

TOURISM ECONOMICS

Economic Impact of the 2016 Republican National Convention in Cleveland, Ohio

Prepared for:

CLEVELAND2016



HOST COMMITTEE



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1 Overview

1.1 Introduction

Given the significance of the Republican National Convention, both in terms of scale and media coverage, as well as the costs associated with hosting the event, the Cleveland 2016 Host Committee commissioned the following economic impact study to be completed by Tourism Economics. The analysis is based on detailed RNC Host Committee financial data, STR hotel data, and Airbnb statistics. These datasets were analyzed in connection with a 7-county Cleveland region economic impact model from IMPLAN in order to measure the impact of the RNC in terms of business sales, employment, personal income, and taxes.

Tourism Economics has vast experience in analyzing complex, multi-tiered events like the RNC, and past work with similar events has provided the team with first-hand knowledge of the unique data sources involved and methodologies required to assess the impact. For example, Tourism Economics completed economic impact studies for the 2012 and 2016 Democratic National Conventions, as well as the London Olympics, and numerous other large scale events.

1.2 The Scope and Scale of the RNC

The 2016 Republican National Convention (RNC) was held in Cleveland, Ohio, from July 18-21 and attracted approximately 48,000 visitors. The convention drew Republican delegates and guests from all 50 states, the District of Columbia, and five American territories: American Samoa, Puerto Rico, U.S. Virgin Islands, Guam, and the Northern Marian Islands, thousands of members of national and international media, and non-delegate visitors to Cleveland and the surrounding counties. This marked the third time Cleveland hosted the Republican National Convention. Much of the official program was held at the Quicken Loans Arena, while numerous hotels, restaurants, and venue spaces around the city hosted convention-related events, meetings, and dinners. The convention officially lasted for four days, from Monday to Thursday, but events were held throughout the week. Events included parties put on by state delegations, private events hosted by corporations, as well as events honoring members of Congress and international dignitaries, and events hosted by several media outlets.

While many infrastructure and economic development plans were in the works for Cleveland before the city was selected to host the RNC, the selection of Cleveland certainly sped up the timeline of many of these projects. Such expedited projects included renovations to the Cleveland Hopkins International Airport, as well as several

downtown hotels, a redesign of Public Square in the heart of downtown with greenspace and a common area for residents and visitors, and both temporary and permanent interactive art and entertainment installations. Additionally, AT&T, the official communications, video, and technology provider to the RNC, made significant upgrades in downtown Cleveland which will remain after the convention and benefit the city.

2 Lodging Sector Performance

2.1 Demand and Revenue Generated by the RNC

The inflow of visitors to the Cleveland area is evident in data for the Cleveland lodging industry. The 7-county Cleveland study region consists of Cuyahoga and the surrounding counties, including: Erie, Geauga, Lake, Lorain, Medina, and Summit, and has a total room capacity of nearly 34,000 rooms. Approximately 15% of these rooms are located in downtown Cleveland, with the remaining rooms located throughout the rest of the 7-county region. The following section outlines peak occupancy, as well as increases in both demand and average daily room rates generated by the RNC.

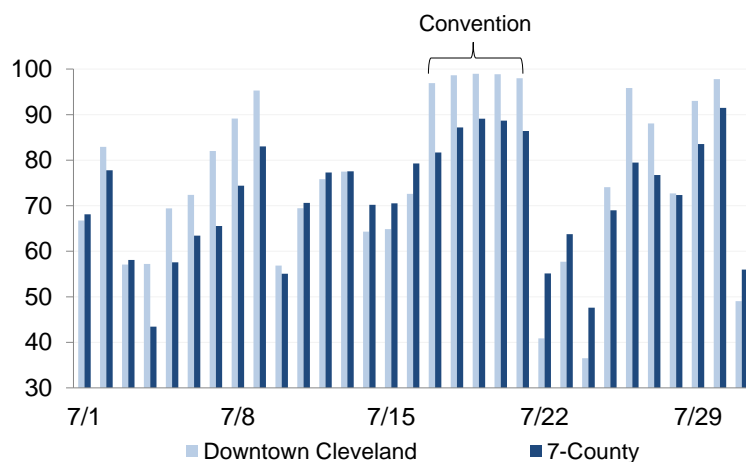
2.1.1 Lodging capacity and occupancy

The 7-county region has a total room capacity of nearly 34,000 rooms, with approximately 4,900 rooms located in downtown Cleveland. During the convention, hotels in downtown Cleveland reached peak occupancy rates of 99%, and averaged 88% in the 7-county region.

Figure 2.1: Occupancy Rates at Hotels in 7-County Region and Downtown Cleveland (2016)

Hotels Nearly Filled to Capacity

Downtown Cleveland & 7-County Region: Daily Occupancy Rate, % (2016)



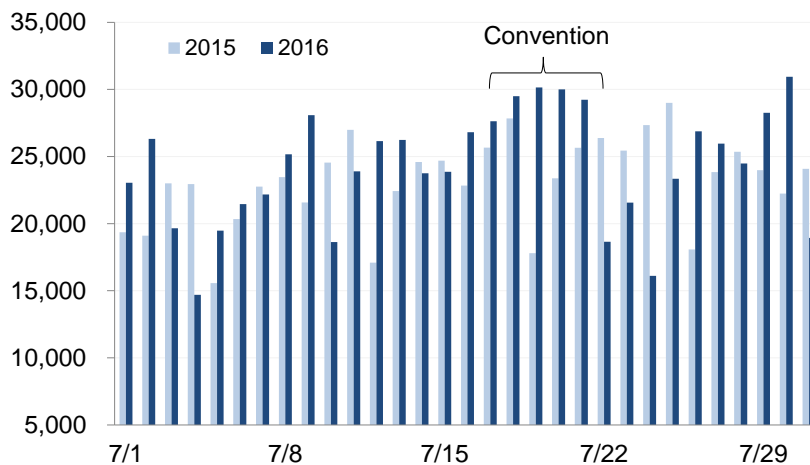
Source: STR

Figure 2.2 shows daily room demand within the 7-county region for 2015 and 2016. As shown, there was an obvious boost in room demand during the four days of the convention between Monday, July 18 and Thursday, July 21, 2016. Total hotel room demand in the 7-county region between Monday and Thursday during the week of the RNC reached nearly 119,000 total rooms, compared to just 95,000 total rooms for the same period in 2015.

Figure 2.2: Chart of Daily Room Demand at Hotels in the 7-County Region (2015 & 2016)

Convention Boosted Room Demand

7-County Region: Daily Room Demand (2015 & 2016)



Source: STR

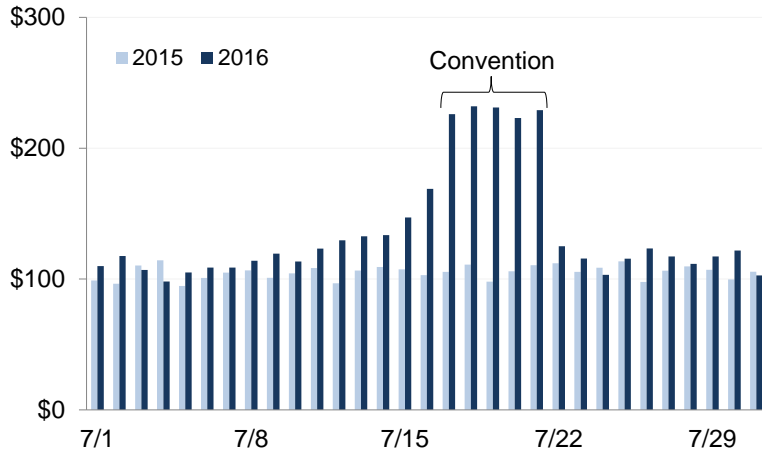
The impact of increased demand on revenues was further compounded by higher average daily rates. With limited supply and few alternatives for delegates and visitors, hotels were able to more than double their rates. The first full week in July saw average daily room rates trending around \$108 in the 7-county region, while the week prior to the convention saw rates close to \$135. The uptick before the convention was likely due to staff and media traveling in early to make preparations for the convention. In the same weeks of the previous year, room rates averaged about \$105 per night.

During the convention week, average daily room rates for the 7-county region overall reached \$232, as shown in Figure 2.3. In Downtown Cleveland, average daily rates peaked at \$322 on Monday the week of the convention, as shown in Figure 2.4.

Figure 2.3: Chart of Average Daily Rate at Hotels in 7-County Region (2015 & 2016)

Hotels More than Doubled Average Daily Rates

7-County Region: Average Daily Rate, \$ Per Room (2015 & 2016)

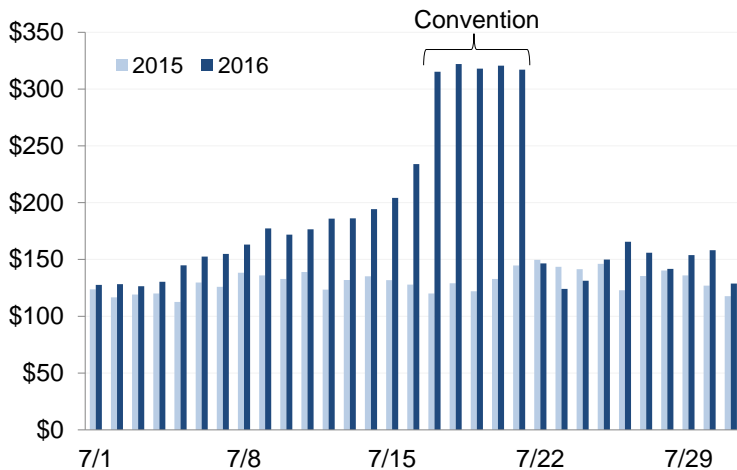


Source: STR

Figure 2.4: Chart of Average Daily Rate at Hotels in Downtown Cleveland (2015 & 2016)

Hotels More than Doubled Average Daily Rates

Downtown Cleveland: Average Daily Rate, \$ Per Room (2015 & 2016)



Source: STR

Additionally, given the extremely high hotel occupancy rates during the convention, particularly in downtown Cleveland, AirBnB was able to provide much needed capacity to accommodate overnight guests. During the convention week, guest nights booked increased more than 100% in comparison to the two weeks prior

and two weeks following the convention in both downtown Cleveland and the 7-county region. Average nightly prices also more than doubled for both areas.

3 Direct Spending Impacts

3.1 Sources of incremental spending

The impact analysis is driven by all RNC-related spending in the regional economy and is net of any displaced spending that would have otherwise occurred. 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 Figure 3.3:

1. Delegates: a total of 4,774 delegates, including alternates and other participants, from all 50 states, the District of Columbia, and 7 U.S. territories arrived in Cleveland and the surrounding counties. 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 Cleveland 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 Cleveland.
3. Non-delegate attendees and visitors to Cleveland: An estimated 28,200 other visitors and non-delegate attendees came to Cleveland and the surrounding counties. These visitors included members of political interest groups and trade associations, attendees of corporate events and meetings, as well as family and friends who accompanied delegates.
4. Cleveland 2016 Host Committee for the Republican National Convention: As the official host of the RNC, the Cleveland RNC Host Committee engaged in construction and renovation at the Quicken Loans Arena to prepare for the convention. The Host Committee 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. Additionally, the Committee on Arrangements, a separate organization that is part of the Republican National Committee, whose purpose is to plan and execute the convention itself, engaged in local spending including staff salaries and operational expenditures.
5. 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.

6. Expenditures on security measures: Security was provided primarily by the City of Cleveland 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 and across the country. Given the presence of numerous high-ranking state and federal government officials, there was also a federal security presence.

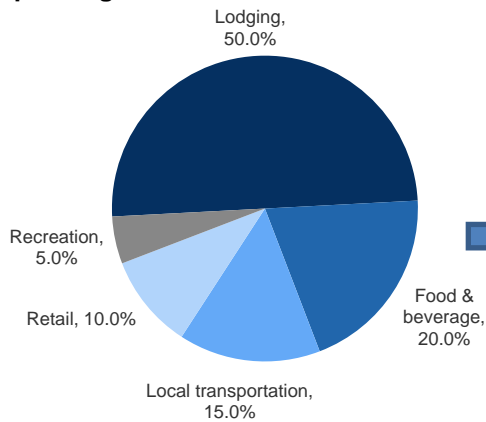
Visitor and attendee spending

Estimates of visitor spending are based on a per diem spending profile generated by Longwoods International for Ohio. The spending profile was developed by Tourism Economics with data from Longwoods International, a national consumer research firm, and previous analyses of visitors to Ohio and Cuyahoga County. Additional data from STR and AirBnB allowed for calibrations of the visitor spending profile to account for elevated prices of hotel room rates and non-hotel lodging during the convention. Conventions visitors are estimated to have spent, on average, half of their budget on accommodations, 20% on food and beverage, 15% on local transportation, 10% on retail shopping, and 5% on recreation, while in Cleveland. The visitor spending profile is displayed in the chart below.

An estimated 24,000 visitors to Cleveland arrived by air, and a share of their spending on air travel remained in the local Cleveland economy, supporting employment and income. Based on data from the Bureau of Transportation Statistics, the local share of air spending by convention visitors was estimated and included as direct spending, a total of \$2.4 million.

Figure 3.1: Total Visitor & Attendee Spending Generated by the RNC (\$ Millions)

Visitor Spending Profile



Visitor & Attendee Spending	Amount (\$ Millions)
Lodging	\$19.6
Food & beverage	\$7.8
Local transportation	\$5.9
Retail	\$3.9
Recreation	\$2.0
Total Spending	\$39.2

Sources: Tourism Economics

Total RNC visitor spending totaled to \$39.2 million (excluding airfare), with spending on lodging and food & beverage accounting for approximately 70% of the total (see Figure 3.1).

The analysis takes into account that some of the spending on food, entertainment, and local transportation that Cleveland visitors would normally engage in was likely displaced by the host organization. The host organization 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.

The significant number of visitors that converged in Cleveland, 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 in Cleveland 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 \$2.5 million and was developed using the Cleveland overnight visitor spending profile from Longwoods International, and key assumptions such as the fare price for Greater Cleveland Regional Transit and the average cost for a meal downtown. There was also likely some shifting of demand as visitors and residents may have adjusted the timing of their visit to and purchases in Cleveland. However, this was not explicitly considered so the displaced spending could be effectively lower over a longer period of time.

At the same time, non-RNC visitors during the week of the event were subject to much higher hotel rates. This helped to offset some of the displaced visitor spending in other categories.

Host organization

Preparations for the RNC began as soon as Cleveland was selected in 2014 and continued through July of 2016. The host organization facilitated several beautification and community enhancement projects in downtown Cleveland, including working with GE Lighting to string lights throughout the downtown area, and planting gardens in primary locations such as Willard Park and Shaker Square. Significant preparations were made to the Quicken Loans Arena, which included the construction of platforms for television networks and the conversion of team locker and whirlpool rooms for office space for convention production staff.

The host organization also engaged in significant amounts of operational spending that included logistics and production, local transportation, and provision of food

and entertainment. Several events were held throughout the week at more than 85 different venues across Cleveland. Total local spending by the host organization is summarized as follows:

Figure 3.2: Total Local Spending by Host Organization (\$ Millions)

Description	Amount (\$ Millions)
Cleveland 2016 Host Committee	\$46.1

Security Spending

A federal grant provided \$49.9 million for security-related costs associated with the convention. Of this amount, nearly \$25 million was spent on local wages, equipment, and supplies.

Figure 3.3: Direct Expenditures by Major Source and Category (\$ Millions)

Description	Visitors & Attendees	Host Organizations	Security Spending (Federal Grant)	Gross Spending	Less Displaced Spending	Total Net Spending
Lodging	\$19.6	\$4.6		\$24.2		\$24.2
Local Transportation	\$5.9	\$1.9		\$7.8	(\$0.6)	\$7.2
Air Transportation	\$2.4			\$2.4		\$2.4
Food & Beverage	\$7.8	\$2.0		\$9.8	(\$0.9)	\$8.9
Retail	\$3.9	\$0.4		\$4.3	(\$0.2)	\$4.0
Recreation	\$1.9	\$1.0		\$2.9	(\$0.7)	\$2.2
Media/Production		\$6.2		\$6.2		\$6.2
Insurance & Banking Fees		\$1.1		\$1.1		\$1.1
Space Rental		\$3.0		\$3.0		\$3.0
Prof. Svcs., Bus, Equip.		\$6.4	\$7.5	\$13.9		\$13.9
Construction		\$18.2		\$18.2		\$18.2
Government		\$0.8	\$17.5	\$18.3		\$18.3
Utilities		\$0.4		\$0.4		\$0.4
Total Direct Spending	\$41.6	\$46.1	\$25	\$112.6	(\$2.5)	\$110.1

Note: Totals may not add due to rounding.

Less displaced spending registers as a positive for lodging because non-RNC visitors also paid the higher-than-usual hotel rates.

4 Total Economic Impacts

4.1 Input-output overview

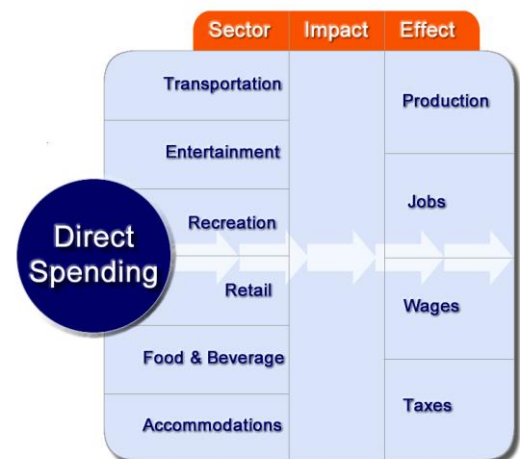
Economic impact analysis measures the total effects of a change in a regional economy. In the case of the RNC, this change is measured as the incremental business activity realized through three channels:

1. Spending of delegates, non-delegate visitors and the media (net of displaced visitor spending)
2. Spending by the host organization, both on preparations, construction and renovations before the convention and operational spending during the convention
3. Local expenditures on security by the host organization and federal and local government authorities

Economic impact analysis measures the effects of this direct spending as it flows through the local economy via the supply chain (indirect impacts) and incomes as they are spent by consumers (induced impacts).

For example, the renovation construction that took place at the Quicken Loans Arena required material inputs from other industries, such as wood, cement, rubbers, metals and energy inputs. Local suppliers of these materials benefited indirectly from the initial construction spending. Further, the incomes earned by construction workers and related suppliers generate further induced impacts as they are spent, in part, in the local economy.

The direct effect plus the indirect and induced effects combined make up the total economic impact. The adjacent diagram illustrates the flow of incremental spending to production, jobs, wages and taxes. These ripple effects that stem from an initial change in the local economy are captured in the multiplier concept. The actual multiplier effect for the Cleveland region is affected by productivity by industry, the regional distribution of productive resources, and the propensity of the region to source locally or import materials from outside the region.



4.2 The input-output model used for Cleveland, Ohio

The study area was defined as Cuyahoga County and the surrounding counties, including Erie, Geauga, Lake, Lorain, Medina, and Summit. While some of the direct spending associated with the convention may have occurred outside of these seven counties, the large majority of direct spending occurred within the aforementioned area.

An IMPLAN I-O model was employed in this analysis. The model was constructed specifically for the Cleveland area by aggregating the seven aforementioned counties and treating them as one region.

4.3 Economic Impact Results

The sources of incremental spending described above were used as inputs for the I-O modeling. The model estimates the direct, indirect and induced impacts of the RNC in terms of output (or business sales), employment, income, and taxes. Figure 4.1 shows RNC-generated business sales, categorized by level of impact. Spending on lodging and security were the two largest recipients of direct spending.

Total direct spending of \$110.1 million generated a total economic impact of \$188.4 million. This includes \$37.3 million in indirect impacts, reflecting the supply chain effects as increased business sales in one industry lead to additional demand in supplier industries. Induced impacts of \$40.9 million represent the benefit of additional earnings that were, in turn, spent in the local economy.

Figure 4.1: Economic Output (Business Sales) Impacts Generated by the RNC, by Major Industry (\$ Millions)

Tourism Sales				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	0.3	0.1	0.4
Construction and Utilities	18.2	3.9	1.5	23.5
Manufacturing	-	2.2	0.8	3.0
Wholesale Trade	-	2.3	2.0	4.3
Air Transport	2.4	0.2	0.2	2.8
Other Transport	3.9	1.8	0.9	6.6
Retail Trade	4.0	1.3	3.1	8.4
Gasoline Stations	1.9	0.1	0.2	2.2
Communications	1.8	2.3	1.7	5.9
Finance, Insurance and Real Estate	8.3	8.4	13.0	29.7
Business Services	18.5	11.2	3.9	33.5
Education and Health Care	-	0.0	7.5	7.5
Recreation and Entertainment	1.6	0.7	0.8	3.1
Lodging	21.5	0.0	0.0	21.5
Food & Beverage	8.9	0.8	2.8	12.5
Personal Services	0.4	0.9	2.0	3.3
Government	18.7	0.8	0.5	20.0
TOTAL	110.1	37.3	40.9	188.4

* Direct sales include cost of goods sold for retail sectors

Source: Tourism Economics

The increased spending in the Cleveland 7-county regional economy also supported 1,324 full-time equivalent jobs on an annualized basis (see Figure 4.2).¹ The lodging, food and beverage, and business services sectors benefited most in terms of direct employment as a result of the RNC. Much of the direct spending by visitors and attendees occurred in lodging, food and beverage, and the host organization engaged in a significant amount of media production and promotion.

Figure 4.2: Employment Impacts Generated by the RNC, by Major Industry (Full-Time Equivalent Jobs)

Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	2	1	2
Construction and Utilities	125	16	4	146
Manufacturing	-	6	2	8
Wholesale Trade	-	9	8	17
Air Transport	7	1	1	8
Other Transport	40	14	7	61
Retail Trade	22	16	36	74
Gasoline Stations	4	2	3	8
Communications	12	7	4	23
Finance, Insurance and Real Estate	19	32	31	81
Business Services	127	93	34	254
Education and Health Care	-	0	77	78
Recreation and Entertainment	23	12	10	45
Lodging	224	0	0	224
Food & Beverage	135	18	48	201
Personal Services	15	10	30	55
Government	31	5	3	39
TOTAL	784	243	297	1,324

Source: Tourism Economics

Indirect employment benefits were most significant in business services, and finance, insurance and real estate as increases in direct business sales spurred B2B purchases of services such as printing, legal, and accounting. Induced impacts were distributed across various industries, including education and health services, food and beverage, retail, and 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. Figures show the jobs supported by the RNC in proportion to business activity which may not have necessarily been generated by the event.

Figures 4.3 and 4.4 below summarize the total economic impact of the RNC by type of impact for key macroeconomic concepts. A total of 1,324 full-time equivalent jobs were sustained on an annualized basis, with an associated boosted labor income totaling \$61.1 million. These impacts capture the incremental benefits to the Cleveland 7-county regional economy. The results are net of economic activity displaced by the RNC. The resulting economic output multiplier is 1.71 (\$188.4 in total economic output divided by \$110.1 in direct expenditures), meaning that each \$1 million in direct expenditures associated with the RNC will generate an additional \$0.71 million in indirect and induced expenditures in the local economy, resulting in total economic impact of \$188.4 million as a result of the RNC.

Figure 4.3: Summary Economic Impacts Generated by the RNC (\$ Millions)

Description	Amount (\$ Millions)
Direct Spending	\$110.1
Indirect & Induced Expenditures	\$78.3
Total Economic Impact	\$188.4

Source: Tourism Economics

Figure 4.4: Summary Job and Labor Income Impacts Generated by the RNC (\$ Millions & Total Jobs)

Description	Amount
Total Job Impact	1,324
Total Labor Income (\$ Millions)	\$61.1

Source: Tourism Economics

Note: Labor income of \$61.1 million is included in the total economic impact of \$188.4 million. Employment is expressed as FTE (full time equivalent) jobs.

4.4 The impact on state and local taxes

The additional economic activity associated with the RNC generated a total of \$13.7 million in federal tax revenues and \$10.2 million in state and local tax revenues in the Cleveland 7-county region (see Figure 4.5).

Figure 4.5: Fiscal (Tax) Impacts Generated by the RNC (\$ Millions)

Description	Total Fiscal (Tax) Impact (\$ Millions)
Federal Taxes	\$13.7
Personal Income	\$4.3
Corporate	\$2.5
Indirect Business	\$0.7
Social Security	\$6.3
State & Local Taxes	\$10.2
Sales	\$2.7
Bed tax	\$3.0
Personal Income	\$1.5
Corporate	\$0.1
Social Security	\$0.1
Excise & Fees	\$0.7
Property	\$2.2
Total Taxes	\$24.0

Source: Tourism Economics

A total of \$2.7 million in state and local sales tax revenues were generated by the increased business activity as well as an estimated \$1.6 million in personal and corporate income tax revenues.

Property taxes of \$2.2 million are calculated in proportion to business and household benefits. These do not necessarily represent incremental property taxes but are the level of property taxes proportionate to the business activity generated by the RNC.

5 Conclusions

The 2016 Republican National Convention drew approximately 48,000 visitors to the Cleveland area, including delegates from all 50 states, the District of Columbia, and 7 U.S. territories, thousands of members of national and international media, and non-delegate visitors.

The inflow of convention attendees and media to the Cleveland area filled hotels and generated nearly \$41.6 million in visitor spending. The host organization also engaged in preparations and operations spending that totaled \$46.1 million. The inflow of high-level government officials also required a significant security presence that required \$25 million in local security spending.

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

- \$110.1 million in direct convention-related spending plus \$78.3 million in indirect and induced spending, resulting in a **total net impact of \$188.4 million in increased gross output**, also called business sales.
- A total of **1,324 full-time equivalent jobs** were sustained on an annualized basis, with an **associated \$61.1 million in labor income**.
- The additional economic activity associated with the RNC generated a total of **\$10.2 million in state and local tax revenues**

In addition, the RNC generated massive publicity and media exposure for Cleveland, which translated into significant increases in engagement with prospective travelers and the travel trade.

Finally, additional benefits were realized by the city through infrastructure renovations and improvements, temporary and permanent art and entertainment installations, city-wide telecommunications upgrades, community investments and beautification projects, and several upgrades to downtown hotels, all of which will continue to benefit and promote the city of Cleveland.

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