

DATE OF MEETING May 6, 2024

AUTHORED BY BILL CORSAN, DIRECTOR, CORPORATE AND BUSINESS DEVELOPMENT

SUBJECT MUNICIPAL AND REGIONAL DISTRICT TAX RENEWAL BYLAW

OVERVIEW

Purpose of Report

To present Council with “Accommodation Tax Request Bylaw 2024 No. 7383” to renew the Municipal and Regional District Tax (MRDT) for a five year period effective 2025-JAN-01.

Recommendation

That:

1. “Accommodation Tax Request Bylaw 2024 No. 7383 pass first reading;
2. “Accommodation Tax Request Bylaw 2024 No. 7383 pass second reading;
3. “Accommodation Tax Request Bylaw 2024 No. 7383 pass third reading; and
4. Council direct Staff to submit an application to Destination BC for a renewal of the Municipal Regional District Tax effective 2025-JAN-01 to 2029-DEC-31 following adoption of the bylaw.

BACKGROUND

The Municipal and Regional District Tax Program (MRDT) was introduced in 1987 to assist communities in funding marketing initiatives, programs and projects aimed at promoting the communities as destinations for tourists. Under the program, the Ministry of Finance levies either a 2% or 3% MRDT on the purchase price of all short-term accommodation sold within designated accommodation areas. Revenues are collected by accommodation providers and remitted to the Ministry. The Ministry then in turn, forwards the funds to the local government or not-for-profit organization that is the recognized Designated Recipient for the participating community. The Designated Recipient can then distribute the funds itself, or contract with a third party for administration. In Nanaimo, the City is the Designated Recipient; it has contracted with the Nanaimo Hospitality Association (NHA) since 2014 to administer the program.

MRDT Funds

The MRDT has generated considerable funding for the Tourism Sector in Nanaimo since its launch in 2014.

The MRDT funds are administered by the NHA who allocate the resources to match the five-year business plan and annual tactical plan prepared as per Tourism Nanaimo.

Year	MRDT %	MRDT Revenue (Net)
2015	2%	\$363,886
2016	2%	\$507,583
2017	2%	\$538,577
2018	2%	\$594,034
2019	2%	\$573,803
2020*	3%	\$418,718
2021	3%	\$718,033
2022	3%	\$1,001,775
2023	3%	\$1,140,786
Total		\$5,857,195

*Effective 2020-JAN-01 the MRDT rate was changed from 2% to 3%

General MRDT funds are collected and remitted by traditional accommodation providers, which includes hotels, motels, bed and breakfasts, and vacation rental reservation systems that list properties with verifiable property managers.

Online Accommodation Platforms (OAP)

As of 2018-OCT-01, the MRDT was expanded by the Province to include Online Accommodation Platforms (OAP). Online accommodation providers (i.e. Vacation Rental by Owner, AirBnB, etc.) in Nanaimo are now collecting the 3% tax. OAP revenue consists of new MRDT revenues collected from online marketplaces that facilitate transactions for renting short-term accommodation (many of which operate across jurisdictions), and typically just list basement suites, individual rooms, or other forms of accommodation (such as trailers or motor homes).

The chart below shows the revenues collected through the OAP process.

Year	OAP Revenue (Net)
2018	\$10,953
2019	\$79,650
2020	\$74,919
2021	\$134,947
2022	\$232,107
2023	\$308,596
Total	\$841,172

The OAP revenues are directly allocated to City of Nanaimo Online Accommodation Reserve Fund (previously the Housing Legacy Reserve Fund), and not remitted to the NHA.

Funds from the OAP have been committed to support the rent bank and to provide rent supplements. In 2023, \$75,000 was allocated to fund the rent bank and \$150,000 is allocated to fund rent supplements.

The MRDT programs run for a period of five years, and then require renewal by the Designated Recipient for a further five years. The current program expires on 2024-DEC-31 and needs to be renewed 6-9 months in advance.

At the 2023-NOV-20 'In Camera' Council meeting, Staff were directed to:

“enter into negotiations with the Province of BC and Tourism Nanaimo to renew the City of Nanaimo’s participation in the Municipal and Regional District Tax (MRDT) Program.”

DISCUSSION

Since receiving direction from Council on 2023-NOV-20, Staff have been working on the MRDT renewal process.

In early January, Staff from Destination BC informed City Staff that due to the pending Provincial election in the fall of 2024, the renewal application needed to be submitted by 2024-MAY-17, rather than the previously agreed date of 2024-JUN-30.

The renewal process has included the following items:

- Preparation and distribution of an information resource to the accommodation sector
- Meetings with individual accommodation providers to garner support (50% of properties and 50% of hotel rooms)
- Wider stakeholder engagement and letters of support
- Preparation of a Five-Year Strategic Business Plan
- Preparation of a service agreement with Tourism Nanaimo Society.
- Tourism Nanaimo Society approval to become the MRDT Administrator effective 2025-JAN-01

In addition, to the above, Destination BC requires Council to pass an Accommodation Tax Request Bylaw and for the Regional District of Nanaimo to provide a resolution in support of the application.

Next Steps

Should Council provide the first three readings of the Accommodation Tax Request Bylaw 2024 No. 7383 the following next steps are anticipated:

- RDN Board Meeting provides resolution to support MRDT renewal (2024-MAY-14)
- Council Adoption of Bylaw (2024-MAY-15)
- Package Submitted to Destination BC (2024-MAY-17)

Once the package is submitted, Destination BC will review the information and make a determination. A response is expected in July 2024. |

OPTIONS

1. That:
 1. “Accommodation Tax Request Bylaw 2024 No. 7383 pass first reading;
 2. “Accommodation Tax Request Bylaw 2024 No. 7383 pass second reading;
 3. “Accommodation Tax Request Bylaw 2024 No. 7383 pass third reading; and
 4. Council direct Staff to submit an application to Destination BC for a renewal of the Municipal Regional District Tax effective 2025-JAN-01 to 2029-DEC-31 following adoption of the bylaw.
- The advantages of this option: Tourism Nanaimo is the local Destination Marketing Organization (DMO). Appointing the local DMO aligns with practice across the

Province and ensures the broader Tourism sector participates in the administration of the MRDT program. A new agreement with Tourism Nanaimo enables the City to put in place greater transparency policies for the funding.

- The disadvantages of this option: The Nanaimo Hospitality Association has not supported the transition of the administration of the MRDT program to Tourism Nanaimo Society.
- Financial Implications: Addressing the long-term financial sustainability of Tourism Nanaimo will help reduce overlap and create better alignment in the sector. The City has committed \$752,653 in 2024 to Tourism Nanaimo; the MRDT is expected to be \$1,200,000 if levels remain the same as 2023. The funding from Online Accommodation Providers (OAP) in 2024 is expected to be \$350,000 and has been steadily increasing since 2018.

2. That Council discontinues the Municipal and Regional District Tax Program effective 2025-JAN-01.

- The advantages of this option: Providing notice that the MRDT will not be renewed going forward will address the challenges of alignment and duplicated administration costs under the current administrator.
- The disadvantages of this option: Terminating the MRDT program at this present point would result in one of the MRDT revenues being collected or used on initiatives that have been funded by MRDT revenues since its inception in 2015. Terminating the MRDT program would also eliminate OAP revenues that are used to address affordable housing initiatives.
- Financial Implications: MRDT funds currently spent on joint initiative would not be available, and grants and initiatives previously funded by MRDT revenues would not be available to the wider community. Without the MRDT the City would need to consider increasing the Tourism Nanaimo budget to make up the difference in the amount of \$361,500.

3. That Council provide alternative direction.

SUMMARY POINTS

- The Municipal and Regional District Tax Program (MRDT) was introduced in 1987 to assist communities in funding marketing initiatives, programs and projects aimed at promoting the communities as destinations for tourists.
- Under the program, the City of Nanaimo is the Designated Recipient.
- The City has contracted with the Nanaimo Hospitality Association (NHA) to administer the program since 2015-APR-01.
- The current five-year funding cycle expires 2024-DEC-31 and needs to be renewed 6-9 months in advance.
- At the 2023-NOV-20 'In Camera' Council meeting, Council directed Staff to enter into negotiations with Tourism Nanaimo to become the program administrator from 2025-APR-01 onwards.
- Staff have prepared the necessary background documents to support the renewal package and have met with the accommodation sector to garner support for the MRDT renewal.

- Council is being asked to provide first three readings of the Accommodation Tax Request Bylaw 7383 to support the MRDT renewal application which is due to Destination BC by 2024-MAY-17.

ATTACHMENTS:

ATTACHMENT A: Five-Year Strategic Business Plan
“Accommodation Tax Request Bylaw 2024 No. 7383”

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