



City of Richmond

Report to Committee

To: General Purposes Committee **Date:** October 11, 2016
From: Andrew Nazareth **File:** 08-4150-03-01/2016-
 General Manager, Finance and Corporate Vol 01
 Services
Re: **Municipal and Regional District Tax Imposition Bylaw No. 9631 and Metro Vancouver Letter of Support**

Staff Recommendation

- 1) That the Municipal and Regional District Tax (MRDT) Imposition Bylaw No. 9631 be introduced and given first, second and third readings; and
- 2) That staff be directed to seek the support of Metro Vancouver for the City's intention to renew the MRDT at the rate of 3% on the price of accommodation in Richmond, starting July 1, 2017 and effective for five years.

Andrew Nazareth
 General Manager, Finance and Corporate Services
 (604-276-4095)

Att. 2

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Arts, Culture & Heritage	<input checked="" type="checkbox"/>	
Law	<input checked="" type="checkbox"/>	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: DW	APPROVED BY CAO (ACTING)

Staff Report

Origin

The City of Richmond is the recipient of a 2% Municipal and Regional District Tax (MRDT), formerly known as the Additional Hotel Room Tax (AHRT) for the period July 1, 2012 to June 30, 2017. The AHRT was mandated under the Province's *Additional Hotel Room Tax Act* which allowed for the imposition of a tax of up to two percent on the purchase price of accommodation in a designated area to be imposed. In 2015, the *Additional Hotel Room Tax Act* was repealed and a new provision was introduced under Section 123 of the *Provincial Sales Tax Act* whereby up to 3% MRDT can be applied to the purchase price of accommodation in a designated area.

As the expiry date of June 30, 2017 of the existing MRDT is approaching, a new application to the Province is required for the MRDT to continue to be utilized in Richmond for the period of July 1, 2017 to June 30, 2022.

This report supports Council's 2014-2018 Term Goals #5 Partnerships and Collaboration and #8 Supportive Economic Development Environment as follows:

- 5.2 *Strengthened strategic partnerships that help advance City priorities, and*
- 8.0 *Review, develop and implement plans, policies, programs and practices to increase business and visitor appeal and promote local economic growth and resiliency.*

Analysis

According to research conducted by the Richmond Tourism Association (Tourism Richmond), the travel economy in Richmond generates \$1.2 billion in economic impact and 7.9 million visitors per year. The City's Resilient Economy Strategy indicates that tourism is and will continue to be one of Richmond's key sectors, due to an advanced tourism service infrastructure (e.g. hotels and other retail establishments), proximity to the Vancouver Airport (YVR) and destination growth potential from investment in tourism product development and marketing.

Richmond has been the recipient of a hotel room tax at a rate of 2% since 1998, with funding allocated to Tourism Richmond to carry out destination marketing and funding allocated to a number of destination enhancement initiatives implemented by the City and its partners (DEI). Inclusive of the current hotel tax cycle, DEI funding has been provided from the former Trade and Exhibition Fund. This fund was established for the construction of a trade and exhibition centre in Richmond, and repurposed in 2009 to DEI after the trade and exhibition project was abandoned due to lack of feasibility. Since 2009, \$8 million of accumulated hotel room tax funds has been allocated towards major tourism DEI, including the Richmond O-Zone, the Richmond Sport Hosting Program and the Richmond Olympic Experience. This source of DEI funding is now depleted and an increase in the MRDT to the maximum allowed 3% on the price of accommodation will be required for the City to continue investing in the development of tourism products and attractions, while maintaining destination marketing at its current levels.

For an MRDT level of 3% on the price of accommodation to be implemented in Richmond for the next five-year cycle of the MRDT, the Province requires that the application include the following core components:

- 1) A City bylaw that requests the Province to levy the MRDT on the municipality's behalf, including:
 - a) The rate of tax to be imposed,
 - b) Description of the geographic area in which the tax is to be imposed,
 - c) Purpose for the funds, and
 - d) Desired effective date of the tax.
- 2) Support from at least 51% of accommodation providers representing at least 51% of the accommodation units in Richmond.

To date, 70% of accommodation providers (17 of 24 hotels), representing 83% percent of the accommodation units (3,939 of 4,769 hotel rooms) in Richmond have approved a 3% MRDT rate for the period July 1, 2017 to June 30, 2022, with initiatives to be supported including:

- 1) Destination marketing, programs and projects,
- 2) Sport hosting marketing, programs and projects, and
- 3) Destination enhancement initiatives, including capital and non-capital investments in and operation of tourism attractions (including construction or renovation of infrastructure); major events; tourism product development; and direct sales.

Based on the need for continued investment in both DEI and destination marketing to support the tourism sector in Richmond and on the overwhelming support from the Richmond hotel community, it is recommended that the City adopt a bylaw stipulating that:

- 1) The Province levy a 3% MRDT on behalf of the City for tourism development.
- 2) The geographic area in which the MRDT will be imposed is defined as the municipal boundary of the City of Richmond.
- 3) The MRDT be utilized for:
 - a) Destination marketing, programs and projects,
 - b) Sport hosting marketing, programs and projects, and
 - c) Destination enhancement initiatives, including capital and non-capital investments in and operation of tourism attractions (including construction or renovation of infrastructure); major events; tourism product development; and direct sales.
- 4) The effective date of the bylaw be set as July 1, 2017

A copy of the proposed bylaw is included in Attachment 1.

Additional components for the City's application to the Province include:

- A five-year MRDT strategy – key elements of the strategy have been developed in collaboration with key tourism stakeholders, including Tourism Richmond and the Richmond Hotel Association, and are enclosed in Attachment 2. These key elements of the five-year strategy will be included in the submission to the Province.
- Letter of support from Metro Vancouver.
- Other ancillary components currently being compiled.

Once all necessary documents are compiled, staff will submit the MRDT application to the Province, prior to year-end. It is anticipated that the Provincial review will take 6 months, with the expectation that MRDT legislation for Richmond for the next 5-year cycle will be enacted prior to June 30, 2017.

Financial Impact

It is estimated that, at current hotel occupancy and revenue levels, the 3% MRDT will result in approximately \$4.5 million per year for a total of \$22.5 million over the 2017-2022 MRDT period for tourism development in Richmond.

Conclusion

Tourism is a priority sector for Richmond and presents potential for economic growth over the next five years. Richmond has established a partnership model, investing in both destination marketing and destination enhancement initiatives to grow the sector. The 3% MRDT presents an opportunity to continue and advance this tourism delivery model. A majority support from accommodation providers has been secured for Richmond's tourism destination marketing, sport hosting and destination enhancement initiatives. A City bylaw requesting the Province to levy the 3% MRDT in Richmond for the period July 1, 2017 to June 30, 2022 is another Provincial requirement (among other ancillary requirements currently being compiled) to submit an application to the Province. Pending Council's adoption of the proposed bylaw, staff will engage Metro Vancouver to seek their support for Richmond's MRDT application to the Province.



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Att. 1: Municipal and Regional District Tax (MRDT) Imposition Bylaw 9631

Att. 2: Five-Year MRDT Strategy – Key Elements



City of Richmond

Bylaw 9631

Municipal and Regional District Tax Imposition Bylaw No. 9631

The Council of the City of Richmond enacts as follows:

- 1) The Lieutenant Governor in Council is hereby requested to issue a regulation under Section 123(1) of the *Provincial Sales Tax Act* in respect to imposing a tax on accommodation purchased within the whole of the City of Richmond from and including July 1, 2017 to and including June 30, 2022.
- 2) The tax to be imposed under the provisions of the regulation referred to in section 1 of this Bylaw is requested to be three percent of the purchase price of the accommodation.
- 3) The purposes for which the amount paid to the City of Richmond out of the revenue collected from the tax to be imposed under the provisions of the regulation referred to in section 1 of this Bylaw may be expended are:
 - a) tourism marketing, programs and projects;
 - b) sport hosting marketing, programs and projects; and
 - c) destination enhancement initiatives, including capital and non-capital investments in and operation of tourism attractions (including construction or renovation of infrastructure); major events; tourism product development; and direct sales.
- 4) This Bylaw is cited as “**Municipal And Regional District Tax Imposition Bylaw No. 9631**” and is effective July 1, 2017.

FIRST READING

SECOND READING

THIRD READING

ADOPTED

CITY OF RICHMOND
APPROVED for content by originating dept.
<i>NL</i>
APPROVED for legality by Solicitor
<i>JH</i>

MAYOR

CORPORATE OFFICER

Municipal and Regional District Tax (MRDT) Five-Year Strategy – Key Elements

Key elements of the 2017-2022 MRDT strategy for tourism sector development in Richmond are outlined below. The below will form part of the submission to the Province requesting imposition of a 3% MRDT for the period July 1, 2017 to June 30, 2022.

A. Vision

The leading West Coast destination for diverse and authentic experiences in Canada.

B. Mission

Long-term tourism growth through a partnership model incorporating destination marketing and destination enhancement initiatives as the foundation for destination development in Richmond.

C. Strategic Context (Situational Analysis)

Tourism is a sector of strategic priority for economic development in Richmond. Along with other sectors reliant on the presence and growth prospects of YVR, tourism in Richmond presents potential for future growth. Employment in the Richmond tourism sector represents 10% of the regional tourism sector employment. Major assets of Richmond's tourism sector that provide the basis for its future growth are:

- YVR and its goal of serving 25 million passengers by 2020
- 24 hotel properties with 4700 rooms representing the second highest concentration of hotel rooms in the region after Downtown Vancouver and 20% of regional hotel room inventory
- The Richmond Olympic Oval and its continued transformation into a center of excellence and a major tourism attraction
- The historic village of Steveston – one of Richmond's main tourist attractions and home to two major historic sites and visitor draws – the Britannia Shipyards National Historic Site and the Gulf of Georgia Cannery National Historic Site
- Richmond's diversity and Asian connection, as manifested in the hundreds of Asian restaurants in "The Golden Village" area, the 20 houses of worship representing different cultural and religious groups along "The Highway to Heaven", and the 2 night markets that draw nearly half a million visitors from the region and beyond each summer
- A partnership model for tourism development with key tourism stakeholder groups, including the local destination marketing association (Tourism Richmond), accommodation sector (Richmond Hotel Association) and local government (the City of Richmond through its Economic Development function)

Over the last decade, there has been significant tourism growth in Richmond. According to CBRE Hotels TRENDS reports, Richmond has led hotel occupancy in Canada for three years in a row (at 78.2% in July 2016), with summer months close to full or sold out. Annual MRDT

revenues have grown at an average annual rate of 6% since 2007 and 7% since 2009, the year Richmond began realizing benefits from being a Venue City for the 2010 Olympic and Paralympic Winter Games – both figures surpassing Richmond’s goal of 5% annual MRDT growth from the preceding MRDT cycles. This growth has been accomplished in part by ongoing investments in destination marketing at \$30 million of MRDT revenue and destination enhancement initiatives (the Richmond O-Zone, Richmond Sport Hosting Program and Richmond Olympic Experience) at \$8 million of MRDT revenue invested to date since 2009.

A 2015/2016 DestinationNEXT framework survey conducted by Tourism Richmond of tourism stakeholders, identified Richmond as a Destination Trailblazer – a destination that has realized the benefits of its tourism vision and will work to keep the community and marketplace engagement fresh and relevant. As a result of the survey, specific opportunities for improvement were identified to maintain long-term destination strength including:

1. Large, famous attractions
2. Arts and cultural attractions
3. Unique and vibrant neighbourhoods
4. Quality roads to handle congestion
5. Headquarter hotels
6. Not known for having things to do
7. Lack of public Wi-Fi
8. Meeting facilities

Some of these opportunities, such as 4 and 7 above, relate to aspects of community development beyond tourism. Others, such as 5 and 8, relate more closely to private investment rather than community investment. Overall, the rest of the items above set clear opportunities for improvement that MRDT investments in Richmond will focus on over the 2017 to 2022 planning period to achieve its goals for visitor growth.

D. Goals

1. Maintain or grow Richmond’s 30% regional share of annual overnight visitors to Metro Vancouver (based on regional visitor growth and Richmond attractions coming online and/or being integrated in the regional tourism product mix)
2. Grow MRDT revenue by an annual average of at least 5% (based on proximity of Richmond to YVR and their 5% annual passenger growth target to 2020)
3. Maintain or grow current levels of non-accommodation related visitor spend

E. Strategies – Key Actions

Richmond will be deploying three key strategies, under a community tourism partnership model, to accomplish the above goals. The strategies and associated key actions over the 5-year period are listed below:

1. Destination Marketing – 2/3 of MRDT revenues designated for destination marketing, programs and projects. Key destination marketing actions include:
 - a) Aggressive Sales and Marketing
 - Refresh the brand strategy
 - Develop a digital strategy
 - Develop a meetings and conference plan
 - Refresh the earned media strategy
 - b) Destination Development
 - Develop and implement a destination development plan
 - Influence the connect-ability of visitors to the destination
 - Participate as a stakeholder in the development and funding of infrastructure based on needs
 - c) Community and Partner Engagement
 - Increase public awareness and community support for the value of tourism and the DMO
 - Develop and implement a local Asian engagement strategy
 - Pursue potential options to the membership model
 - Pursue a network model
 - Work with YVR to partner on air service development
 - d) Organizational Sustainability
 - Maintain a comprehensive key performance indicators management program
 - Explore revenue diversification opportunities
 - Develop a Human Resources strategy
2. Richmond Sport Hosting Program – \$400,000 per year for 5 years designated to the Richmond Sport Hosting Program to utilize Richmond’s sport and recreation infrastructure to attract sport events and grow sport tourism visits. Key sport hosting actions include:
 - a) Maximize Tourism and Sport Relationships to Increase Hosting Opportunities
 - b) Ensure Organizational Efficiency and Reach through <http://richmondsporthosting.ca/> and Social Media
 - c) Operate as a “One-Stop” Shop for Sport Event Organizers
 - d) Market Richmond’s Logistical Benefits

- e) Provide Financial Support through the Richmond Sport Hosting Incentive Grant Program
 - f) Collaborate with Tourism Richmond to “Build and Experience” for Sport Visitors
3. Destination Enhancement Initiatives – 1/3 of MRDT, less Provincial Tourism Events Program and Richmond Sport Hosting Program contributions, designated for destination enhancement initiatives, including capital and non-capital investments in and operation of tourism attractions (including construction or renovation of infrastructure); major events; tourism product development; and direct sales.
- a) Improve the Visitor Appeal to Iconic Richmond Attractions
 - Richmond Olympic Experience – Phase II Design
 - Britannia Shipyards National Historic Site Completion – Visitor Programming Development and Extended Operations
 - b) Partner on In-Market Sales and Attract Events Maximizing Use of the Richmond Tourism Service Infrastructure

F. Brand Positioning

Richmond provides visitors with a combination of the most affordable, accessible and Asian experience than any other Canadian tourism destination. Richmond’s price competitive accommodation within Metro Vancouver, proximity to YVR, downtown Vancouver and the US border, global profile and unique sport and heritage attractions represent its destination strengths and competitive edge.

G. Target Markets

- 1. Primary Markets:
 - a) Canada – Leisure (BC and Victoria, Alberta and Calgary, Ontario in support of Convention Sales), Convention Sales (Association, Corporate, SMERF), Travel Trade
 - b) USA – Leisure (Washington State and Seattle, Northern California), Convention Sales (Association, Corporate, SMERF), Travel Trade
 - c) China – Leisure/Travel Trade (Beijing, Shanghai, Xiamen), Convention Sales (MICE)
- 2. Growth Markets
 - a) United Kingdom – Travel Trade, Convention Sales
 - b) Germany – Travel Trade, Convention Sales
 - c) Day Visitors

H. Management, Governance & Administration

The MRDT in Richmond is implemented through the following partnership model:

- a) MRDT Funds Governance – City of Richmond and Richmond Hotel Association (through a 5-year legal agreement coinciding with the MRDT term)
- b) MRDT Funds Administration – City of Richmond
- c) MRDT Funds Management – Tourism Richmond (Destination Marketing portion through a 5-year service agreement coinciding with the MRDT term), City of Richmond (Sport Hosting Program portion), City of Richmond and Richmond Hotel Association (Destination Enhancement Initiatives portion under the 5-year agreement in a) above)

I. Sources of Funding

Additional sources of funding for Richmond's tourism initiatives include:

- 1) Private Sources – memberships, advertising and other sources for Tourism Richmond operations; partner contributions and private sponsorship for the Richmond Olympic Experience; substantial capital investments from the City in the Britannia Shipyards National Historic Site Completion (ongoing) and the Richmond Olympic Experience; substantial investment by the Oval Corporation in the Richmond Olympic Experience
- 2) Other Public Sources – tourism grants