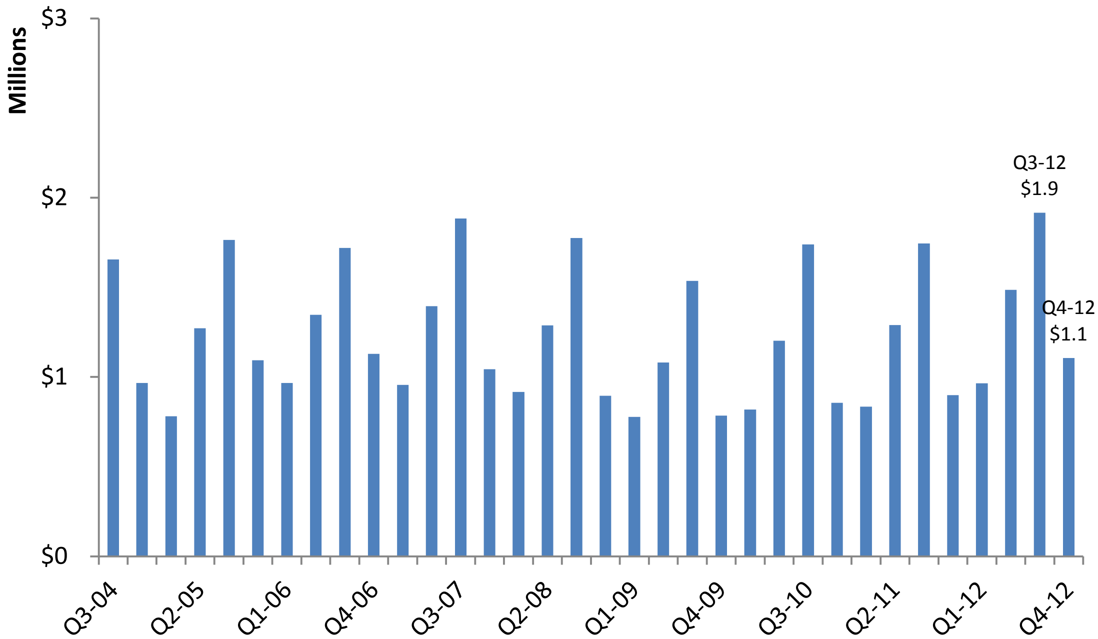


The strong August of 2012 figure, combined with the best July on record and best post-recession September would mean the third quarter of 2012 would be the strongest on record ($1.9 million, see Figure 22) for collections of the Atlantic County Hotel Occupancy Fee. Unlike the Casino Parking Fee and Atlantic 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 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 would drive demand up in

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

November and December of 2012 by historic year over year growth. This increase in lodging demand following Hurricane Sandy is discussed in more detail in the Spring 2013 issue of LIGHT's On[16], the Levenson Institute of Gaming, Hospitality and Tourism's bi-annual publication.

Figure 22: Atlantic County Hotel Occupancy Fee, 3rd Quarter 2004 through 4th Quarter 2012, $millions



Similar to the Atlantic City Luxury Tax, collections of the Atlantic County Hotel Occupancy Fee would hit an annual high in 2012 of $5.5 million (see Figure 23). That would mark the third consecutive year in a row of growth in the Hotel Occupancy Fee. It is more evidence that non-gaming spending is growing in Atlantic City. With overnight visitors being worth significantly more than day trip visitors[17], sustained growth in spending for the very important accommodations' sector of the Atlantic County lodging market is very welcoming news indeed.

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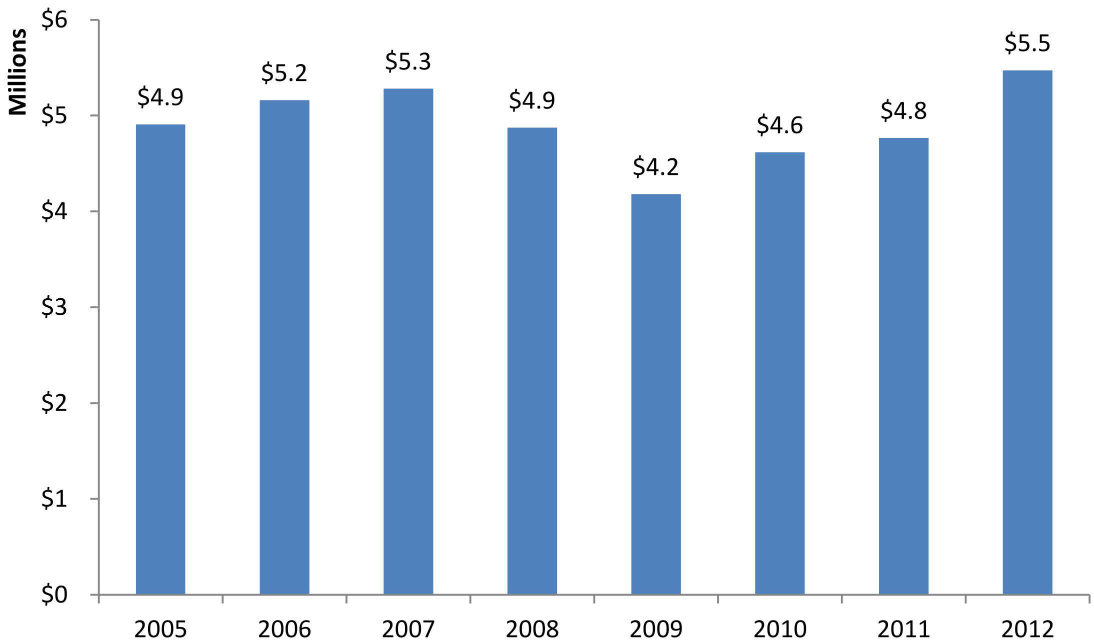
[16] Tyrrell, Brian J. (2013). Hospitality Update: 2012 Proves to be a Record Setting Year for the New Jersey Lodging Industry, Aided by the Hurricane Sandy Recovery Effort. LIGHT's On, Volume 3, Issue 1.

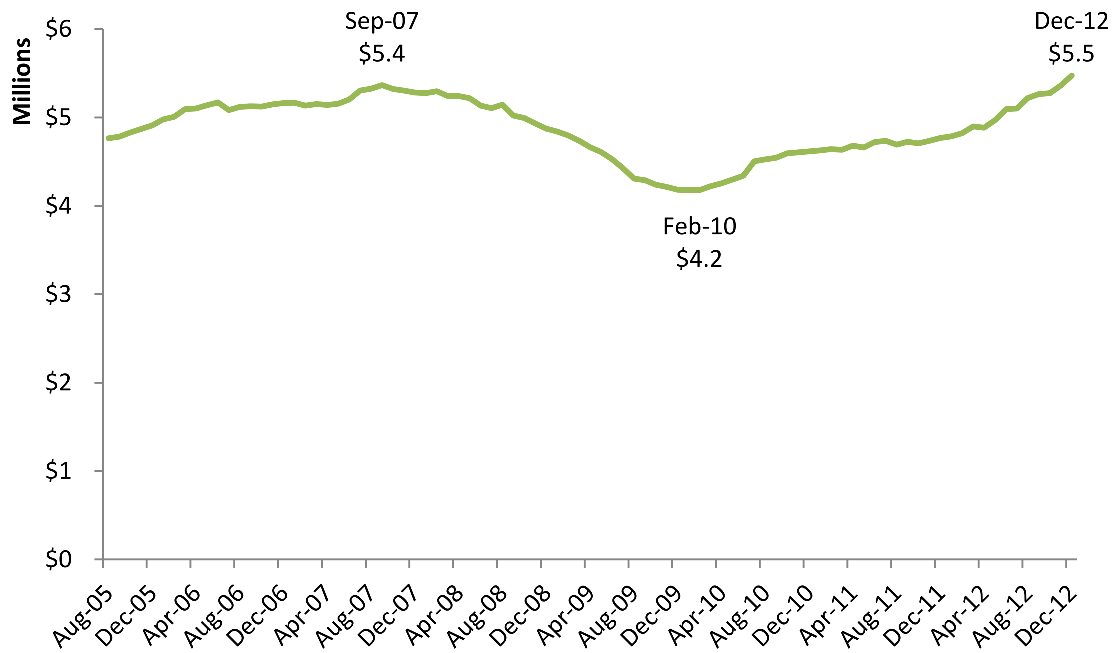
[17] Spectrum Gaming Group (2008). Atlantic City Visitor Profile Study. Available online at: http://www.atlanticcitynj.com/

Figure 23: Annual Atlantic County Hotel Occupancy Fee Collections, 2005 through 2012, $millions



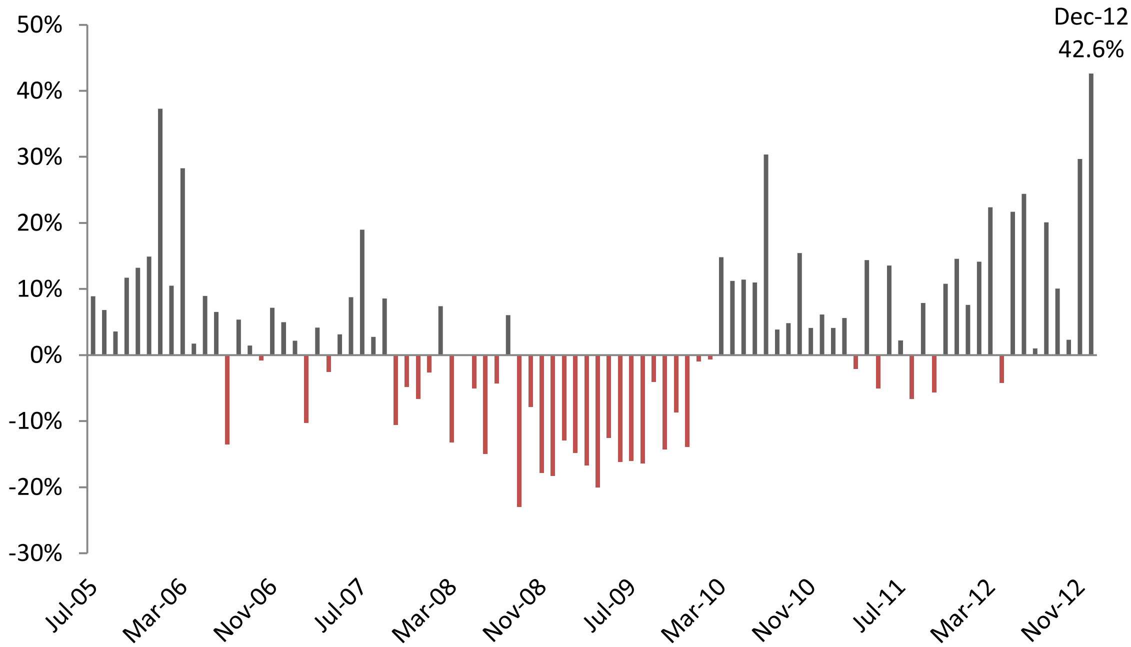
The twelve month trailing total for the Atlantic County Hotel Occupancy Fee is examined below in Figure 24. While the previous graph showed that the monthly high was experienced in August of 2008, the twelve month trailing total shown below makes it clear that the recessionary impacts on the hotel industry 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 looking at the Hotel Occupancy Fee. The twelve months ending December of 2012 saw Atlantic County collecting $5.5 million in Hotel Occupancy Fee, a new twelve month high for the tax.

Figure 24: 12 Month Trailing Total for the Atlantic County Hotel Occupancy Fee, August 2005 through December 2012, $millions



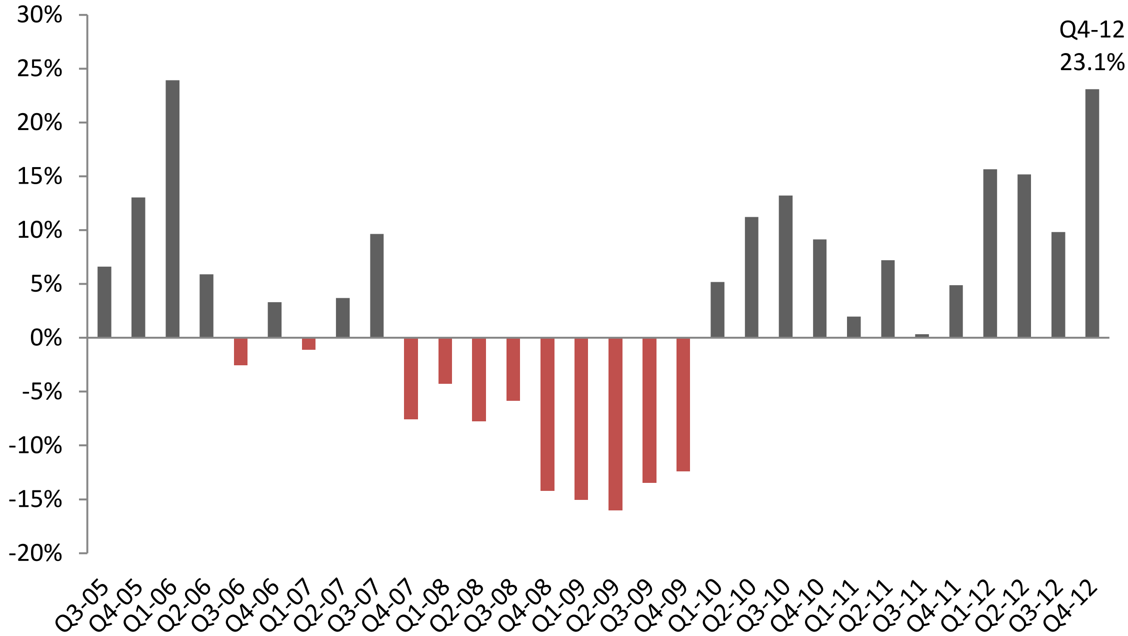
When the Levenson Institute examines the Year over Year change in the Atlantic County Hotel Occupancy Fee (see Figure 25) for the period, the impact of the recession can be clearly seen, roughly corresponding to the fourth quarter of 2007 to the first quarter of 2010. Since that time, however, there have only been five months that did not compare favorably to the same month the prior year. Indeed, in the past twelve months, there have been only two months that did not show positive gains when compared to the same month the prior year. The most recent month's data, December of 2012, realized a 42.6% increase compared to December of 2011. November too was very strong (up 29.7%). It is presumed that these strong figures are the result of increases in lodging demand associated with the Hurricane Sandy recovery effort as described above. The December gain was the best year over year gain for any month since the inception of the tax.

Figure 25: Year over Year (YoY) Change in the Atlantic County Hotel Occupancy Fee, July 2005 to December 2012



Despite the majority of hotel rooms in Atlantic County being shut down entirely for four days in October, the fourth quarter of 2012 would see the second best (up 23.1%) year over year increase since the tax was first collected (see Figure 26). While the increase in lodging demand in the quarter is quite impressive, perhaps more impressive is that it follows a string of 12 consecutive quarters in growth for the metric, dating back to the first quarter of 2010.

Figure 26: Year over Year (YoY) Change in Quarterly the Atlantic County Hotel Occupancy Fee, 3rd Quarter 2005 through 4th Quarter 2012



For the full year, 2012 would end the year up a robust 14.8% (see Figure 27). In addition to the year achieving an all-time high in collections as discussed above, the year over year growth in collections of the Atlantic County Hotel Occupancy Fee for 2012 would be the best year over year growth in lodging revenue on record since the inception of the tax in 2004.

Figure 27: Year over Year (YoY) Change in the Annual Atlantic County Hotel Occupancy Fee Collections, 2006 through 2012

December 2012 Atlantic City Tourism Performance Indicators (AC-TPI) Snapshot

This report began by describing the need to enhance 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 28 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 28: December, 4th Quarter and Calendar Year 2012 Year over Year Atlantic City Tourism Performance (AC-TPI) Index Snapshot