
2nd 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 analyzes the Atlantic City Tourism market as a tourist destination. The Atlantic City Tourism Performance Indicators (AC-TPI) was launched in the Spring of 2013 as an annual summary of the previous year.

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

The results for the second quarter of 2013 indicate:

- All three metrics, the Atlantic City Luxury Tax, the Casino Parking Fee and the Atlantic County Hotel Occupancy Tax, were down for the quarter.
- Following significant second quarter growth for two years in a row with the Atlantic City Luxury Tax and Casino Parking Fee, both metrics retreated in the second quarter of 2013.
- Similarly, significant second quarter growth from 2010 through 2012 was recorded for the Atlantic County Hotel Occupancy Fee, that that fee also was down in the second quarter of 2013.
- There appears to be a regional impact on hotel performance in southern New Jersey coastal counties of Ocean, Atlantic and Cape May, likely associated with both unseasonably cold weather (in June) and improvement projects on the Garden State Parkway.

Atlantic City Tourism Performance I IfA0Br

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 June 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. In June of 2013 the Atlantic City Luxury Tax generated significantly less revenue (\$3.5 million) than June of 2012 (\$4.1 million).

Figure1: Atlantic City Luxury Tax Collections, January 2005 through June 2013, \$millions

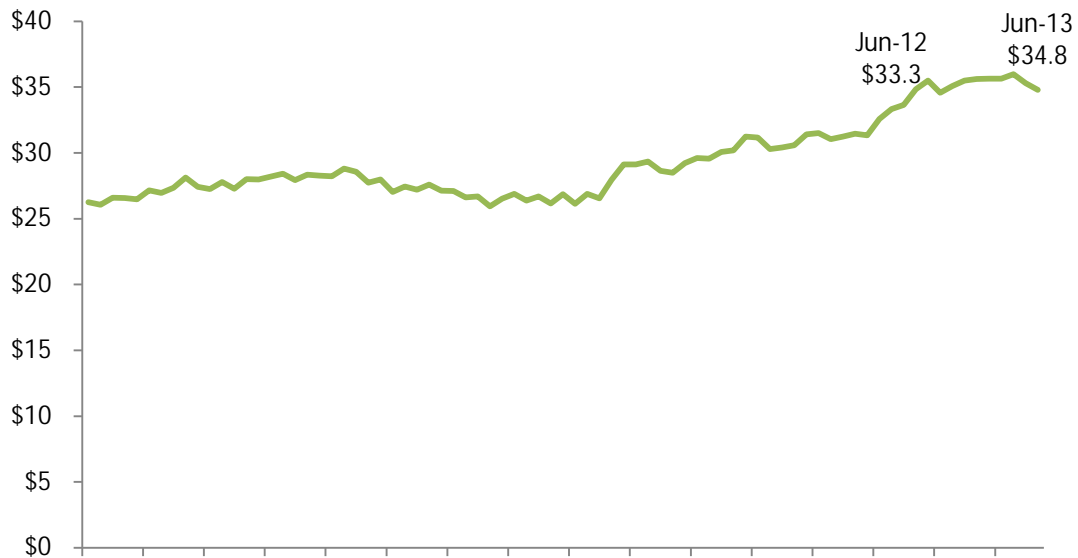
The seasonal trend 2001 Tw 12 -T Tc 0.004 4444

generated \$12.1 million, its highest quarter on record. The 2nd quarter of 2013 (\$9.3 million) produced nearly \$1 million less revenue than the 2nd quarter of 2012 (\$10.2 million).

Figure2: Quarterly Atlantic City Luxury Tax Collections, 1st Quarter 2005 through 2nd Quarter 2013, \$millions

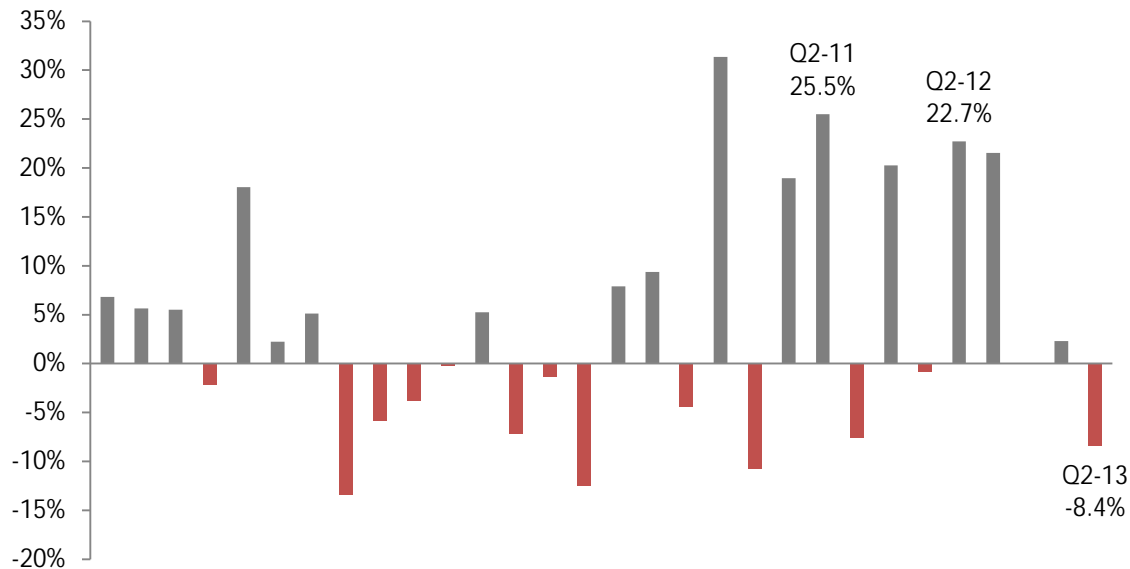
In order to more clearly see the longitudinal trends, a twelve month trailing total is provided. This figure is the summation of each of the current month and prior eleven months. This is accomplished below in Figure 3 which clearly indicates that the twelve month trailing total for the Atlantic City Luxury Tax had been (As of July 19, 2013) through (the 0.581p. 3005-05-00581) vs. (3220)0

Figure3: 12 Month Trailing Total for the Atlantic City Luxury Tax, December 2010-June 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. After the strong 2012 however, three of the past six months have been negative, with May of 2013 (-18.8%) and June of 2013 (-12.8%). Of course this was compared to particularly strong months in 2012 when the Atlantic City Luxury Tax generated significantly more revenue than the prior year with 55.1% and 22.9% increases in May and June of 2012 respectively.

Figure 5: Year over Year (YoY) Change in Quarterly Atlantic City Luxury Tax Collections, 1st Quarter 2006 through 2nd 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

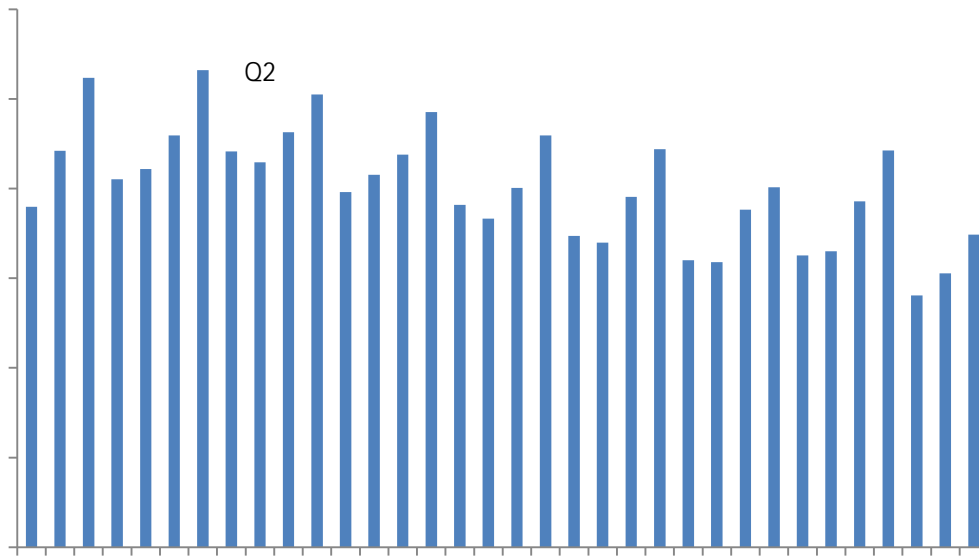
Figure 6 below shows that the Casino Parking Fee is also seasonal in nature, hitting its annual high every July, similar to the Atlantic City Luxury Tax described in the earlier section. The most recent month, June of 2013, saw only \$2.5 million was generated, down from \$2.7 million in

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

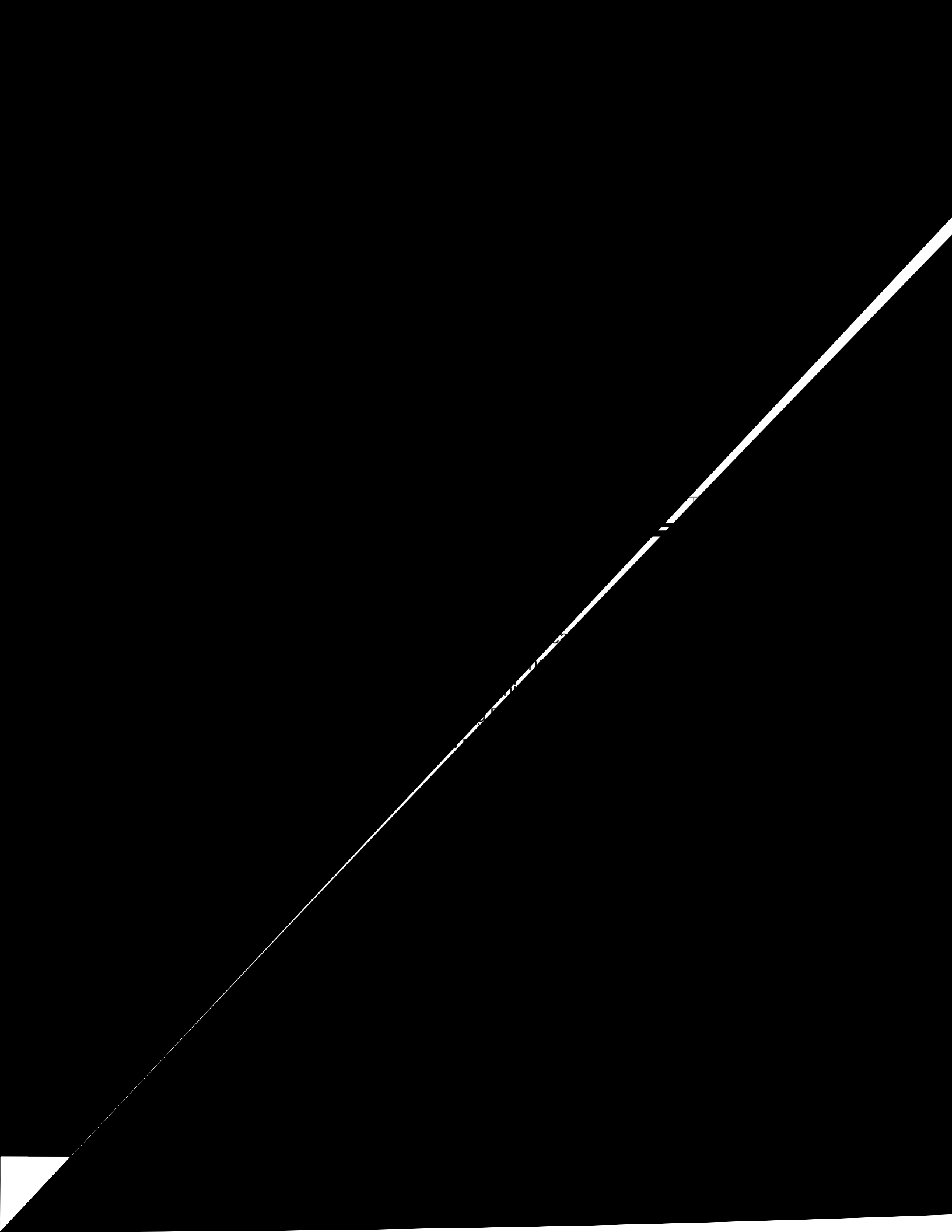
2012. The figure is also down from the peak June in 2007 when \$3.2 million in taxes were collected under the Casino Parking Fee.

Figure6: Casino Parking Fee, January020

Figure7: Quarterly Casino Parking Feest, Quarter 2005 through 2nd Quarter 2013, \$millions

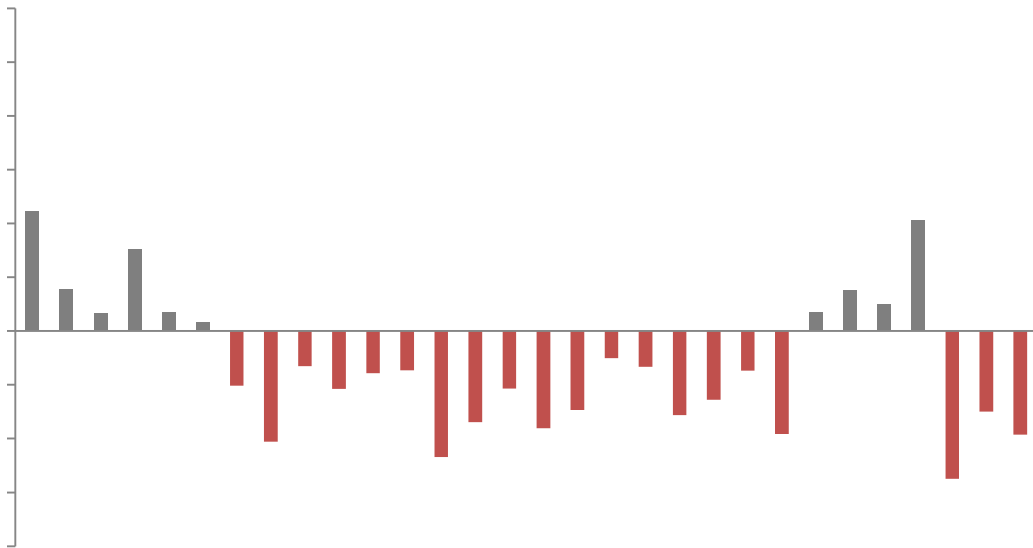


Once again, it is instructive to look at a twelve month trailing total to discern the longer term trend in the Casino Parking Fee. This is accomplished below in Figure 8. Here the picture is quite different than the analysis of the Atlantic City Luxury Tax in the prior section. The highest twelve month period in the study period was the twelve months ending June of 2008, at which time the 12 months through June of 2008 saw the Casino Parking Fee generating \$37.3 million. The twelve month trailing total had previously bottomed out during the period with the twelve months ending November 2011 (\$28.2 million), but now that low is the most recent 12 month period ending in June of 2013 during which time the Casino Parking Fee only generated \$27.5 million. After a largely positive 2012, the trailing twelve month total has continued its decline in the wake of Hurricane Sandy and continued pressure from regional casino destinations.



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 10). That effect seems to be lingering with the three quarters in the wake of the hurricane all negative. As discussed previously in this report, the cold weather in June and the impact of the road

Figure 10: Year over Year (YoY) Change in the Quarterly Casino Parking Fee, 1st Quarter 2006 through 2nd 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 11 shows the Atlantic County Hotel Occupancy Fee collections from July 2004 through June 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. The most recent month, June of 2013 (\$531 thousand), saw significantly less tax generated in Atlantic County compared with June of 2012 (\$633 thousand).

Figure11: Atlantic County0.007 ()10(A)-1(toh)10(t r)n(n)1a(c)11Atoh0p05s2y2 \$6000p05(3) 2.81 0 TS

Figure 12: Atlantic County Hotel Occupancy Fee, 3rd Quarter 2004 through 2nd Quarter 2013, \$millions

The twelve month trailing total for the Atlantic County Hotel Occupancy Fee is examined below in Figure 13. 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 had been on the rise since February of 2010, a trend that reversed itself over the past two months. The twelve months ending June of 2013 saw Atlantic County collecting \$5.5 million in Hotel Occupancy Fee, down slightly from the recent twelve month high of \$5.6 million in April of 2013. Still, the quarter saw

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Figure14: Year over Year (YoY) Change in Atlantic County Hotel Occupancy Fee, July 2005 to June 2013

The poor showing in May and June contributed to the second quarter realizing the first quarterly decline (-7.3%) following a string of thirteen consecutive quarters of positive year over year growth (see Figure 15). Indeed, the second quarter had been positive three times during that period, a fact that makes the 2013 second quarter decline slightly more palatable as the previous year's strong performance made for a tough comparison. Previously in this report we noted that the construction on the Garden State Parkway might very well have negatively impacted tourism performance in Atlantic City. This can be explored further utilizing the same Hotel Occupancy Tax data, but examining the tax on a more regional basis. This report concludes with this special section on regional hotel performance in New Jersey followed by a snapshot of the quarterly performance.

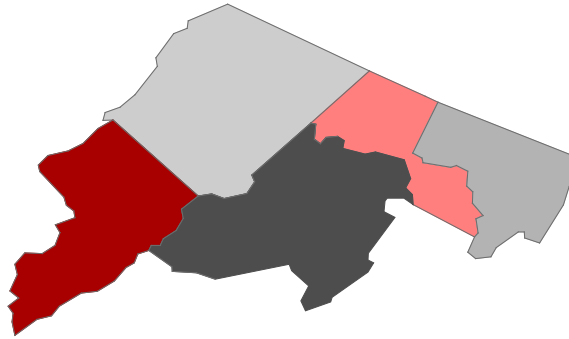
Figure 15: Year over Year (YoY) Change in Quarterly Atlantic County Hotel Occupancy Fee, 3rd Quarter 2005 through 2nd Quarter 2013

Special Section: Regional Hotel Performance in New Jersey

The New Jersey Turnpike Authority recently began several widening and interchange improvements on the southern portion of the Garden State Parkway.⁶ We speculated earlier in this report that these improvements likely had an adverse impact on the metrics detailed in this report. The Hotel Occupancy Tax we regularly detail for Atlantic County is also collected throughout the State of New Jersey and thus provides an opportunity to examine whether

completion of the widening and interchange improvements that the region will subsequently see a spike in hotel performance.

Figure 16: 2nd Quarter 2013 Statewide Hotel Occupancy Tax Receipts



June 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 that the news

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 long 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: June and 2nd Quarter 2013 Year over Year Atlantic City Tourism Performance (AC TPI) Index Snapshot

