

Report to Council



Date: March 22, 2021
To: Council
From: City Manager
Subject: MRDT Renewal and Tourism Partnership
Department: Partnership Office

Recommendation:

THAT Council receives for information the report from the Partnership Office dated March 22, 2021, regarding the partnership with Tourism Kelowna and the process toward renewal of the Municipal and Regional District Tax.

Purpose:

To provide background information about partnership arrangements with Tourism Kelowna and the process to renew the Municipal and Regional District Tax.

Background:

Pursuant to provincial requirements, an application to renew the three percent Municipal and Regional District Tax (MRDT) on sales of accommodation will be submitted by January 1, 2022. Staff are working collaboratively with Tourism Kelowna to assemble the application materials. Preparation of various plans as part of the application provides a timely opportunity to reflect on various aspects of the relationship between the City and Tourism Kelowna, including funding arrangements, enhanced alignment and reporting, and a future-forward view of the deep connection between community and tourism sustainability.

Discussion:

Tourism is an important part of the local economy. Approximately 1.8 million visitors contribute direct spending of \$443 million, which in turn supports over 12,000 jobs and a total economic output of \$2.1 billion.¹

Tourism Kelowna is an independent non-profit organization, designated by the City as its professional service provider for destination marketing and visitor services.

¹ InterVistas Economic Impact of Tourism in Kelowna & the Greater Kelowna Area 2018/19

In this role, Tourism Kelowna engages with over 400 local tourism businesses, and maintains connection to an extensive network of regional, provincial, and national resources and strategies. Tourism Kelowna also seeks to align its service delivery with the City of Kelowna's priorities to ensure that tourism remains viable and sustainable in a community context.

MRDT revenues are a significant source of funding for Tourism Kelowna services, representing approximately 67% of their total revenues in a standard operating year. MRDT revenues are supplemented by an annual grant from the City of Kelowna.

Work is now underway to prepare an application to renew the three percent MRDT. The renewal application consists of 14 components. Some components are to be prepared by the City of Kelowna, and others by Tourism Kelowna. Primary components requiring significant effort in the coming months are:

- Five Year Strategic Business Plan – prepared by Tourism Kelowna
- Evidence of authority and request to impose the tax – Bylaw approved by the City of Kelowna
- Evidence of consultation with tourism industry stakeholders – provided by Tourism Kelowna
- Proof of support by the Accommodation Sector – obtained by Tourism Kelowna

In conjunction with this work, staff from the City and Tourism Kelowna are revisiting existing agreements with a view to expanding the scope to include MRDT reporting requirements, roles, accountabilities and reporting associated with the City of Kelowna grant and, for the first time, setting out collaborative principles and strategic themes which represent shared priorities and important outcomes for the next five years. Discussions will include ways in which the City and Tourism Kelowna can work together toward a future Destination Master Plan which takes a more holistic and integrated approach to managing tourism and the effects of tourism with the community.

Staff will provide updates and recommendations to Council at a number of milestones in the coming months, including information about the draft five-year Strategic Plan and the new agreement anticipated in 2021 Q2, completion of consultation with the accommodation sector in 2021 Q3, and consideration of the new taxation bylaw in 2021 Q4.

Conclusion:

Tourism and the visitor experience are an integral part of Kelowna's success, and the partnership between the City of Kelowna and Tourism Kelowna creates a solid foundation for a connected, collaborative, smart and responsible approach to attracting visitors to our community. The initiatives to be completed this year enable this important partnership to continue to thrive as an entire sector adapts to changing circumstances and imperatives.

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Active Living & Culture

Considerations applicable to this report:

Legal/Statutory Authority:

[Section 123 of the Provincial Sales Tax Act](#) imposes a tax of up to three percent on the purchase price of accommodation in a specified geographic area of the province ('designated accommodation area') on behalf of a designated recipient. This tax is in addition to the provincial sales tax of eight percent of the purchase price of accommodation.

The [Designated Accommodation Area Tax Regulation](#) sets out the authorized purposes for funds collected under the MRDT program as follows: tourism marketing, programs and projects, initiatives respecting affordable housing, and any other prescribed purposes as set out in the regulation.

Legal/Statutory Procedural Requirements:

[The Municipal and Regional District Tax Program Requirements](#) are the basis for the application/renewal process, reporting, and compliance activities described in this report.

Financial/Budgetary Considerations:

The MRDT rate in Kelowna and area started at two percent in 2009 and increased to three percent in 2017.

General MRDT revenues reached \$3,126,416 in 2019, which was a banner year for local tourism. In 2020, these revenues dropped by approximately 30 percent to \$2,036,004. 100 percent of general MRDT revenues received by the City from the Province are paid to Tourism Kelowna to support tourism marketing, programs and projects.

In addition to general MRDT revenues, the City of Kelowna provides an annual operating grant of \$344,430 to Tourism Kelowna. These funds are currently used for sport tourism marketing, marketing to short-haul leisure tourism markets, and operation of the Visitor Centre. MRDT program guidelines provide that '[f]unds from the MRDT program should augment current funding and cannot be used to replace existing sources of tourism funding in a community.'

In late 2018, through the introduction of MRDT program changes, the three percent tax was applied to sales of online accommodations with an option for municipalities to use all or part of these revenues ('OAP') to address affordable housing needs.

OAP revenues in 2019 were \$470,694 and in 2020 were \$379,394. 100% of OAP revenues are retained by the City of Kelowna and allocated to the OAP Reserve Fund. The Fund is used to address local affordable housing needs in accordance with City policies, Council direction and annual plans submitted to the Province. In the last year, OAP revenues have enabled land acquisition for purpose-built affordable rental housing.

Considerations not applicable to this report:

Existing Policy
External Agency/Public Comments
Communications Comments

Submitted by: S. Kochan, Partnership Manager

Approved for inclusion: Derek Edstrom, Division Director, Partnerships & Investments

cc: S. Little, Corporate Finance Manager
J. Moore, Long Range Policy Planning Manager
D. Nicholas, Sport and Event Services Manager