

An Assessment of Impacts of Buncombe County Tourism

Revised and Updated October 2017

**Produced by Magellan Strategy Group, LLC
Asheville, North Carolina**

Executive Summary

Magellan Strategy Group was requested by the Explore Asheville Convention and Visitors Bureau to perform an analysis of the impacts of the visitor economy in Buncombe County, North Carolina. The county has seen exceptionally strong growth in its tourism sector over the last few years, with growth exceeding that of many other destinations. Accompanying this increase in visitation and economic activity have been questions from some people about the benefits of tourism and its various impacts upon the community. Those benefits and impacts are not always easily understood, even by stakeholders within the sector.

Buncombe County's increase in the rate of visitor spending has been the highest among the top 10 North Carolina counties ranked by visitor spending during the 21st century. Between 2000 and 2016, its 136% growth in visitor spending exceeded the statewide average of 90% recorded across all 100 counties. This has resulted in part in record high levels of occupancy tax collection, which by state law must be spent on destination promotion or tourism product development in Buncombe County.

Impacts addressed within this study include:

Property Taxes--Tourism Economics' 2017 economic impact study performed for the CVB estimated that visitor spending in the county accounted for \$49 million annually in property taxes associated with the hotels, shops, restaurants, and attractions which pay those taxes. That represents 18% of all property taxes paid in the county that year. 117 lodging properties (mostly hotels and motels) will pay a total of \$7.7 million in property taxes for 2017, and the valuation of the hotel business category in the city of Asheville (44 properties) is up 70% in the 2017 county tax reassessment. With many new hotels under construction or recently opened, there will be a minimum of \$5 million in new combined city and county property tax revenue in future years.

Sales Taxes—Tourism Economics also estimated that visitors to the county accounted for \$97 million in sales taxes (both state and local), which represented 43% of all sales tax



produced in the county. Lodging properties alone (not counting short term rentals) generated \$24.6 million in sales tax in fiscal year 2017, or one out of every ten sales tax dollars created in the county. Thanks in part to the visitor economy, Buncombe County's sales tax generated per resident is higher than that of Mecklenburg County, the state's largest county, and the total sales tax collected is nearly equal to that of the much more populous Forsyth County.

Combined Tax Impact--Including taxes and fees which go to both local and state governments, Tourism Economics estimated that Buncombe County visitors accounted for \$202.5 million in state and local taxes (including accommodations occupancy taxes). That figure represents \$1,800 tax dollars per Buncombe County household.

Jobs and Economic Recovery Impact--There are over 26,000 direct and indirect jobs in Buncombe County which are supported by visitor spending, or one out of every seven jobs in the county. The county's unemployment rate continues to be the lowest in the state, and due to the expanded demand for labor and the thriving visitor economy, average wages paid by hotels and motels in the county were the second highest in the state and up by 12% since 2010 (double the rate of wage growth for manufacturing jobs in Buncombe County). Wages for lodging employees in the county were 16% higher than the statewide average in 2015, and hospitality is one of the two job sectors in Buncombe County where wages exceed the statewide averages. As the visitor economy has grown, so too have the number of business establishments in many other sectors of the economy.

Impact on Local and Small Businesses--The local visitor economy includes far more than hotels and other lodging properties (many of which are actually owned by longtime local families). Tourism Economics estimated that combined spending by visitors on food and beverage and in retail stores in the county exceeded spending on lodging by almost double. Hotels get most of the attention in the visitor economy, but the mostly small



businesses that make up the food and beverage and retail categories are a much larger component of the local visitor economy.

Tourism Partner Support--The Asheville CVB works with and provides free sales and marketing support for over 1,200 local tourism partners, and 90% of those are entities other than hotels. Almost all of them are small, independent, locally-owned businesses.

Asheville's Evolution as a Year-Round Destination--Growth in visitation has allowed more businesses to remain open year-round, with hotel occupancy in 2016 exceeding 52% for every month of the year and occupancy for every night of the week exceeding 58%. This growth has provided more opportunities for continued year-round employment for many different kinds of workers.

Local Ownership of Hotels--Asheville and Buncombe County have a relatively high level of local ownership of their accommodations, with a majority of hotels (including many of the largest properties) owned by local families, despite usually having a globally recognized brand name attached to them.

The Asheville Destination Brand --The Asheville destination brand generated \$1.7 billion in direct visitor expenditures in 2014, and by 2020 is projected to be a \$2.1 billion destination brand—equivalent to the global sales of iconic consumer brands such as Columbia Sportswear, Pringles potato chips, and J. Crew apparel. That same brand helps drive local airport traffic, brings many meetings and conventions to the area, helps attract a variety of new businesses, and supports Asheville's maker economy of everything from beer to bread.

Quality of Life Impact through Product Development—Through the Tourism Product Development Fund (TPDF), a total of \$27.5 million has been awarded through 2016 to support the construction of capital projects that have improved the visitor experience, but also enhanced the quality of life for residents. The flexibility of the TPDF model means that money has been directed to a wide variety of projects, and 60% of these dollars have been allocated over 15 years to projects on City of Asheville-owned assets.



Infrastructure Impacts--Assessing the impact of tourists upon local infrastructure like streets and roads is challenging, if not impossible. Visitors come to the county for an exceptionally large number of reasons—many of which are not in any way tourism-related. There is also a substantial commuter in-flow into the county every day numbering in the tens of thousands. Yet while traffic has increased on area interstate highways over the last few years (due to reasons other than just higher visitation to the county), traffic counts have yet to show a sizeable increase on downtown Asheville streets as of 2016, the most recent year for which data is available.

Emergency Services Impacts-- With so many people entering and leaving Buncombe County each day—for reasons of employment, commerce, education, entertainment, transportation, health care, leisure tourism (daytrip and overnight), business travel, family, and other motivations—the number of non-residents swells the daytime population of the area. It is due to that variety of reasons that it is impossible to label everyone who doesn't reside in Buncombe County, but enters its borders, as a “tourist.” The traditional academic definition of a “tourist” (a person taking a trip away from home staying overnight in paid accommodations, or on any day or overnight trip to places 50 miles or more [one-way] away from home) excludes many thousands of people who live within an hour's drive of Asheville. Without data that truly identifies the specific reason why a non-resident is in Buncombe County in the first place, it is nearly impossible to quantify what demands tourists place upon emergency services. Tourism-related businesses pay property taxes to help pay for those emergency services for their businesses and guests.

The Benefits of Urban Density Facilitated by Tourism--There are at least two significant benefits of the ongoing boom in downtown Asheville hotel construction. By having a concentration of visitors staying overnight in a walkable neighborhood, vehicular traffic in the downtown core will likely be reduced. The second benefit is in the per-acre revenue generated by dense urban development like hotels. Many of the new hotels in Asheville are located on previously underperforming parcels of land, such as surface parking lots, providing relatively little contribution to local property taxes. And most of these hotels will be significant consumers of local goods and services as well.



Introduction: The Impact of Investment in the Visitor Economy

Buncombe County has achieved unprecedented growth of its visitor economy in recent years. The increase in its rate of visitor spending has been at the top of all North Carolina counties, and records have been set in economic activity generated. New hotels are being built across the county, demand for labor is high, and businesses both large and small are enjoying strong sales. But the beneficial impacts of tourism and its growth aren't always widely understood, or communicated very well. The facts of the visitor economy often disappear into a haze of numbers submitted without context and with little meaning, even in a long-established destination like Buncombe County.

According to *The Economic Impact of Travel on North Carolina Counties*, prepared for VisitNC by the U.S. Travel Association in 2017, Buncombe County's increase in the rate of visitor spending was the highest during the 21st century among the top 10 North Carolina counties ranked by visitor spending. (Buncombe County ranks fifth overall in the state in the amount spent by visitors, behind Mecklenburg, Wake, Guilford, and Dare counties.) Between 2000 and 2016, its 136% growth in visitor spending exceeded the statewide average of 82% recorded across all 100 counties. That higher-than-average performance generated \$207 million more per year for area businesses compared to statewide average results.

By North Carolina state law, occupancy taxes must be collected under the direction of a tourism development authority (TDA). Furthermore, North Carolina General Assembly guidelines first adopted in 1997 mandate that occupancy taxes must only be invested in tourism promotion and "tourism-related" expenditures. Under these guidelines, no more than one-third of all dollars collected by a TDA can be spent on tourism-related expenditures and no less than two-thirds invested in tourism promotion. The occupancy tax is a surcharge on a specific group of businesses for a defined purpose, overseen by a board representing those hoteliers which collect the tax. Investment in both tourism promotion and product development in Buncombe County has expanded the base of



customers available to small businesses, enhanced the quality of life for residents, and helped employ thousands of workers.

This report provides a closer look at those beneficial impacts of the Buncombe County visitor economy while also examining a few of the misunderstood impacts as well. The objective is not to gloss over any negative issues associated with the sector; rather, it is intended to present the known facts about the industry so that readers both inside and outside the visitor economy can more clearly understand those impacts.



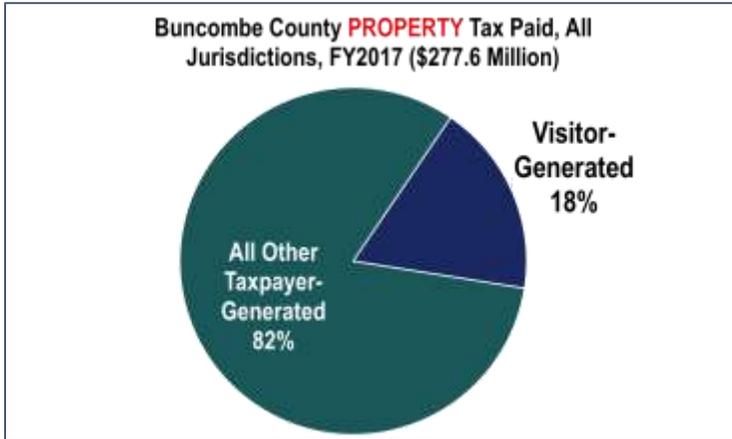
Property Tax Impact

In Buncombe County, the property taxes paid by tourism-related businesses are particularly important to the community, because unlike sales taxes in North Carolina, 100% of property taxes remain within the county and its municipalities. Property taxes represent the largest source of revenue for Buncombe County government—59% of the budgeted revenue received in fiscal 2018 will come from property taxes.

In their study titled *The Economic Impact of Tourism in Buncombe County: 2016 Analysis*, published in 2017, the global consulting firm Tourism Economics estimated that visitor spending in the county accounted for \$49 million annually in property taxes associated with the hotels, shops, restaurants, attractions, and other businesses which pay those taxes. In fiscal 2017, according to the North Carolina Department of Revenue, total property taxes levied across all jurisdictions in the county amounted to \$277.6 million. **Visitor spending in Buncombe County accounts for 18% of all property taxes paid in a single year.** Without visitors, many of those businesses wouldn't pay nearly as much in property tax-- or would fail to exist entirely.

While all tourism-related businesses pay property tax, there are 117 properties specifically identified as hotels, motels, or inns/bed and breakfasts on Buncombe County tax rolls in 2017. Those lodging properties (which do not include short-term rentals) have been billed for a total of \$7.8 million in property taxes in 2017—a number that will go higher in future years as new hotels in downtown Asheville open, often on underutilized or empty parcels that will generate a significantly higher valuation. Those taxes, like all property taxes, go straight into local government coffers. Plus, the total valuation of the Hotel tax class category in the City of Asheville (44 properties total) is up 70% in the 2017 tax reassessment (versus the prior reassessment performed in 2013)—the largest increase of any business category in the entire county, due both to the increased valuation associated with existing hotels and the opening of new properties within the city limits. Over the 20-year life of the recently approved Asheville city bond issue, hotels will generate a minimum of \$3.7 million in additional city property taxes to help pay those bonds.

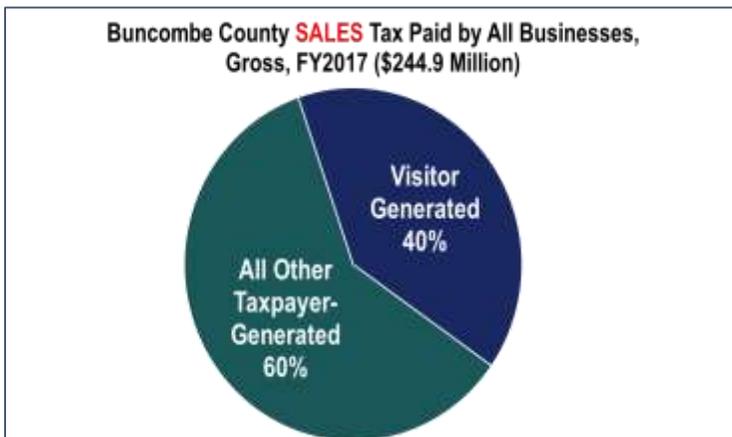




There is an estimated \$250 million in new Buncombe County hotel investment under construction or announced, much of it occurring on underutilized, low-density property that will generate much higher future valuation for county and municipal governments. The

relatively new Aloft Hotel in downtown Asheville (opened in 2012 on the site of a former surface parking lot), for example, has been billed \$289,039 in combined city and county property taxes for 2017, or \$2,513 in property taxes per room. With over 2,300 new hotel rooms announced, under construction, or recently opened in Asheville and Buncombe county as of 2017, there will be a minimum of \$5 million in new city and county annual property tax revenue in future years.

Sales Tax Impact



In North Carolina, a large portion of the sales taxes collected in local communities is retained by the state government. In Buncombe County, for example, 4.75% of the total 7% sales tax rate is sent to Raleigh and North Carolina's general fund. But while perhaps

not as vital as property taxes to county and city government budgets, sales taxes generated are still an important contributor to--and a significant measure of--the community's fiscal health and the local economy.



All businesses in Buncombe County generated a total of \$245 million in sales tax revenue in fiscal 2017, according to the North Carolina Department of Revenue. Tourism Economics estimated in their 2017 study (using 2016 data) that visitors to the county accounted for \$97 million in sales taxes (both state and local portions)—**a sizeable 40% of the gross sales tax generated in the county**. Buncombe County lodging properties alone generated \$24.6 million in sales tax in fiscal year 2017, or one of every ten sales tax dollars created that year in the county. That amount of tax revenue was double the sales taxes generated by sales of automobiles (\$12.3 million) in the county in the same year.

County	July 1, 2016 Resident Population Estimate	FY 2017 Sales Tax Collected, Gross (Millions)	Sales Tax Collected Per Capita (if all counties were at same 7% rate)
Buncombe	256,088	\$245	\$957
Buncombe, <i>Without Visitor Sales Taxes</i>	256,088	\$127	\$496
Mecklenburg	1,054,835	\$1,014	\$928
Wake	1,046,791	\$761	\$748
Guilford	521,330	\$351	\$345
Forsyth	371,511	\$255	\$251
Cumberland	325,581	\$193	\$593
Durham	306,212	\$328	\$290
New Hanover	223,483	\$209	\$935

Put simply, tourism helps Buncombe County “punch above its weight” and generate total sales tax revenue at a level that is comparable to Forsyth County (Winston-Salem)—a county with 45% more residents than Buncombe and which collected \$255 million in sales



tax revenue in fiscal 2017. On a per capita basis, Buncombe County’s sales tax generated per resident is greater than that of Mecklenburg County (including the city of Charlotte)—the state’s largest county by population and an economic powerhouse.

Summary of Tourism Tax Impacts

Tax Category	Local & State Taxes Generated by Buncombe County Visitors in 2016
Property	\$49 million
Sales (Local Share)	\$31 million
Other Local Taxes & Fees	\$3 million
Accommodations Occupancy Tax	\$20 million
Total Local Taxes	\$103 million
Sales Tax (State Share)	\$66 million
Other State Taxes & Fees	\$14 million
State Corporate and Income Taxes	\$19 million
Total State Taxes	\$99 million
Grand Total, Local and State Taxes	\$202.5 million
Local and State Taxes Generated Per Buncombe County Household	\$1,800

Source: *The Economic Impact of Tourism in Buncombe County NC, 2016 Analysis*, Tourism Economics

The visitor economy accounts for a substantial amount of all taxes generated in Buncombe County. Including taxes and fees to both local and state governments, Tourism Economics



estimated that in 2016, Buncombe County visitors accounted for \$202.5 million in state and local taxes through their spending at local restaurants, breweries, retailers, attractions, activity providers, hotels, and other tourism-related businesses. That figure represents \$1,800 in tax revenue per Buncombe County household that helps maintain services provided by county and municipal governments to local residents.

Jobs and Economic Recovery Impact

According to Tourism Economics' 2017 analysis, there are 26,700 direct and indirect jobs in Buncombe County supported by visitor spending, or more than one out of every seven jobs in the county. Due in part to the industry's increased demand for labor, the county's unemployment rate is very low—3.4% in August 2017, by far the lowest in the state. According to the Bureau of Labor Statistics, in the fourth quarter of 2016 Buncombe ranked 32nd in job growth among the nation's 345 largest counties and second among the nine largest counties in North Carolina.

The county's thriving visitor economy and the demand for workers has also led to increases in wages for hospitality workers. Average wages paid by hotels in the county in 2016, for example, were among the highest in the state and are up by a rate that substantially exceeds the rate of inflation, and double the rate of wage growth for manufacturing jobs in Buncombe County. According to data from labor market consultant EMSI and the Mountain Area Workforce Development Board, wages for all hotel employees in the county were 16% higher than the statewide average in 2016, and are now within 95% of the U.S. weekly average wage. Hotels in Buncombe County employ thousands of people and provide career training and development, with numerous opportunities for upward mobility (usually unrivaled in terms of career opportunities for unskilled workers) and desirable job benefits. Many lodging managers began their hospitality careers as frontline employees and now earn incomes that are higher than the average for all jobs in the county.



Cities with strong tourism sectors are not often viewed as having drivers of an economic rebound, but Asheville has defied that stereotype. The *Wall Street Journal* included Asheville in data accompanying a December 12, 2016 story about resilient manufacturing-focused cities that had lost many of those jobs but which had enjoyed surprisingly good overall employment growth since 2000. Half of the 16 cities analyzed were cited as being home to a major research university, an asset Asheville does not enjoy—but the community does possess many other assets, including a strong visitor economy which helped support that recovery.

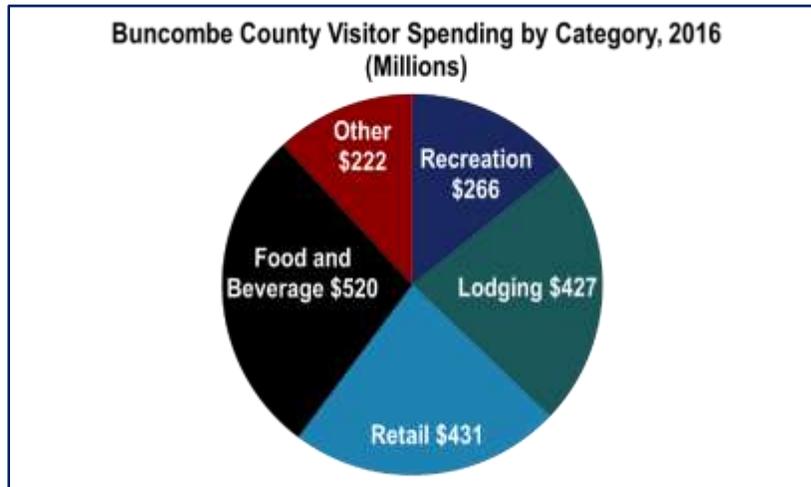
While income still lags behind the total U.S., recent years have seen percentage increases in Buncombe which exceed the rate of growth for both North Carolina and the country. So far in 2017, according to the Federal Reserve Bank of Richmond, the percentage increase in median family income in the Asheville metro area versus 2016 (5.87%) easily exceeds that of the total U.S., North Carolina, and every other metro area in the state. According to the Bureau of Labor Statistics, Hospitality & Tourism and Healthcare are the only two major occupational categories in 2016 where local wages are *above* the state average.

As the visitor economy has grown in Buncombe County, so has the total number of small businesses in many sectors of the overall economy. According to the Census Bureau, the number of business establishments in the county grew by 19.2% from 2000 to 2014 (the most recent period for which data is available), and by 5.7% between 2010 and 2014. (By comparison, the county's population grew by 4.9% during the same period.) Not all of that growth has been in accommodations and food and beverage outlets, either. Arts, entertainment, and recreation business establishments in Buncombe County grew by 28.7% from 2010 to 2014. Other Buncombe County sectors have also seen growth in the number of establishments in the same post-recession recovery period: retail (+6.3%), manufacturing (+8.7%), professional, scientific and technical (+10.2%), and real estate (+16.6%). Many of these non-tourism businesses have thrived because of the growth of the visitor economy, providing numerous professional services in a variety of categories to tourism businesses.



Impact on Local and Small Businesses

The visitor economy includes far more than just jobs in hotels, which are highly visible and often mistakenly viewed as large corporate entities. Many hotel franchises are in fact owned by longtime local residents like John Winkenwerder, George Cecil, and Bob Patel. The U.S. Travel Association estimates that 84% of tourism-related businesses in the nation qualify as small businesses, and that is particularly true for communities like Buncombe County. The county has a strong and proud tradition of entrepreneurship that supports small businesses including restaurants, retailers, microbreweries, bed and breakfasts, and activity providers like tours and outdoor recreation.



In fact, Tourism Economics estimated that the combined spending by all visitors on food and beverage and in retail stores in the county in 2016 was more than double the amount spent on lodging (\$951 million vs. \$427 million). Because of their

perceived size and global brand presence, hotels usually get much of the attention in the visitor economy, but the mostly small businesses that make up the food and beverage and retail categories in Asheville are a far larger component of that same economy.

Tourism Partner Support

The Explore Asheville CVB works with and provides free sales and marketing support for over 1,200 local tourism partners, and 90% of those are entities other than hotels. The investment of occupancy tax dollars by the BCTDA in the visitor economy (which are collected from hotel guests in addition to sales tax) provides vital support to a large number of small businesses that could not be supported by local residents alone, driving customers through their doors and encouraging further entrepreneurship in the community. The



CVB shares many of their stories through creative storytelling in advertising, social media, digital media, and public relations channels that reach millions of people each year, such as its *Foodtopia* initiative which has supported the evolution of the area as a national culinary destination, and its recent marketing emphasis upon positioning Asheville as a music destination.

Evolution as a Year-Round Destination

Year-round growth in visitation has also allowed more businesses to remain open through and survive the winter months—the shoulder season for Asheville tourism. According to Smith Travel Research, hotel occupancy in Buncombe County in 2016 exceeded 52% for every month of the year, and some of the strongest growth in occupancy occurred on weekday nights—something that was unthinkable just a few years ago and which has enabled many local businesses to remain open seven days a week. As of 2016, average hotel occupancy for every night of the week now exceeds 58%, and both weekday and year-round occupancy exceeds many comparable and competitive regional markets. This has provided more opportunities for continued year-round employment for hospitality workers ranging from servers to buskers to guides.

Local Ownership of Hotels

While many people may believe that the local Hampton Inn or Hilton Hotel is owned by a distant corporate entity, those lodging properties are often owned by families who live in the immediate area. In fact, based upon our experience, Asheville and Buncombe County have had a relatively high level of local ownership of their hotels compared to many other communities.

This assumption is often made that because global brands such as Hampton or Hilton are owned by corporate giants, the local hotel properties to which those brands are affixed must also be owned by the same entities. In fact, they are often just franchises owned by a local company, particularly in Buncombe County. Some of the franchised hotels in the area are indeed owned by non-local companies, but many are not. In Buncombe County, the majority of hotels are owned by local residents, including many of its largest hotels: the



Crowne Plaza Resort, the Inn on Biltmore Estate, the Village Hotel at Biltmore Estate, the Doubletree Biltmore, the Hilton Biltmore Park, the Holiday Inn Biltmore West, the Ramada Biltmore West, the Aloft, the AC by Marriott, and all of the area’s Hampton Inns. In addition, a large number of the hotel rooms planned or currently under construction are owned by local residents, including the Arras and the Element Hotel.

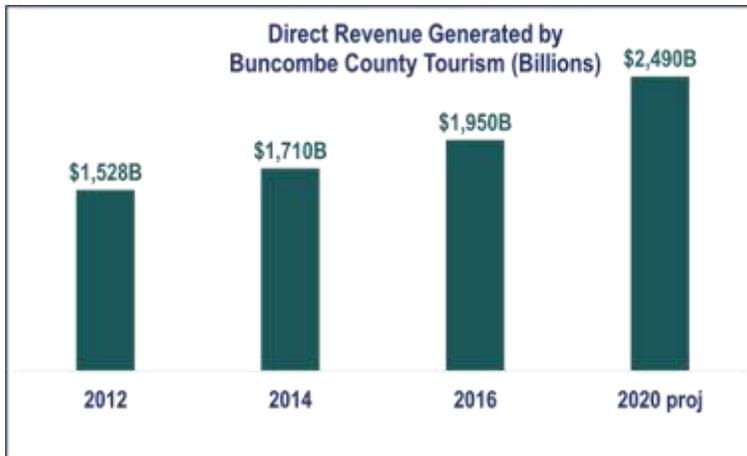
There are also an estimated 36 bed-and-breakfast lodging properties in the county, all of which are likely to have local resident owners living on-site or very nearby. These accommodations represent approximately 300 rooms across Buncombe County.

Local hotel owners are an important part of the fabric of the Buncombe County community. They contribute time and money to local causes, sit on community boards and committees, and are sensitive to quality of life issues affecting residents—because they, too, are residents. They are not nameless, faceless corporate entities, and several of them are families who have resided more than a hundred years in the area. Additionally, even lodging properties which have non-local ownership have local managers who contribute their time and money to the community and who are responsible for making decisions and recommendations to their more-distant owners. Those decisions can have a direct impact on the county, even if they are made thousands of miles away, so those managers are often just as important as local family owners.

The Asheville Destination Brand Impact

Investing money in destination promotion does far more than put “head in beds,” as the saying goes. The dollars invested annually by the Buncombe County Tourism Development Authority (BCTDA) through the sales and marketing activities of the Explore Asheville Convention and Visitors Bureau result in substantial paid and earned national brand exposure that benefits much more than just hoteliers. The care and management of that destination brand is extremely important to the overall economy. And none of this





marketing funding comes from the wallets of local residents. According to Tourism Economics, the Asheville destination brand generated \$1.9 billion in direct visitor expenditures in 2016. By 2020, at its current pace of growth, that same brand is

projected to generate nearly \$2.5 billion in sales revenue. The destination brand’s sales revenues are already equivalent to the annual sales of several iconic global consumer brands.

But that same brand owns a powerful equity, and an emotional connection that goes beyond just visitation to the area. Asheville’s destination promotion articulates a brand message that also resonates with entrepreneurs, economic developers, and future residents. As noted by Tourism Economics in their 2014 national research report titled *Destination Promotion: An Engine of Economic Development*, the investment in destination marketing helps drive Asheville Regional Airport traffic, enabling vital leisure and business connectivity to the rest of the world; brings meetings and conventions to the area, exposing the county to influential decision-makers; and raises the profile of this corner of the Appalachians and the lifestyle enjoyed by both residents and visitors, helping attract companies bringing higher paying jobs such as New Belgium Brewing. Indeed, it’s often been said that tourism is the “first date” of economic development.



In Buncombe County, there's already an important maker economy present—hundreds of small businesses that craft everything from beer to bread to handmade bowls. They are a vital part of the Asheville visitor experience, but those visitors also purchase millions of dollars of goods from those makers and spread the word of this unique part of the economy to the rest of the world through social media, repeat purchases, and their own storytelling.

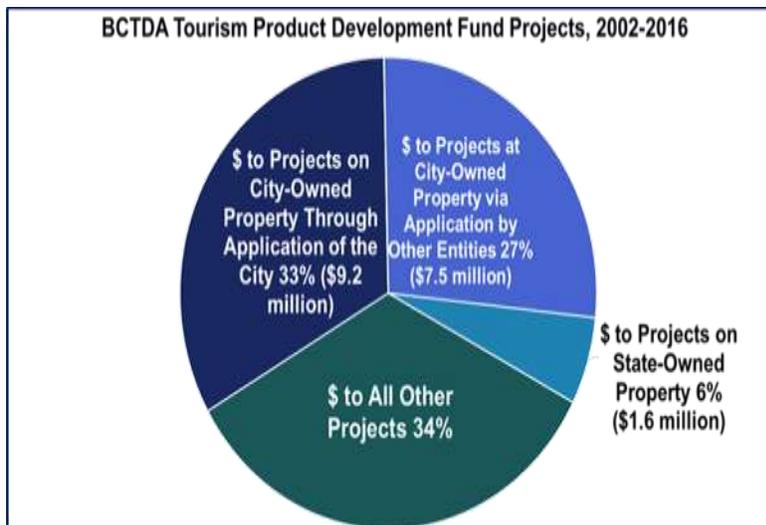
Quality of Life Impact through Tourism Product Development

Many of the quality of life benefits to local residents provided by Buncombe County's visitor economy have already been noted, but the BCTDA decided in 2001 to make a direct investment in that community quality of life through the creation of the Tourism Product Development Fund (TPDF). The TPDF is supported through a 1.5% occupancy tax and provides funding for bricks-and-mortar capital projects. Projects supported through this unique mechanism must generate new overnight visitation to the county—but local hoteliers are far from the only ones who benefit.

A total of \$27.5 million in funding has been awarded to support the construction of projects over the last 15 years, including soccer fields at the John B. Lewis Complex at Azalea Park, the Asheville Art Museum, the U.S. Cellular Center arena, the Western North Carolina Nature Center, and multiple parks and greenways. These projects have improved the destination visitor experience, but they have also greatly enhanced the quality of life for Buncombe County's 250,000 residents. Numerous other cities allocate occupancy tax dollars *permanently* to convention centers and other types of structures, but the flexibility of the TPDF model means that money can be directed to a wide variety of worthwhile project types rather than a fixed allocation to one or two particular venues that may or may not enhance resident quality of life.

That investment has also helped local governments reallocate money to other priorities--dollars that would have otherwise been spent on many of these projects. As a project applicant, the City of Asheville alone has received over \$9 million in funding during the





first 15 years of the TPDF, representing a third of the total TPDF project funds granted. Additional funding in the amount of \$7.5 million (or another 27% of the total TPDF project funds granted) has also been allocated to a number of projects on City-owned property via separate requests from

partner organizations which operate those assets, including Asheville/Buncombe Youth Soccer Association for the John B. Lewis Soccer Complex, the Asheville Art Museum at Pack Place, and the Friends of the WNC Nature Center. The TPDF fund is the only one of its kind available to both non-profit entities and all of the local governments in Buncombe County. By state law, all of these organizations must demonstrate that their projects will generate overnight visitation to the destination. But that requirement does not exclude capital investments that are also immensely popular with and beneficial to local residents.

Infrastructure Impacts

Assessing the impact of tourists upon local infrastructure like streets and roads can be challenging, if not impossible. Prior CVB studies have shown that there are at least 6.9 million *daytrip* visitors annually to Buncombe County, but those visitors come to the county for an exceptionally large number of reasons—many of which are not in any way tourism-related. And that figure doesn't include the substantial worker in-flow into the county every work day, which numbers in the tens of thousands.

For residents of Buncombe County, recent headlines about the growth of the local visitor economy might easily lead some to think that the same growth is responsible for creating



the traffic tie-up on their commute to and from work. Or that vehicular traffic in popular downtown Asheville has grown exponentially along with visitation.

The reality is not always that clear-cut.

The North Carolina Department of Transportation regularly collects vehicular traffic volume data from meters installed across the state at many road and street locations (<https://www.ncdot.gov/travel/statemapping/trafficvolumemaps/>). According to the NCDOT, “The data is summarized in annual average daily traffic (AADT) volume maps that present the traffic average for a specific year.” On North Carolina’s urban streets, in 18 urbanized areas, this data is collected once every two years, while it is collected annually in non-urban street locations such as interstate highways. The most recent data available for the urbanized areas of Asheville is from 2016. There are some key observations that can be made from the 2016 data and prior years, given that growth in Buncombe County tourism has been steady since the end of the recession in 2009-2010.

Location	2004	2006	2008	2010	2012	2014	2016
Biltmore Ave, north of Charlotte St	11,000	11,000	10,000	8,700	9,600	9,300	9,600
Biltmore Ave, north of Hilliard Ave	12,000	10,000	9,100	8,600	9,400	9,400	9,800
Biltmore Ave, south of Pack Square	12,000	12,000	9,200	9,400	9,700	9,700	10,000
Broadway, north of Pack Square	12,000	10,000	8,800	9,300	8,900	9,500	9,600
Patton Ave, east of Haywood St	7,000	6,700	5,600	5,900	5,600	5,600	5,800
Charlotte St, north of College St	24,000	22,000	22,000	21,000	21,000	21,000	23,000

Traffic data for downtown Asheville is of particular interest, since so much focus is placed upon that neighborhood in discussions of the impact of the visitor economy. The above data shows AADT volume for measured even years beginning in 2004 through 2016, the



most recent year for which data is available. For some downtown Asheville surface street locations, there is less historical data available from NCDOT, but still enough to observe changes in vehicle traffic since the Great Recession.

Location	2009	2012	2014	2016
College St, east of Oak St	11,400	13,000	11,000	13,000
College St, east of Charlotte St	12,900	15,000	14,000	10,000
College St, east of Haywood St	5,500	5,900	5,900	5,700
Woodfin St, east of Broadway	7,400	7,600	7,100	7,400
Patton Ave, east of Clingman Ave	15,000	17,000	15,000	16,000

For every traffic monitoring location above, daily vehicular traffic volume on downtown streets in 2016 was actually lower or equivalent to the levels observed in 2012, and lower than the levels observed in 2004 where that data is available.

There may be several explanations for this, although there is likely not any one single reason which explains it:

- Changes in daypart times when downtown traffic peaks, i.e. similar or less volume as in previous years, but distributed differently throughout the day and the week.
- More downtown hotel rooms leading to visitor vehicles making fewer trips into and out of the downtown core (although the downtown Asheville hotel building boom had only added two larger properties by 2014, the Aloft Hotel and the Hotel Indigo).
- The addition of guest shuttle services by several Buncombe County hotels located outside of the downtown area.

Regardless of the causes, however, the NCDOT data clearly shows that there was no more traffic on most downtown Asheville streets in 2016 than there was in 2004 or 2012. The popular perception may be the opposite of that, possibly due to increased pedestrian traffic downtown (perhaps due to people spending longer amounts of time in the downtown core); the aforementioned changes in peak traffic periods (increases in evening and weekend vehicular traffic offset by declines in morning weekday traffic); or simply recency



bias. Future NCDOT data may show significant increases in vehicular traffic, but until now the trend has clearly been stagnation or even decline in vehicle traffic on downtown streets.

However, it is worth noting that vehicular traffic volume on some Buncombe County state-maintained interstate highways has actually increased quite a bit from earlier levels, which is not surprising to anyone who spends much time driving on Interstate 26 on a Friday afternoon, for example. In some cases, the numbers have risen sharply since 2002, and particularly since the Great Recession.

Location	2002	2008	2014	2016
Jeff Bowen Bridge, I-240/ I-26	94,000	94,000	102,000	103,000
I-26/ I-240 north of Haywood Rd	55,000	55,000	63,000	68,000
I-40 east of Exit 44 (Smoky Park Hwy)	71,000	73,000	81,000	84,000
I-26 west of Exit 33 (Brevard Rd)	67,000	76,000	86,000	75,000
I-26 west of Exit 37 (Long Shoals Rd)	62,000	70,000	82,000	75,000
I-26 west of Exit 40 (Airport Rd)	59,000	67,000	75,000	72,000
I-40 east of Exit 50 (Hendersonville Rd)	43,000	40,000	49,000	49,000
I-40 east of Exit 53 (I-240/ US 74A)	56,000	55,000	58,000	63,000

Some of these increases in traffic volume are attributable to the increased visitation to Buncombe County over the same period. But there are also other known and substantial contributing factors:

- The growth in vehicular traffic attributable to commuting workers into (and in some cases, out of) Buncombe County from neighboring counties. This is addressed in greater detail below.
- The growth of Asheville and Buncombe County as a strong regional hub for a wide variety of purposes—including medical, commercial, educational, entertainment, and transportation reasons—as residents of nearby counties drive to the county for goods and services they can't obtain in their own communities.



- The overall population growth of the entire region, especially in nearby metropolitan areas like Charlotte and Greenville/Spartanburg and in the state of South Carolina (whose rate of population growth has exceeded that of North Carolina since 2010), which has generated more vehicular activity simply passing through Buncombe County.
- The growth in commercial truck traffic along and through Buncombe County's interstate highways, especially Interstate 26. A significant portion of that traffic originates at the Port of Charleston (SC), which experienced a record year for container shipping volume in calendar year 2016 (<http://www.scsipa.com/news/sc-ports-authority-announces-record-container-volume-2016/>), and the inland port facility in Greer, SC which has also experienced record container shipping volume (<http://www.goupstate.com/news/20160721/sc-inland-port-reports-record-volume-in-last-fiscal-year>) and its nearby BMW manufacturing facility. (As a footnote, that shipping traffic will likely continue to increase as the Port of Charleston and the Inland Port expand and the widening of the Panama Canal is completed.) Asheville sits at the crossroads of two important interstate highways used to ship much of that freight to other parts of the U.S.

Worker commuting patterns also place a great deal of vehicular traffic on Buncombe County interstates. The Census Bureau's most recent American Community Survey data for commuting patterns for 2009-2013 showed that there were 21,642 workers just from the five nearest counties to Buncombe (Haywood, Henderson, Madison, McDowell, and Transylvania) who commuted to the county for work. Those commuters alone represent a fifth of the population of residents who both live and work in Buncombe County (100,773). There were an additional 8,859 residents of Buncombe who left the county each day to work in one of those same five surrounding counties. It is reasonable to assume that most of those commuting workers did so by car in single-occupancy vehicles, thereby representing at least 30,000 vehicles per workday on interstate highways to and from Buncombe and those other five counties.



Looking at data exclusively for the city of Asheville illustrates how this pattern affects the most urbanized part of the region. The Census Bureau estimated in 2000 that the city had a daytime population of 102,472, inclusive of Asheville residents who work in Asheville and those who commute into it. In 2010, according to the Census, that figure had grown to 122,882, or 40,912 more people than the resident population of the city in 2010 (81,970). That figure is inclusive of 80,220 workers in the city plus 81,970 residents, less the 39,308 city residents who work outside the city limits (usually in other parts of Buncombe County). The daytime population of the city grows by 50% due solely to worker commuting. However, that's only an increase of about 7,000 workers since the 2000 Census, when the daytime population of the city of Asheville grew by a similar percentage (49%) each day.

Emergency Services Impacts

With so many people entering and leaving Asheville and Buncombe County each day—for reasons of employment, commerce, education, entertainment, transportation, health care, leisure tourism (daytrip and overnight), business travel, family, and other motivations—the number of non-residents swells the daytime population of the immediate area. It is precisely because of that significant variety of reasons that it is impossible to label everyone who doesn't reside in Buncombe County, but enters its borders, as a “tourist.”

Therein lies the challenge of trying to determine the impact of “tourists” upon local police and fire services. Unless the motivation for being in Buncombe County of each non-resident who uses local fire and police services is determined, it is impossible to assume that tourism is solely or even primarily responsible for the demands upon those services by non-residents. That holds true for both the victims and perpetrators of crimes. This is particularly applicable for the city of Asheville, the urbanized hub of the entire region, with a resident population considerably smaller than the rest of the county in which it resides.

Even the traditional academic definition of a “tourist” excludes many thousands of people who live within an hour's drive of Asheville. The U.S. Travel Association has always defined a tourist as a person taking “a trip away from home overnight in paid accommodations or



on a day or overnight trip to places 50 miles or more [one-way] away from home” (<https://www.ustravel.org/answersheet>). And in order to maximize the return on its promotional investment and to encourage overnight visitation in accordance with its legal mandate, the Buncombe County TDA has always refrained from placing paid advertising in the local media market (Greenville/ Spartanburg/ Asheville).

Without data that truly identifies the specific reason why a non-resident is in Buncombe County in the first place, it is difficult to quantify what demands “tourists” place upon emergency services. For example, a resident of Madison County who seeks health care in Asheville and who is involved in a traffic accident isn’t a “tourist,” even though that person lives outside the county. The complexity of Buncombe County as an urbanized, regional hub is far different than the situation faced by much smaller beach communities in eastern North Carolina, such as towns in Brunswick and Dare counties, where there is a more obvious connection between visitation and demands upon municipal services. And, as noted previously, tourism-related businesses in Buncombe County pay property taxes to help pay for emergency services for their businesses and guests—nearly all of whom won’t use other services provided by the county and its municipalities, such as public education.

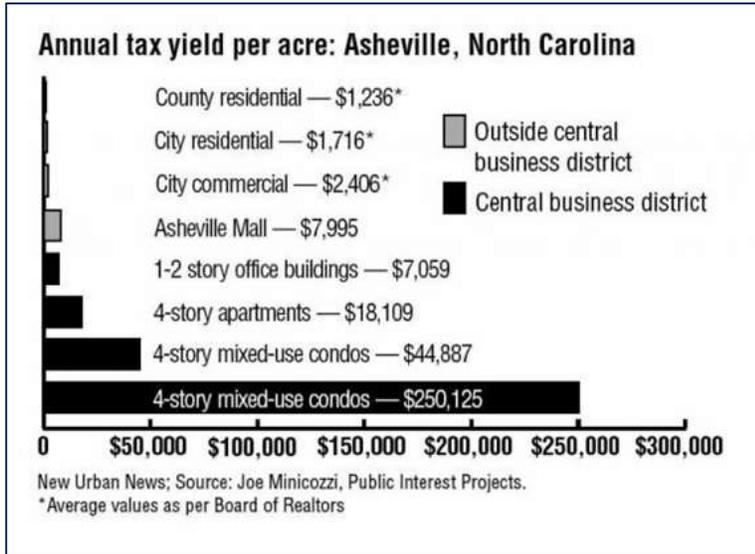
The Benefits of Urban Density Facilitated by Tourism

While the impact of the new construction of hotels in downtown Asheville has been oft-debated and discussed, there are at least two significant benefits that may have gone mostly unrecognized. The first is that by having a large concentration of visitors staying overnight in a highly walkable neighborhood, vehicular traffic into, within, and out of the downtown core will be reduced. Many of these hotels also invest in the construction of their own parking facilities, which then reduces demand upon city- and county-owned parking decks.

The second benefit is in the per-acre revenue generated by dense urban development like hotels. A study performed by Asheville’s Public Interest Projects in 2010 found that dense, mixed-use developments generate the highest amounts of tax revenue for local



governments. While the study did not specifically look at multi-story hotels within the central business district (there were few of these in Asheville at the time of the study), it's not unreasonable to think that the per-acre revenue impact of such properties would be similarly beneficial as the mixed-use condominium developments cited in the analysis.



This 2010 study was performed before the 2013 property tax reassessment (and obviously the 2017 reassessment), just as the nation was coming out of the Great Recession. The study (and a similar one for Sarasota, FL) noted that compact, dense urban development is less expensive on a per-unit basis to cover the costs

of various urban infrastructure needs such as streets, sidewalks, and utilities (<http://bettercities.net/article/best-bet-tax-revenue-mixed-use-downtown-development-13144>).

Many of the new hotel properties in downtown Asheville are located on previously underperforming parcels of land which provided little contribution to local property tax coffers. Some examples include the following:

Hotel Property	Prior Use of Parcel
Aloft Hotel	Surface parking lot
Hilton Garden Inn (part of City Center mixed use development)	Single-story restaurant and surface parking lot
Hotel Indigo	Asheville Area Chamber of Commerce building
AC Hotel by Marriott	Multi-story parking deck
Hyatt Place Hotel	Restaurant and surface parking lot



Cambria Suites Hotel	Single-story retail building and surface parking lot
Proposed Element Hotel	Vacant lot
Proposed Embassy Suites	Former Buncombe County Sheriff's Office building and surface parking lot

Although the high profile Arras hotel and multi-story condo project currently under construction in the former BB&T Building on Pack Square in downtown Asheville will not be occupying a previously vacant parcel of land or a surface parking lot, it is replacing an office tower which had experienced declining occupancy in recent years.

Another benefit of large hotels (and one not typically associated with multi-story residential developments) is that they are also significant consumers of local goods and services. These include food and beverage suppliers, commercial laundry services, florists, legal and financial services, wedding and event planners, musicians and other entertainers, and local transportation and guide services.



Disclaimer

Magellan Strategy Group, LLC has prepared this report for the sole use of the Client. This report may not be relied upon by any other party without express written agreement. Magellan Strategy Group, LLC has exercised due and customary care in conducting this analysis, but has not independently verified information provided by others. No other warranty, express or implied is made in relation to the conduct of the Client or the contents of the analysis. Magellan Strategy Group, LLC assumed no liability for any loss resulting from errors, omissions, or misrepresentations made by others. Any findings stated in this report are based on circumstances and facts as they existed at the time the work was performed. Any changes in circumstances and facts upon which this report is based may adversely affect the finding contained in this report.

