

TOURISM ECONOMICS

Economic Impact of the 2012 Democratic National Convention in Charlotte, North Carolina

Prepared for:



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

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1 DNC Overview

1.1 Introduction to the convention

The 2012 Democratic National Convention (DNC) was held in Charlotte, N.C., from Sept. 4 to 6, 2012. The DNC was the pinnacle event for the Democratic Party, when state delegates nominated Barack Obama and Joseph Biden as presidential and vice presidential candidates for the 2012 election. The convention drew Democratic delegates from all 50 states in the U.S., thousands of members of national and international media, and non-delegate visitors to Charlotte and the surrounding counties. The convention was the largest single event in the city's history and put the Queen City in the national and international spotlight.

Preparations for the convention began in 2011 and continued through September of 2012. Much of the convention was held at Time Warner Cable Arena and the Charlotte Convention Center, while numerous hotels around the city hosted convention-related events, meetings and dinners. Modifications were made to both Time Warner Cable Arena and Bank of America Stadium, with respective seating capacities of 20,200 and 73,778; although the latter ultimately was not used due to weather concerns. The convention officially lasted for three days, from Tuesday to Thursday, but events were held from the Saturday prior to the Saturday after the official schedule.

Events included more than 108 speakers at Time Warner Cable Arena and just under 1,200 other meetings of state delegations, political interest groups, policy discussions and roundtables, trade associations and media organizations. Additional sites beyond Time Warner Cable Arena included the Charlotte Convention Center, Westin Charlotte, Embassy Suites Charlotte/Concord, Charlotte Marriott City Center, The Ritz-Carlton, Charlotte, NASCAR Hall of Fame, EpiCentre, NC Music Factory, Blumenthal Performing Arts venues and both Mint Museum locations among others.

1.2 About the study

The following economic impact study was commissioned and funded by the City of Charlotte, Charlotte Chamber, Charlotte Center City Partners, Charlotte Regional Partnership and Charlotte Regional Visitors Authority.

The study was prepared by Tourism Economics, an Oxford Economics research firm that has conducted more than a hundred studies of this kind using visitor surveys and industry data. They strive to combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

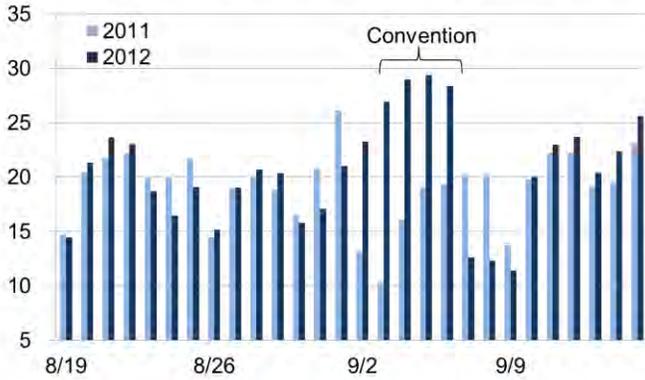
1.3 Lodging capacity and occupancy

The inflow of visitors to the Charlotte area is most evident in data for the Charlotte lodging industry (see Chart 1). The Charlotte Metropolitan Statistical Area (MSA) has a total room capacity of more than 31,000 rooms with roughly 15% of these rooms in the Uptown core district and the balance in the rest of the MSA. During the convention, the occupancy rate reached 98% among the Uptown hotels and 92% among the hotels in the balance of the MSA (see Chart 2). For the MSA overall, occupancy peaked at 93% during the convention week. The increase in room demand is clear when comparing occupancy rates during the convention with those of the same week in the prior year, when the occupancy rate averaged 57% in the Charlotte MSA.

The impact of increased demand on revenues was compounded by higher prices. With limited supply and few alternatives for delegates and visitors, hotels were able to more than double the rates charged. In the weeks prior to and just after the convention, average daily room rates trended around \$100. In the same week the previous year room rates averaged \$78 per night. Even in the days leading up to the convention room rates started increasing, likely due to staff and media traveling in early to make preparations for the convention. During the convention week, average daily room rates for the Charlotte MSA overall reached \$220 (see Chart 3). In the Uptown district, average daily rates peaked at \$311 on Thursday, the final evening of the convention, while outside the core district rates peaked at just over \$200 per night. The convention accounted for an estimated 71% of lodging revenues during the convention week, or a total of \$22.6 million (see Chart 4).

Chart 1: Convention Boosted Room Demand

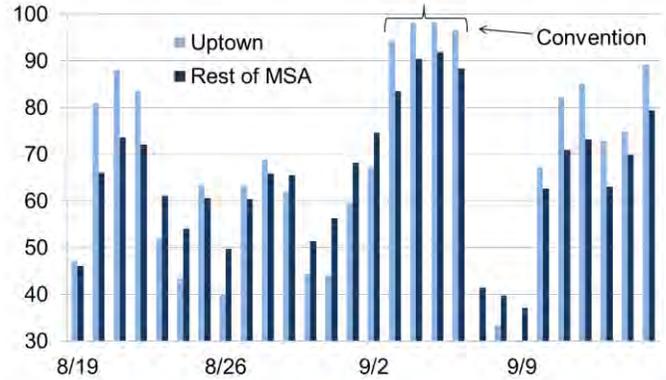
MSA daily room demand in August and September 2011-12, ths



Source: Smith Travel Research

Chart 2: Hotels Nearly Filled to Capacity

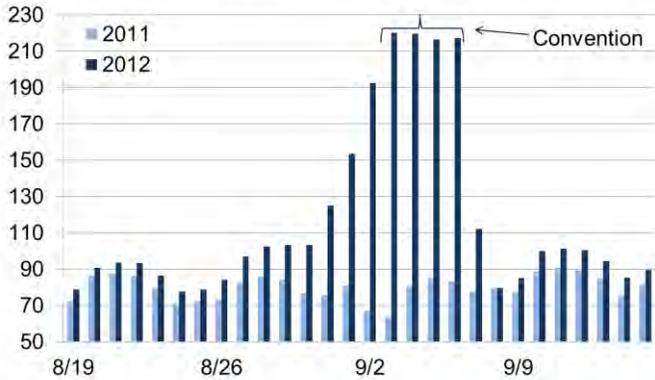
Daily occupancy rate, %



Source: Smith Travel Research

Chart 3: Hotels More than Doubled Prices

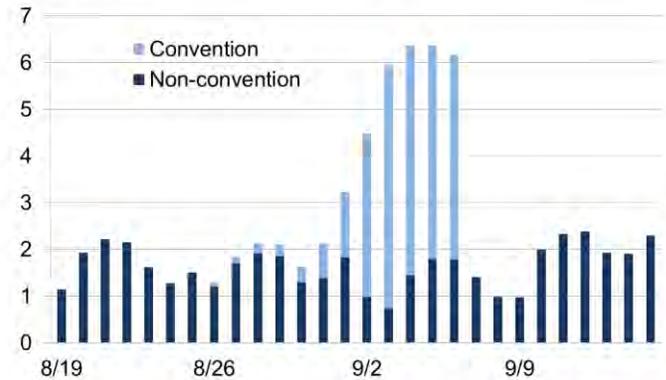
Average daily rate, \$ per room



Source: Smith Travel Research

Chart 4: Convention Boost to Revenues

Revenues, \$ mil



Sources: Smith Travel Research, Tourism Economics

2 Methodology: Introduction to Input-Output Modeling

2.1 Input-output modeling basics

Economic impact analysis measures the total effects of a change in a regional economy. The initial change could be in the form of new spending, employment, income or investment with additional effects on employment, income and output, also called business sales. The approach is based on making estimates of the initial change. For example, the amount of net new spending or investment as a direct result of a project or event is considered the direct effect. The direct effects of the DNC in Charlotte came from several sources:

1. Spending in the regional economy that would not have occurred otherwise, including expenditures by delegates, non-delegate visitors and the media;
2. Spending by the host organizations, the Democratic National Convention Committee (DNCC), Charlotte in 2012 Convention Host Committee and New American City (NAC), both on preparations, construction and renovations before the convention and operational spending during the convention;
3. And expenditures on security by the host organization and federal and local government authorities; the city was awarded a \$50 million federal grant for security, of which between \$45 million and \$49 million was actually spent based on preliminary estimates.

Beyond this initial change occurring as a direct result of the DNC, other effects ripple throughout the economy. These indirect effects are usually calculated in two categories:

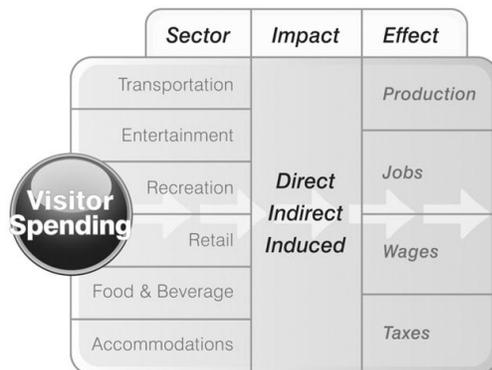
First, indirect effects result from the supply chain impact when new spending generates additional demand in related industries that provide inputs. For example, the renovation construction that took place at Time Warner Cable Arena and Bank of America Stadium required material inputs from other industries, such as wood, cement, rubbers, metals and energy inputs. Producers of those materials experienced additional demand for their goods. Some of the supply chain effects occur in the local economy and some of the additional demand is placed on producers in other regions of the state and national economies.

Second, the direct spending and the additional demand placed on other industries generate additional income for workers in those industries. A portion of the additional income earned is spent in the economy again, and this is

considered the induced effect. Again, a portion of this induced effect occurs in the local economy and a portion occurs outside the local region. The indirect and induced impacts that occur outside the local region are considered leakage, as this new economic activity occurs elsewhere.

The direct effect plus the indirect and induced effects combined make up the total economic impact. Diagram 1 shows the flow of new incremental spending in the economy, the direct, indirect and induced impacts, and the total effect on the economy in terms of production, jobs, wages and taxes. These impacts can be calculated for the local region and the broader region or county. These ripple effects that stem from an initial change in the local economy are captured in the multiplier concept. For example, \$1 million in direct spending could result in a total of \$1.5 million of spending in the economy, for a multiplier of 1.5. The actual multiplier effect in a regional economy depends on many factors such as productivity by industry, the regional distribution of productive resources, and the propensity of a region to source locally or import materials from outside the region.

Diagram 1: Impacts of Visitor Spending



These characteristics of a regional economy are captured in an input-output model (I-O model). An I-O model quantifies the relationship between not just industries but also geographies. Fundamentally, an I-O model is an accounting method to describe a specific regional economy and the flow of money through the industries. In a matrix form, the columns represent the buyers (demand) and the rows are the sellers (supply). Any particular cell where a column and row intersect is the dollar flow between the buyer and seller of a particular good or service. The sum of a particular row is the total supply (in dollar value of output or sales) of that particular industry and the sum of any particular column is the total demand of the industry. Given the laws of supply and demand in competitive markets, total demand must be equivalent to total supply; the sum of the row totals must equal the sum of the column totals. The richness of I-O modeling is

that it serves as an accounting summary of the total economy. It allows the analyst to measure the total impact in the broader economy of a small change in one region or industry. The results of the modeling show the total impact on employment, income, output and government tax revenues.

2.2 The input-output model used for Charlotte, North Carolina

The study area was defined as the Charlotte MSA, which consists of six counties: Anson, Cabarrus, Gaston, Mecklenburg and Union Counties in North Carolina and York County in South Carolina. While some of the direct spending associated with the convention occurred outside of the MSA in the greater Charlotte region and other parts of North Carolina, the large majority of direct spending occurred within the MSA. Indirect impacts also extend beyond the MSA; however, this geographic definition likely captures most indirect and induced effects.

An I-O model from MIG, Inc. (formerly The Minnesota IMPLAN Group) was employed in this analysis. The model was constructed specifically for the Charlotte MSA by aggregating the six MSA counties and treating them as one region. The IMPLAN model is a commonly used tool in policy and economic impact analysis. The IMPLAN model is used to create complete, extremely detailed Social Accounting Matrices and Multiplier Models of local economies, enabling analysts to make in-depth examinations of state, multi-county, county, sub-county and metropolitan regional economies. The IMPLAN model is based on high-quality government and proprietary databases that include regionally specific data, not broader or national averages, making each analysis more custom to the county or defined local region.

The model provides a snapshot of the economic relationships and is particularly well suited for detailed impact analysis of events that occur in a single year, as opposed to multi-year projects that occur over time. This study seeks to assess the impact of the DNC in 2012; therefore, only expenditures made in 2012 were included in the analysis.

The IMPLAN model consists of data for 440 industries based on the Census-defined North American Industrial Classification System (NAICS). Industries are usually defined at the five-digit level for manufacturing and at the two or four-digit level for other industries. Data are available at the state, county and zip code level. Variables included in the data are employment, gross output, value added output and income. Output, income and employment data are balanced to the National Income and Product Accounts (NIPA) data maintained by the Bureau of Economic Analysis (BEA).

3 Development of the Inputs

3.1 Sources of incremental spending

The impact analysis was approached from a demand-side perspective capturing additional spending in the regional economy. Inputs to the model were estimates of incremental spending in the regional economy attributed directly to the DNC. New incremental spending is spending that would not have occurred in the regional economy otherwise and is net of any displaced or offset spending that would have occurred but did not due to the convention. An estimate of displaced spending is provided later in this section. A detailed list of sources of incremental spending is provided below and summarized in Table 1 on page 12:

1. Delegates: a total of 6,500 delegates from all 50 states arrived in Charlotte. Delegates covered their own expenses associated with their participation in the convention including airfare, lodging, food, local transportation and recreational expenditures.
2. Media organizations: an estimated 15,000 members of national and international media descended on Charlotte for the convention. Major media coverage included all leading broadcast television and radio as well as hundreds of print and online news organizations. Members of the media had to engage in spending on lodging, food and transportation in a similar way as other visitors to Charlotte.
3. Non-delegate attendees and visitors to Charlotte: An estimated 13,500 other visitors and non-delegate attendees came to Charlotte. These visitors included members of political interest groups and trade associations as well as family and friends who accompanied delegates.
4. Charlotte in 2012 Convention Host Committee: As the official host of the DNC, Charlotte in 2012 engaged in construction and renovation at Time Warner Cable Arena and Bank of America Stadium. Charlotte in 2012 was also responsible for operations and production of the convention and operational expenditures including the renting of space, staff salaries, purchases of materials, office and technology equipment, transportation and logistics, and security as well as the production costs associated with the presentation and promotion of the convention.
5. Democratic National Convention Committee: The national Democratic Party also had local staff supporting the event who engaged in local planning and promotions spending. Expenditures included staff salaries, food and catering, space rental and lodging.
6. New American City: NAC was a non-profit organization dedicated to offsetting convention-related costs for the host organization. NAC

primarily engaged in spending on food and entertainment and recreational events for convention attendees.

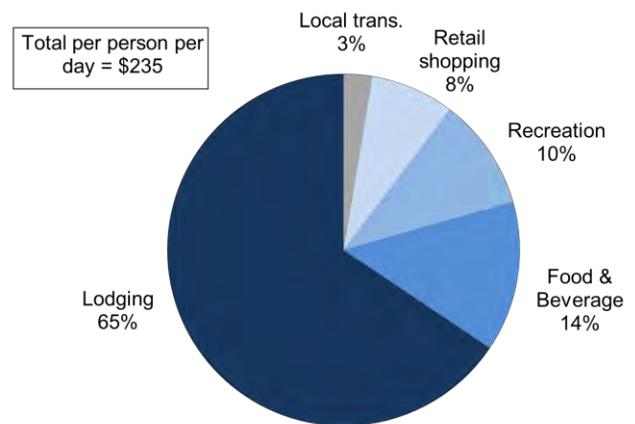
7. Operational spending by the media: The major news organizations had operations and production centers where coverage was broadcasted. This required the rental of office space and some business support services that could not be brought with them from their respective headquarter locations.
8. Expenditures on security measures: Security was provided primarily by the City of Charlotte and was funded with a federal grant. The city relied on its own officers but also called in assistance from other law enforcement organizations within the state, from surrounding counties, and from agencies and cities outside of North Carolina. Given the presence of numerous high-ranking state and federal government officials, there was also a federal security presence as well.

Visitor and attendee spending

Estimates of visitor and attendee spending (one through three in the list above) are based on a per diem spending profile generated by Destination Marketing Association International's (DMAI) Event Impact Calculator (EIC). DMAI's EIC is used by more than 100 cities in the U.S. and abroad as a tool to provide economic impact estimates for conventions, trade shows and other events. EIC data provides attendee spending detail by category for convention attendees by tier of city. The city-tier spending data is adjusted to local conditions using local wage data that captures unit cost differences of goods and services across cities to arrive at a detailed, location-specific spending profile. The visitor spending profile categorizes spending into several groups including lodging, local transportation, food and beverage, retail shopping and recreational spending.

Using the aforementioned per diem spending data aggregate, visitor spending was calculated using estimated average lengths of stay for each group: delegates were assumed to stay for just under five days and members of the media and other non-delegate attendees for just over four days. The overall weighted average length of stay was 4.2 days. This estimate of total visitor and attendee spending includes 6,500 delegates, 15,000 members of the media and 13,500 other visitors to Charlotte. Lodging spending used as the model inputs was adjusted to

Chart 5: Visitor Spending Profile



Source: Tourism Economics

Total visitor and attendee spending (in millions):

Lodging	22.6 m
Food & Bev	4.8 m
Recreation	3.5 m
Retail	2.7 m
Local trans	0.9 m
Total	34.5 m

account for the unusually high prices by considering 15% of room revenues as likely leakage in the form of corporate profits that would not stay in the local area. Not making such an adjustment could overstate the local employment impacts of the significant amount of spending to come into the Charlotte MSA. Total visitor and attendee spending totaled to \$34.5 million (excluding airfare) with spending on lodging, food and beverage accounting for just under 80% of the total visitor spending (see Chart 5).

The visitor spending estimate also takes into account that some of the spending on food, entertainment and local transportation that Charlotte visitors would normally engage in was likely displaced by the host organizations. The host organizations put on events that provided food and entertainment and also provided some local ground transportation. This reduced the amount of spending by delegates and other visitors in these categories. It was assumed that half of the spending by the host organizations in these categories displaced what otherwise would have been visitor spending, and this approach avoids double counting in these categories.

This spending profile was cross-checked in several ways. First, the spending profile was compared with visitor spending estimates developed by the North Carolina Department of Commerce and checked for reasonableness. The state-published spending profiles are available in two documents, the 2011 Regional Travel Summary and the 2011 Visitor Profile. The surveys provide data on typical spending patterns of visitors to different regions of the state and by type of visitor for leisure and business travelers. Second, the additional spending in the regional economy is reflected in tax data collected by the counties and state. Tax revenue data examined included sales tax by industry category, occupancy tax and rental car tax. The tax data also demonstrates a boost to revenues from the DNC, particularly in Mecklenburg County.

The significant number of visitors that converged in Charlotte, higher room rates, and the expected congestion and security obstacles all likely caused some displacement of economic activity that would have occurred in the absence of the convention. Tourists may have chosen other destinations, and some of the local spending that would have occurred Uptown was likely displaced as workers and shoppers avoided the area. While the amount of displacement is small compared to the visitor and attendee spending associated with the convention, it is important to account for lost economic activity in order to arrive at a net incremental spending figure. Total displacement was estimated to be \$7.3 million and was developed using an assumed spending profile for displaced visitors and an estimated 35,700 visitor nights. Also, 50% of the estimated 79,000 Uptown workers were assumed to reduce their daily lunch and retail spending by \$15 each for five days. There was also likely some shifting of demand as visitors and residents may have adjusted the timing of their visit to and purchases in

Charlotte. Some visitors likely postponed their trip and local residents may have simply made purchases earlier, later or in different parts of the city. This shifting of demand in time or location within the Charlotte MSA is not counted as displacement. The estimated displacement is intended to capture economic activity that would have happened otherwise but did not due to the DNC.

Host organizations

Preparations for the DNC began in early 2011 and continued through September of 2012. The most significant preparations in terms of spending were the renovations and modifications made to Time Warner Cable Arena and Bank of America Stadium; all of these construction expenditures were made in 2012. A total \$8.2 million was spent on the renovations of the two main sites. Site preparation employed at least 200 construction workers. Enhancements at Time Warner Cable Arena included altering some arena seats and installing camera stands, modifying suites for television network broadcasts, construction of the stage and lighting, and upgrading electrical and technology systems. The main renovations at Bank of America Stadium began in August of 2012 and included construction of the stage, media production facilities and workrooms for the media, and the upgrade and expansion of an extensive wireless internet system that included nearly 500 antennas strategically placed throughout the facility. The organizers sought to promote the convention as 'wired,' open and transparent. The Wi-Fi system was intended to provide high-speed Internet access to roughly 7,000 people on the field and more than 60,000 attendees in the stadium seats.

The host organizations including the DNCC, Charlotte in 2012 and NAC, also engaged in significant amounts of operational spending that included logistics and production, local transportation, and provision of food and entertainment. A total of 1,196 events were included in the official convention schedule including breakfasts, lunches, dinners and receptions, comedy shows, community events, concerts, TV shows and media events, delegate and trade group meetings, and recreational events such as yoga, golf and fitness. Total local spending by host organization totals to:

- | | |
|---|-----------------------|
| • Democratic National Convention Committee | \$5.0 million |
| • Charlotte in 2012 Convention Host Committee | \$21.5 million |
| • New American City | \$15.7 million |
| • Total | \$42.2 million |

Security Spending

A federal grant provided \$50 million for security-related costs associated with the convention with an estimated \$45 to \$49 million actually spent. Detailed accounting of security-related spending was unavailable at the time of this study and these preliminary figures are incorporated into the analysis. Preliminary figures estimate that \$20.1 million of security spending was local while the

balance was spent elsewhere. The City of Charlotte provided most of the staffing and equipment needed for security operations. The city relied on its own personnel but also brought in law enforcement officers from neighboring counties and law enforcement officials from as far away as Chicago and Atlanta. Just over \$500,000 of the security funds was used for accommodations of law enforcement personnel from outside of Charlotte. This amount was not included in the modeling (reflected in Table 1) since this accommodation spending was already accounted for as non-delegate visitor spending. Such an adjustment is minor but prevents double counting of spending in this category for visiting law enforcement officers.

Table 1. Direct Expenditures by Major Source and Category

(\$ millions)

	Visitors and Attendees	Host Organizations	Other Media Spending	Security Spending	Less Displaced Spending	Total Net Spending
Lodging	22.6	-	-	-	1.7	20.9
Local transportation	0.9	5.0	-	-	0.5	5.4
Air transportation	1.4	-	-	-	0.1	1.3
Food & beverage	4.8	3.7	0.6	-	3.4	5.7
Retail	2.7	-	0.0	-	1.0	1.6
Recreation	3.5	-	-	-	0.6	3.0
Media/production	-	8.7	-	-	-	8.7
Insurance and banking fees	-	1.4	-	-	-	1.4
Space rental	-	8.0	0.0	-	-	8.0
Bus and prof services, equip	-	7.2	0.0	-	-	7.2
Construction	-	8.2	-	-	-	8.2
Government	-	-	-	19.5	-	19.5
TOTAL	35.9	42.2	0.7	19.5	7.3	91.0

4 Economic Impact Results

4.1 Estimates of the modeling

The sources of incremental spending described above were used as inputs for the I-O modeling. The modeling estimates the indirect and induced impacts of the DNC in Charlotte. The modeling results show that the convention had a significant and positive economic impact in the Charlotte MSA. Table 2 shows business spending, or gross output, categorized by type of impact. Spending on lodging and security were the two largest sources of direct spending. Security spending was modeled as direct government spending as reflected in Table 2. The indirect impacts capture the supply chain effects as increased business sales in one industry lead to additional demand in supplier industries. Considering these supply chain effects, the convention had an additional \$34.5 million in indirect impact in the Charlotte MSA. Also, the induced effect captures the benefit of additional earnings that were in turn spent in the local economy as a result of the direct spending. The DNC has an estimate induced impact of \$38.1 million. The total economic impact of the convention includes the direct, indirect and induced impacts for a total of \$163.6 million.

Table 2. Business Sales Impact

(US\$ Million)

	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	0.0	0.1	0.1
Construction and Utilities	8.2	4.1	1.0	13.3
Manufacturing	-	1.2	1.1	2.3
Wholesale Trade	-	0.9	1.7	2.6
Air Transport	1.3	0.2	0.3	1.7
Other Transport	5.3	1.3	0.7	7.3
Retail Trade	2.5	0.1	3.2	5.8
Gasoline Stations	0.0	0.0	0.2	0.2
Communications	8.7	4.3	1.8	14.8
Finance, Insurance and Real Estate	9.5	8.5	13.6	31.5
Business Services	6.2	10.0	2.7	18.9
Education and Health Care	-	0.0	5.8	5.8
Recreation and Entertainment	3.0	0.4	0.6	4.0
Lodging	20.9	0.0	0.0	21.0
Food & Beverage	5.7	1.1	2.6	9.4
Personal Services	0.1	0.9	2.0	3.0
Government	19.5	1.4	0.8	21.8
TOTAL	91.0	34.5	38.1	163.6

Note: Direct sales include cost of goods sold for retail sectors

The increased spending in the Charlotte MSA regional economy also resulted in a boost to employment of 1,427 full-time equivalent jobs on an annualized basis (see Table 3).¹ The lodging, communications, food and beverage, and transportation sectors benefited most in terms of direct employment as a result of the DNC. Much of the direct spending by visitors and attendees occurred in lodging, food and beverage, and the host organizations that engaged in a significant amount of media production and promotion.

Table 3. Employment Impact				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	0	0	1
Construction and Utilities	60	24	4	87
Manufacturing	-	5	3	7
Wholesale Trade	-	6	11	16
Air Transport	5	1	1	6
Other Transport	71	12	7	89
Retail Trade	17	2	47	66
Gasoline Stations	0	0	3	3
Communications	111	17	6	133
Finance, Insurance and Real Estate	77	47	50	174
Business Services	49	99	28	177
Education and Health Care	-	0	64	64
Recreation and Entertainment	52	7	10	68
Lodging	239	0	0	239
Food & Beverage	102	20	48	170
Personal Services	2	11	33	46
Government	68	8	4	80
TOTAL	853	257	317	1,427

Indirect employment benefits were most significant in business services, finance, insurance and real estate. This likely resulted from the increase in direct business sales that spurred hotels and retail shops to demand more services from these supporting industries, including materials and services such as printing, legal and accounting. The induced impacts were distributed across various industries, including retail, finance and insurance, business services,

¹ The full-time equivalent concept converts part-time and temporary jobs to a full-time equivalent annual basis, based on output and wages. More temporary and part-time jobs were created during the convention than the figure reported here, but the additional employment did not last the entire year. The full-time equivalent annual figure captures the employment impact in terms that are more easily understood, as opposed to reporting part-time or temporary positions that required work for a few hours per day or just a few weeks.

education and health care, food and beverage, and other personal services. These induced impacts resulted from local residents spending the additional income earned at other businesses in the regional economy.

Table 4 below summarizes the total economic impact of the DNC by type of impact for key macroeconomic concepts. A total of 1,427 full-time equivalent jobs were generated on an annualized basis, and the additional employment is associated with boosted labor income totalling \$58.5 million and total value added of \$94.0 million. These impacts capture the incremental benefits to the Charlotte MSA regional economy and are net of any displacement of economic activity that likely would have occurred if the DNC had not. Using business sales in Table 4 below, a spending multiplier can be calculated by taking indirect and induced spending over direct spending, yielding an estimated multiplier of 0.8. This means that for every \$1 million in additional spending associated with the DNC, an additional \$0.8 million in indirect and induced spending was generated in the local area as a result of the DNC.

Table 4. Total Economic Impact

	Employment	Labor Income (\$mil)	Value Added (\$mil)	Business Sales (Output) (\$mil)
Direct	853	30.3	47.5	91.0
Indirect	257	14.1	21.5	34.5
Induced	317	14.2	25.0	38.1
Total Impact	1,427	58.5	94.0	163.6

4.2 The impact on state and local taxes

The additional economic activity associated with the DNC generated a total of \$3.4 million in state tax revenues and \$4.5 million in local tax revenues in the Charlotte MSA (see Table 5). A significant portion of the additional local tax revenue came from the occupancy tax driven by the significant number of visitors and attendees that converged in Charlotte. The occupancy rate reached 93% for the MSA's hotels overall and 98% for the Uptown cluster of hotels. In Mecklenburg County, a total 8% occupancy tax is collected and applies to the majority of the lodging revenues generated by the convention. A total of \$2.1 million in state and local sales tax revenues were generated by the increased business sales; \$0.4 million of this amount went to local governments in the Charlotte MSA. An estimated \$1.7 million in personal and corporate income state tax revenues were generated by the increased business sales associated with the convention.

4.3 A qualitative measure of the impact of the DNC

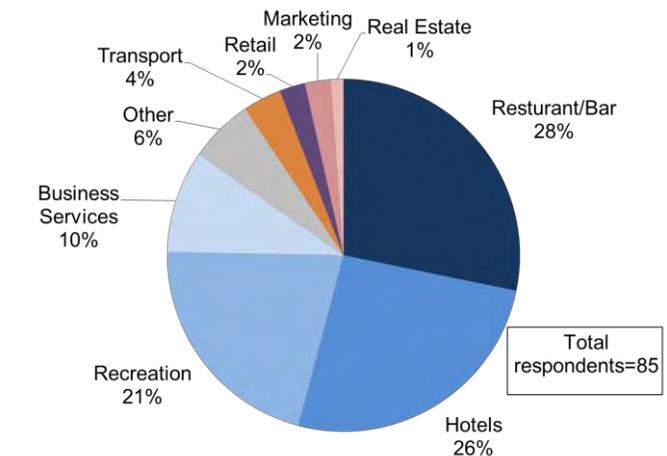
In order to provide additional information on the convention's impact on Charlotte area businesses, a brief survey was conducted by Tourism Economics in collaboration with the Charlotte Regional Visitors Authority. The survey was disseminated in an online format to nearly 160 businesses in the area and made available for a three week period in October and November of 2012. A total of 85 complete responses were received and included in this analysis to help better understand the DNC's impact. Respondents represented a variety of industries but were concentrated in the hotels, food and beverage, and recreation industries (see Chart 6).

The survey asked respondents if their business was positively or negatively impacted by the DNC, the timing of the impact (before, during or after the convention) and the estimated impact the convention had on business sales in percentage terms. Nearly 40% of respondents indicated that the convention boosted their sales in the days leading up to

Table 5. Convention-Generated Tax Revenues
 (US\$ Million, 2012)

	Total
Federal	12.2
Personal Income	3.0
Corporate	2.1
Indirect business	1.0
Social Security	6.1
State	3.4
Sales	1.7
Personal Income	1.4
Corporate	0.3
Social Security	0.1
Local	4.5
Sales	0.4
Lodging	1.8
Excise and Fees	0.4
Property	1.9
TOTAL	20.1

Chart 6: Local Business Survey



Source: Tourism Economics

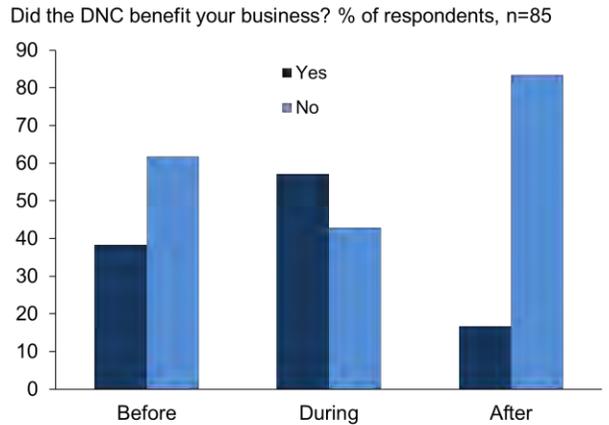
the convention, and nearly 60% of area businesses experienced increased sales they attributed to the convention during the week of the event (see Chart 7). After the convention week, fewer businesses reported getting any boost, but still more than 10% were positively affected.

For those businesses that benefited, the gains were substantial. While most businesses that were positively affected experienced a boost to sales of less than 20%, the increase was greater for others, with several respondents indicating that the convention more than doubled their sales (see Chart 8).

When categorizing the results by business type, hotels appeared to benefit greater than other industries with 90% of hotels indicating a positive impact from the convention during the week of the event. Restaurants and recreation-oriented businesses were less enthusiastic about the convention's impact, but still 42% and 39% respectively, reported a boost to sales during the convention and less of a boost before and after the convention. The impact on business services was also more moderate with 32% reporting a positive impact both before and during the convention and a smaller benefit after the convention.

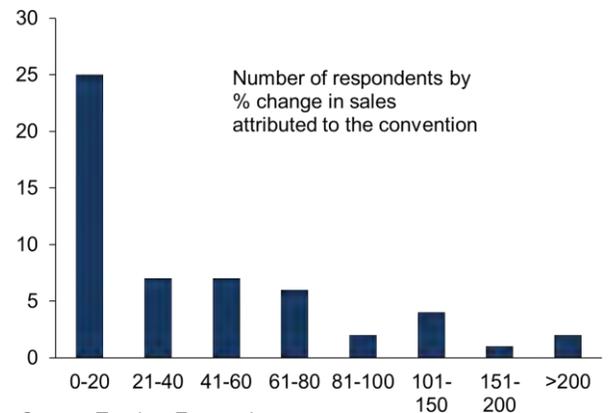
These results indicate that there were clearly some businesses that benefitted greater than others. Some respondents reported being negatively affected by the convention, particularly some restaurants. The survey also asked respondents if their business had been negatively impacted by the DNC and nearly 40% responded yes to this question (see Chart 9). The main boost to food and beverage sales was likely concentrated in the zone closest to Time Warner Arena, and some sales were likely displaced for businesses in the periphery areas. Displaced business in the Uptown district was easily offset by convention-related spending, but businesses further from the Uptown district may have been unable to make up for displaced sales. Therefore, while it is clear the gains outweighed the costs, it is important to recognize that some businesses may have been negatively affected by the influx of people, displacement of normal business activity and the shifting of demand toward the Uptown district.

Chart 7: Convention Boosted Business Sales



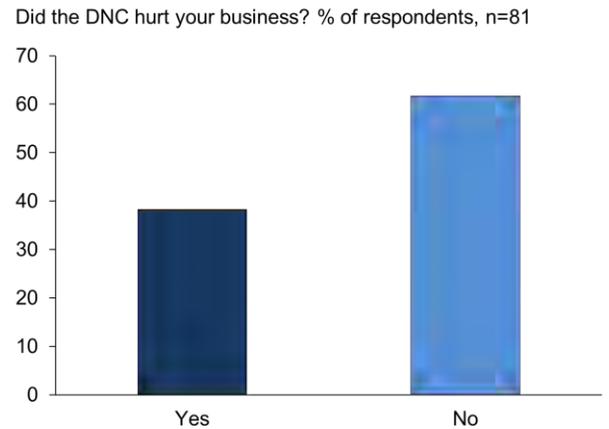
Source: Tourism Economics

Chart 8: The Boost was Significant for Many



Source: Tourism Economics

Chart 9: Not All Businesses Shared the Gains



Source: Tourism Economics

While the city may have experienced some negative effects in terms of displacement, this report's purpose is to highlight the positive impacts felt across the region. Some of the positive anecdotal evidence from respondents' comments is provided below, edited for clarity:

Description of benefits from the DNC reported by survey respondents:

"Private rental of facilities."

"Profitability. Sold out city creates pricing opportunity."

"Higher ADR (average daily rate)."

"Very high sales, increased visibility, TV and radio coverage, increased social networking (Twitter), celebrity and notable person sightings, local, national and international media coverage made Charlotte an attractive destination to many."

"Private corporations willing to pay for an event space for their cause. Also increased revenue from late night business due to hungry convention goers getting out late."

"Great sales week and we also were contacted by several new organizations that needed extra ice for their restaurant, bar, hotel or catered event. We made some new contacts that we feel will help us in the future."

"\$1,500 additional business that I would not have had."

"Revenue and exposure."

"Increased volume during a typically slower week involving Labor Day."

"Overflow business from the Hotels and Convention Center in-house A/V departments."

"Revenue Increase at parking locations."

"Increased occupancy at higher room rates and increased food and beverage revenue."

"Media exposure, hotel rooms filled during a typical shoulder season, increased traffic to website and social media."

"We benefited both financially and by being awarded two contracts. We believe that alone enhances our good reputation and is now part of our portfolio which we use to sell additional business. We also reached out to the community hiring 250 mostly unemployed local residents...so the economic impact went much further than just our organization."

"We hosted a client that had a number of events in our building."

“We were able to offer a higher rate due to demand.”

“Revenue spike.”

“Exposure, readiness to host events, alignment with other partners.”

“We sold at a higher rate.”

“An outside organization rented our facility for the entire week.”

“The presence of the DNC provided a unique opportunity for our team to highlight the quality and skill of the property management team. We provided property management services for several buildings in close proximity to Time Warner Cable Arena and in that role, we had to be flexible, adaptable, responsive and prepared for the DNC. The team was able to deliver quality services that reiterate the level of service that we consistently provide.”

“Most vehicles were booked for 24 hours a day.”

“Received a large amount of bookings in a typically slower time period. It is hard to quantify amount as variances occur year to year.”

5 Conclusions

The 2012 DNC was held in Charlotte, N.C., from Sept. 4 to 6, 2012, and this report summarizes the total economic impact of the event. The DNC drew 35,000 visitors to the Charlotte area, including delegates from all 50 states, thousands of members of national and international media, and non-delegate visitors. The convention was the largest single event in the city's history and put the Queen City in the national and international spotlight.

The inflow of convention attendees and media to the Charlotte area filled hotels and generated \$34.5 million in visitor spending. The host organizations also engaged in preparations and operations spending that totaled \$42.2 million. The inflow of high-level government officials also required a significant security presence that required \$20.1 million in local security spending.

This report finds that the net economic impact of the DNC included:

- \$91 million in direct convention-related spending plus \$72.6 million in indirect and induced spending, resulting in a **total net impact of \$163.6 million in increased gross output**, also called business sales.
- A total of **1,427 full-time equivalent jobs** were sustained on an annualized basis.¹
- **\$58.5 million in additional labor income** was generated by the DNC.
- The convention **boosted the Charlotte MSA's gross regional product (GRP), or value added output, by \$94.0 million.**²
- The impacts were generated by additional direct spending in the Charlotte MSA that would not have occurred otherwise and are net of displacement of economic activity that would have occurred otherwise. The direct spending also had indirect effects through the local supply chain and income earned and in turn spent in the regional economy. The total impact includes these direct and indirect impacts.

¹ The full-time equivalent concept converts part-time and temporary jobs to a full-time equivalent annual basis, based on output and wages. More temporary and part-time jobs were created during the convention than the figure reported here, but the additional employment did not last the entire year. The full-time equivalent annual figure captures the employment impact in terms that are more easily understood, as opposed to reporting part-time or temporary positions that required work for a few hours per day or just a few weeks.

² Gross regional product (GRP) is the value added portion of gross output. GRP is the same concept as gross domestic product (GDP), but reported on a regional level.

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