

Report to Council



Date: July 13, 2020
To: Council
From: City Manager
Subject: Tourism Recovery Support
Department: Business & Entrepreneurial Development

Recommendation:

THAT Council receives, for information, the report from the Partnership Office dated July 13, 2020 regarding tourism recovery support;

AND THAT Council direct staff to bring forward the 2021 Affordable Housing Plan with a 50/50 sharing of the Online Accommodation Platform revenue on a one time basis only;

AND FURTHER THAT the City of Kelowna endorses the resumption of destination marketing by Tourism Kelowna to local, regional, provincial and Western Canadian audiences, until such time as national and international visitation is approved as safe by provincial health authorities

Purpose:

To provide information and options for consideration regarding a request from Tourism Kelowna for financial support to assist with marketing strategies and tourism recovery.

Background:

The tourism sector has been deeply impacted by the COVID-19 pandemic. From the outset, Tourism Kelowna has responded to visitor health concerns and assisted in managing the needs of tourism-related businesses as they face devastating revenue losses.

As tourism enters a transitional re-opening phase, Tourism Kelowna is now focused on ensuring its own viability and implementing strategic marketing initiatives to help drive recovery of the visitor economy. To support these efforts, Tourism Kelowna has approached the City of Kelowna for additional financial support.

Discussion:

Tourism Kelowna's approved 2020 budget was \$4.7 million, including core marketing funding of \$2.96 million in expected Municipal and Regional District Tax (MRDT), and approximately \$344,000 of municipal funding paid in monthly instalments of \$28,702. Municipal funding is allocated as follows in the Tourism Kelowna budget: \$31,100 for Events, \$138,330 for Marketing and \$175,000 for operation of the Visitor Centre.

In response to the pandemic, Tourism Kelowna reduced its budget by cutting approximately \$2 million in program and operational costs, leaving \$2.69 million for basic operations and marketing. Cuts included closure of two visitor centre locations, staff layoffs, cancellation of 2020 Q1 and Q2 marketing campaigns and programs, and elimination of other planning and research initiatives. Revenues were projected at \$1.92 million (including \$1.04 million in MRDT).

In addition to other relief measures available to tourism businesses and employees, Tourism Kelowna as an organization has benefited from emergency funding programs including:

- A grant of \$477,400 from the Province of BC to cover staff and fixed overhead costs;
- Marketing resources totaling \$295,000 from Destination Canada (through Destination BC), payable in two instalments of \$147,500, one now, and one in January 2021; and
- Canada Emergency Wage Subsidy (75%) of \$283,000 up to September 2020.

2020 MRDT revenues used to support marketing activity are projected to mirror occupancy rates, which remain very low at 10% to 20% of normal rates for the spring/summer period, possibly extending into the fall period depending on how long it takes for visitor confidence to return. This is supported by results from a recently conducted Tourism Kelowna stakeholder survey.

In addition to much lower MRDT revenues, there is a lag time of approximately three months for revenues to be processed and paid to Tourism Kelowna. The Province has also provided businesses with an option to defer their tax remittances to September, meaning that at least some of the 2020 MRDT revenue may not be available until the end of 2020 and into Q1 2021.

For Q1 2020, general MRDT revenues received were \$142,450, and there was no Online Accommodation Platform (OAP) payment. This compares to Q1 2019 MRDT revenues of \$560,450, which included an OAP payment of \$119,000.

Tourism Kelowna has requested the City's assistance to ensure destination marketing resources are in place for the summer of 2020 to enable the launch of a strong tourism recovery campaign. Information about the marketing recovery campaign has been provided by Tourism Kelowna and is contained in Appendix A.

Staff have considered a number of options in an attempt to strike an appropriate balance between the City's long-term priority to fulfill its affordable housing objectives through use of OAP revenues, and the need to respond in the short term to the impact of the pandemic on the tourism sector and the local economy.

Discussion:

Recognizing the unique challenges that Online Accommodation Platforms have posed to the housing market, the Province has provided municipalities the opportunity to allocate the OAP revenue stream to address local affordable housing needs. With persistent housing challenges in Kelowna, the OAP funds have been directed into the Online Accommodation Platform Reserve since 2018 and are currently earmarked for an affordable housing land acquisition project to support increasing the number of affordable rental units in Kelowna. As part of the Healthy Housing Strategy, City staff are developing an Affordable Housing Land Acquisition Strategy and associated funding options, which will be brought to Council at a later date.

In view of the City's affordable housing plans, the need for OAP revenues to support affordable housing initiatives, and very low revenues anticipated for 2020 OAP, staff investigated alternative avenues to provide support for tourism recovery marketing. Staff have identified two preferred approaches which, when combined, provide both immediate and extended market recovery support. These approaches have been reviewed with Tourism Kelowna:

a) that the City pays to Tourism Kelowna the remaining balance of 2020 budgeted City support as a lump sum payment. By combining remaining monthly instalments into a lump sum of approximately \$143,500, Tourism Kelowna will be better positioned to implement immediate marketing initiatives, and there will be minimal budget impact for the City. These are not new or additional resources for Tourism Kelowna but the change in payment schedule functions as a cash flow 'bridge' to support marketing initiatives during a time when MRDT revenues are reduced/deferred.

b) It is reasonable to assume that tourism recovery will continue into 2021 and this should be accounted for in planning for 2021 OAP revenues. The City's 2021 Affordable Housing Plan will be submitted to the Province by the end of November 2020. Staff propose that the 2021 Affordable Housing Plan reflect a 50/50 sharing of 2021 OAP revenues between the City and Tourism Kelowna. This sharing mechanism is used by other jurisdictions and reflects:

- the need for additional marketing resources for Tourism Kelowna during the continuing recovery period expected in 2021, and
- the need to continue accumulation of financial resources to support affordable housing initiatives.

For 2022, the City's intention is to once again claim 100% of OAP revenues to support affordable housing initiatives. This will be reviewed with Tourism Kelowna in Q3 2021.

Conclusion:

Through a Tourism Kelowna Resident Sentiment Survey conducted between June 3 and June 6, 2020, local residents report a 'green light' level of comfort for marketing regionally and within BC, and when deemed safe by health officials, to western Canadian Provinces. They are less supportive, at 'yellow light' cautionary levels, regarding marketing to the rest of Canada, and over 73% responded as 'not comfortable' for welcoming any U.S. or international visitors.

These results are a good indication that there is community support for resumption of destination marketing with a 'short haul' (BC and Western Canada) focus. Tourism businesses are eager to re-open and welcome visitors. With the recent provincial announcement that British Columbia has entered Phase 3 of its reopening plan, Tourism Kelowna is poised to implement promotions which generate revenues and recovery for their hundreds of stakeholders. In accordance with Destination Canada and Destination BC direction, municipal governments have been asked to confirm, on behalf of their residents, that destination promotion can resume.

The City of Kelowna values its relationship with Tourism Kelowna and recognizes the significant role of tourism in the local economy. In response to the unprecedented financial impact of the pandemic on the tourism sector, the City is enabling tourism recovery by supporting Tourism Kelowna's marketing initiatives.

Internal Circulation:

Finance
Policy & Planning
Active Living & Culture
Communications

Financial/Budgetary Considerations:

In November 2018 and November 2019 City Council approved the direction of the OAP revenues towards affordable housing initiatives. In 2019, the City received \$3.6 million of MRDT revenues and contributed \$470,690 to the OAP reserve for affordable housing initiatives, with the remaining \$3.1 million disbursed to Tourism Kelowna for marketing purposes. A total of \$514,690 in 2018/2019 OAP revenues is held in the OAP reserve.

Considerations not applicable to this report:

Legal/Statutory Authority
Legal/Statutory Procedural Requirements
Existing Policy
External Agency/Public Comments
Communications Comments

Submitted by: S. Kochan, Partnership Manager

Approved for inclusion: R. Fine, Director Business & Entrepreneurial Development

Attachment: 1. Appendix A: 'The Way Forward' (Tourism Kelowna 2020 Marketing Recovery Campaign)
2. PowerPoint

cc: M. Antunes, Financial Planning Manager
M. Kam, Acting Manager, Long Range Policy Planning
J. Gabriel, Director, Active Living & Culture
L. Ballantyne, CEO Tourism Kelowna

