



City of Richmond

Report to Committee

To: General Purposes Committee **Date:** April 6, 2021
From: Jerry Chong **File:** 08-4150-03-06/2021-Vol 01
 Acting General Manager, Finance and Corporate Services
Re: **Municipal and Regional District Tax (MRDT) Five Year Renewal 2022-2027**

Staff Recommendation

1. That staff prepare an application to the Province of British Columbia for the renewal of the three percent (3%) Municipal and Regional District Tax (MRDT) for an additional five-year period from July 1, 2022 to June 30, 2027; and
2. That a bylaw be drafted requesting that the Province of British Columbia levy the Municipal and Regional District Tax (MRDT) on the municipality's behalf for the purposes of delivering tourism marketing and development services during the period from July 1, 2022 to June 30, 2027.

Jerry Chong
 Acting General Manager, Finance and Corporate Services
 (604-247-4923)

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Arts, Culture & Heritage	<input checked="" type="checkbox"/>	Acting GM, F&CS
Law	<input checked="" type="checkbox"/>	
Richmond Sport Hosting	<input checked="" type="checkbox"/>	
SENIOR STAFF REPORT REVIEW	INITIALS:	APPROVED BY CAO

Staff Report

Origin

Enabled by regulation under Section 123 of the *Provincial Sales Tax Act*, the City of Richmond is a designated recipient of a 3% Municipal and Regional District Tax (MRDT), commonly known as “hotel tax”, for the period July 1, 2017 to June 30, 2022.

These funds are administered by the City in accordance with City of Richmond Municipal and Regional District Tax Imposition Bylaw No. 9631 and contractual agreements with the Richmond Hotel Association and the Richmond Tourism Association (Tourism Richmond).

In order to renew the MRDT for an additional five-year period beginning on July 1, 2022, an application to the Province is due on September 30, 2021 which includes a municipal bylaw, majority support of accommodation providers and other supporting elements. This report outlines the application requirements and seeks Council direction to initiate the renewal process. This report supports Council’s Strategic Plan 2018-2022 Strategy #7 A Supported Economic Sector:

Facilitate diversified economic growth through innovative and sustainable policies, practices and partnerships.

It also supports Action Item 5.3 of the Council endorsed Resilient Economy Strategy:

Increase the tourism sector in Richmond.

Analysis

Current Tourism Delivery Model in Richmond

The City is accountable to the Province for the ongoing administration of the MRDT Program in accordance with established criteria and reporting requirements. These funds are used to deliver tourism marketing, sport hosting and destination enhancement services in Richmond under a partnership model. Tourism Richmond is the City’s contracted service provider for tourism marketing, programs and projects. The City and the Richmond Hotel Association also receive a portion of the funds to undertake tourism projects and destination enhancement initiatives in accordance with the Provincial regulation and guidelines

The annual funding breakdown is as follows, with a more detailed description included in the key business terms found in Attachment 1.

- 2/3 of 3% Tourism marketing, programs and projects (**Tourism Richmond**);
- 20% of remaining 1% Tourism Events Program Fund deduction (**Province of BC**);
- \$400,000 Sport hosting marketing, programs and projects; (**City of Richmond Sport Hosting**); and

- Balance Destination enhancement initiatives **(50/50 split between Richmond Hotel Association and City of Richmond)**

A recent change to the Provincial legislation introduced a new stream of MRDT revenue from Online Accommodation Platforms (such as Airbnb), that can be used for affordable housing initiatives. This funding is independent of the general MRDT revenue as described above and as of January 2020 these funds are transferred to the City's Affordable Housing Reserve in accordance with Municipal and Regional District Tax Imposition Bylaw No. 9631 Amendment Bylaw No. 10099.

Tourism Sector Development: 2017-2022 MRDT Period

Since 1998, hotel tax revenue has been used to support the growth and development of the tourism sector in Richmond. Over the past several years, the focus has shifted to include destination development and enhancement as key components to the community's tourism strategy, creating a stronger foundation for destination marketing activities. During the current MRDT term, nearly \$19 million has been received to date (from July 2017 to December 2020); a sample of key initiatives undertaken is as follows:

1. Steveston Heritage Sites

MRDT funding has enabled the City's Britannia Shipyards National Historic Site, Steveston Museum and Steveston Tram to extend hours of operation, enhance programming, as well as develop longer-term marketing and visitor experience initiatives.

2. City of Richmond Sport Hosting Program

In partnership with Tourism Richmond and the Richmond Hotel Association, the MRDT has funded incentive grants and operational activities to attract and support sporting events in Richmond. In 2019, this resulted in over 75 hosted events and 18,000 hotel room nights.

3. Tourism Richmond

Under the award-winning 'Pacific.Authentic.' brand and marketing programs, Tourism Richmond continues to achieve its vision of Richmond as a 'can't miss part of the Metro Vancouver Experience'. In 2019, an estimated \$1.99 billion was spent in Richmond by approximately 8.36 million visitors¹.

4. Richmond Hotel Association

The Association uses MRDT funds to directly invest in the local visitor economy by supporting Richmond Sport Hosting, major events such as CARHA International Hockey Tournament, destination enhancement initiatives such as the Discovery Shuttle and a popular 'Stay and Play' hotel incentive program that motivates visitors to stay in Richmond when visiting the region.

¹ Tourism Richmond 2019 Visitor Volume Study

5. Richmond Olympic Experience

MRDT funding has enabled the Richmond Olympic Oval to expand and upgrade its product offering including improved visitor flow, new exhibits and updated spaces. This initiative ensures the Richmond Olympic Experience remains an important Richmond asset and visitor attraction.

6. Richmond Discovery Shuttle

Launched in 2019 as a joint destination enhancement initiative between the City, Tourism Richmond and the Richmond Hotel Association, the Richmond Discovery Shuttle connected visitors with key tourism assets across Richmond, improving exposure of City Centre and Steveston attractions such as the Richmond Olympic Oval and Steveston Heritage Sites. Over 2,000 riders boarded the shuttle in its pilot season.

Prior to COVID-19, tourism in Richmond was experiencing record levels of growth. Local hotel occupancy rates were consistently among the highest in Canada, year-over-year hotel room revenue growth was 10% on average, annual YVR passenger volumes had increased to over 26 million and the industry employed over 19,000 people in Richmond across multiple sectors².

COVID-19 Impacts on Tourism Industry

The impact to the tourism industry caused by the current pandemic has been significant and has affected businesses and jobs spanning multiple sectors including travel services, food and beverage, accommodation, transportation, sport, recreation and entertainment. Urban centres have seen the greatest declines as tourism in these areas is largely driven by corporate travel, major events and the cruise industry – all of which are constrained in the current environment. Airplane passenger volume and hotel tax revenue are key economic indicators for the tourism industry. In Richmond, 2020 MRDT revenue declined by 64% over 2019 levels and the passenger volume at Vancouver International Airport declined by 72% in the same period.

Destination Canada projects that recovery to 2019 revenue levels will take several years, with a possible acceleration in the recovery timeline if a significant shift in tourism spend from international to domestic travel occurs. Leading economists, including from the BC Business Council and Scotiabank, indicate that pent-up demand for leisure travel and increased household savings could help spur recovery once vaccinations become widespread.

In Richmond the MRDT Program and partnership model for delivering tourism marketing and development services can leverage this anticipated demand, as well as provincial and national strategies, to support the recovery of this important sector locally.

MRDT Renewal Milestones and Timeline

Legal agreements in place with the Richmond Hotel Association and Tourism Richmond, governing the MRDT Program and tourism delivery model during the current five-year period, were structured to provide for a renewal for one additional five-year year period under the same key business terms (Attachment 1). Exercising this option, rather than renegotiating new

² Tourism Richmond 2017 Visitor Volume Study

business terms, is preferred by all parties. Because the COVID-19 pandemic caused significant impacts to the local tourism industry and associated MRDT revenues mid-way through the initial agreement period, this would allow the City and its tourism partners to continue working towards the existing vision for tourism marketing and development in Richmond while supporting the gradual recovery of this important economic sector.

This renewal would come into effect on July 1, 2022, subject to the adoption of a bylaw by Council and a new regulation enacted by the Province under the *Provincial Sales Tax Act*. For this to occur, an application by the City to the Province is due on September 30, 2021.

In addition to renewing legal agreements with the Richmond Hotel Association and Tourism Richmond, significant elements of this application include: an updated five-year strategic business plan, one-year tactical plans for each major program area, evidence of consultation with tourism industry stakeholders, an affirmative majority vote of local accommodation providers and adoption of a municipal bylaw.

Key milestones of the MRDT renewal process are as follows:

Milestone	Dates
<i>Current regulation and legal agreements expire</i>	<i>July 1, 2022</i>
Legal agreements renewed	May 2021
Five-year strategic business plan finalized	June 2021
Stakeholder support and accommodation provider vote confirmed	June 2021
Bylaw adopted	July 2021
Application to Province submitted	September 30, 2021
Provincial review and Order in Council	October 2021 to June 2022 (9 months)
MRDT renewed	July 1, 2022

Staff is seeking Council’s direction to proceed with the process to renew the MRDT Program for an additional five-year period beginning July 1, 2022 in order to continue delivering tourism marketing and development services in Richmond.

Financial Impact

MRDT revenue forecasts are highly variable due to the current limitations on travel and the expected gradual recovery of the tourism industry. At this time it is anticipated that if successfully renewed, the MRDT would generate approximately \$25 million for the delivery of tourism marketing and development services in Richmond from July 1, 2022 to June 30, 2027.

Under the existing partnership model this would result in the following approximate total funding by program area over the five-year period:

Estimated MRDT Program Funding - 2022-2027	
Program Area	Amount
Tourism Richmond	\$ 17,857,143
City Sport Hosting Program	\$ 2,000,000
Destination Enhancement Initiatives	
City of Richmond	\$ 2,571,429
Richmond Hotel Association	\$ 2,571,429
Total (est.)	\$ 25,000,000

This preliminary forecast has been developed in consultation with key stakeholders and will be subject to regular review and update as new information is made available.

During the same five-year period, MRDT revenue from Online Accommodation Platforms is expected to be approximately \$1 million. These funds are independent of the General MRDT Revenue and would be transferred to the City’s Affordable Housing Reserve to fund affordable housing initiatives.

Conclusion

Tourism is an important sector for Richmond’s economy that has experienced steady growth in recent years, supporting many local businesses and jobs across various sectors. The MRDT Program provides funding for the delivery of tourism marketing and development services under a partnership model. This funding can support activities required to support the recovery and resilience of this sector following the significant impacts caused by the COVID-19 pandemic.

In order to renew the MRDT for an additional five-year period beginning on July 1, 2022, an application to the Province is due on September 30, 2021, which includes a municipal bylaw, a five-year business plan, majority support of accommodation providers and other supporting elements. This report outlines the application requirements and seeks Council direction to initiate the renewal process.

Katie Ferland
 Manager, Economic Development
 (604-247-4923)

- Att. 1: Key Business Terms of MRDT Legal Agreements
- 2: Municipal and Regional District Tax Imposition Bylaw No. 9631

Key Business Terms of Existing MRDT Legal Agreements

1. MRDT term: July 1, 2017 to the earlier of MRDT regulation expiry or June 30, 2022;
2. MRDT rate of 3% on the price of Richmond accommodation for the term;
3. 2% of the 3% MRDT to Tourism Richmond for destination marketing, programs and projects, subject to the provincial and city requirements;
4. 0.2% of the remaining 1% MRDT to Province for the Tourism Events Program (required);
5. From the residual 0.8% of the remaining 1% MRDT, \$400,000 per year for a total of \$2,000,000 over 5 years to the City's Sport Hosting Program;
6. Over 5 years, from the residual 0.8% of the remaining 1% MRDT, less \$400,000 per year for Sport Hosting, 50% to the Richmond Hotel Association for tourism projects subject to City and Provincial MRDT requirements;
7. Over 5 years, from the residual 0.8% of the remaining 1% MRDT, less \$400,000 per year for Sport Hosting, 50% to the City for destination enhancement initiatives, subject to the Provincial requirements.

CITY OF RICHMOND



***MUNICIPAL AND REGIONAL DISTRICT TAX
IMPOSITION***

BYLAW NO. 9631

EFFECTIVE DATE – JULY 1, 2017

CONSOLIDATED FOR CONVENIENCE ONLY

This is a consolidation of the bylaws below. The amendment bylaws have been combined with the original bylaw for convenience only. This consolidation is not a legal document. Certified copies of the original bylaws should be consulted for all interpretations and applications of the bylaws on this subject.

<u>AMENDMENT BYLAW</u>	<u>DATE OF ADOPTION</u>	<u>EFFECTIVE DATE</u> (If different from Date of Adoption)
Bylaw No. 10099	November 25, 2019	January 1, 2020



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) Except as provided in Section 4, 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) The amounts paid to the City of Richmond out of the revenue collected from the tax imposed on purchases through online accommodation platforms may be expended on affordable housing initiatives.
- 5) This Bylaw is cited as “**Municipal And Regional District Tax Imposition Bylaw No. 9631**” and is effective July 1, 2017.