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BURNABY BOARD OF TRADE TOURISM PROPOSAL & 2% HOTEL ROOM TAX

REPORT
1999 NOVEMBER 01

CITY OF BURNABY

FINANCE AND ECONOMIC DEVELOPMENT COMMITTEE

HIS WORSHIP, THE MAYOR
AND COUNCILLORS

RE: BURNABY BOARD OF TRADE TOURISM PROPOSAL & 2% HOTEL ROOM TAX

RECOMMENDATION:

1. THAT this report be received for information purposes.

REPORT

The Finance and Economic Development Committee, at its meeting 1999 October 25, adopted the attached report providing information related to the 2% Hotel Room Tax and the Burnaby Board of Trade proposal to expand the Burnaby Tourism Promotion Program.

This is for the information of Council.

Respectfully submitted,

Councillor L.A. Rankin
Chair

Councillor D.N. Johnston
Member

Councillor N.M. Volkow
Member

TO: CHAIR AND MEMBERS OF THE FINANCE
AND ECONOMIC DEVELOPMENT COMMITTEE

1999 OCTOBER 19
FILE: T5-25

FROM: DIRECTOR FINANCE
DIRECTOR PLANNING AND BUILDING

SUBJECT: **BURNABY BOARD OF TRADE TOURISM PROPOSAL & 2% HOTEL ROOM
TAX**

PURPOSE: To provide information related to the 2% Hotel Room Tax and the Burnaby Board of Trade proposal to expand the Burnaby Tourism Promotion Program.

RECOMMENDATION:

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REPORT

1. INTRODUCTION

Council has recognized that tourism plays an important economic role in the City of Burnaby. The City's current Tourism Program has focussed on three areas: (i) providing tourist information in central locations, (ii) marketing and promoting, and (iii) tourism coordination.

Burnaby could expand its tourism promotion program through the introduction of the hotel room tax. The *Hotel Room Tax Act* provides municipalities the ability to charge an additional 2% room tax on top of the existing provincial room tax of 8% and use the funds to promote tourism. The hotel room tax could increase the City's current tourism budget from approximately \$50,000 to approximately \$750,000 - \$950,000.

In January 1999, the Burnaby Board of Trade (Board) commissioned a strategic review and analysis of tourism opportunities in Burnaby. The report, completed under the guidance of local businesses, recommended the creation of a permanent Tourism and Convention Bureau (Bureau) that would initially function as an arm of the Board, and would, eventually, operate as an independent agency in partnership with the City and Board.

The following provides a brief background on the hotel room tax and the Burnaby Board of Trade tourism proposal.

2. 2% HOTEL ROOM TAX

The *Hotel Room Tax Act* allows the Province to collect an 8% hotel room tax in all jurisdictions. The *Act* also allows local jurisdictions, with the consent of the Province, to implement an additional

room tax of up to 2%. The proceeds of the additional room tax are collected by the province and returned to the local jurisdiction to be applied to local tourism marketing and/or product development.

2.1 Use of the 2% Hotel Room Tax

The additional 2% hotel room tax is intended to assist municipalities and regional districts in financing and operating new tourist facilities and with tourism promotion. The tax is not intended to fund existing facilities unless significant upgrading to the facilities takes place.

2.2 Approval Process

The Ministry of Finance reviews applications for the 2% hotel room tax in consultation with Tourism

British Columbia based on the following guidelines.

- The additional room tax is to be implemented by a City bylaw.
- The Regional District is to be consulted and their support for the tax obtained.
- Support from 51% of hotels with at least 51% of the hotel rooms in the City must be obtained.
- The application must include a business plan which is supported by the local tourism industry.
- Tax funds shall be incremental to existing sources of funds and not replace existing sources of tourism funding in the community.

2.3 Administrative Process

Once the tax has been implemented, the City is to annually provide audited documentation to the Ministry of Finance, indicating use and disposition of funds. The Province will also retain a nominal administration fee of \$20 per hotel per month. Further, the hotel room tax must be reviewed every five years and supported by an approved business plan.

3. BURNABY BOARD OF TRADE PROPOSAL

3.1 Overview of Board of Trade Proposal

The Burnaby Board of Trade recently conducted a study which provided a strategic review and analysis of tourism opportunities in Burnaby. Copies of the study are provided under separate cover. The study was conducted under the guidance and direction of a tourism advisory group composed of local business with the assistance of City Staff. The study concluded, consistent to the 1994 Burnaby Tourism Strategy, that it would be appropriate to create a permanent Tourism and Convention Bureau to be initially funded as a partnership between the City and local stakeholders and supported through the Burnaby Board of Trade. The long-term objective would be to establish an independent agency that works in partnership with the City and Board of Trade.

The study provided an overview of Burnaby's tourism potential, a review of the current City based tourism program, an outline of tourism programs in other similar jurisdictions, a preliminary organizational structure for the proposed tourism bureau, a marketing and promotion plan and a budget. The Board of Trade would provide the initial organizational support for the Bureau in partnership with the City and the tourism stakeholders. The City and the Board of Trade would appoint the first Board of Directors for the Bureau who would ultimately be elected through the Bureau membership.

3.2 Business Plan and Budget

The implementation and development strategy presented in the study essentially builds upon and expands the existing program provided by the City. The proposed budget for the Tourism Bureau is estimated at \$442,760 and includes the following components:

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| • Marketing and Promotional materials | \$ 74,400 |
| • Creation of Independent Tourism Burnaby Web Page | \$ 10,000 |
| • Create and Maintain Database | \$ 3,000 |
| • Establish Links with Existing Marketing and Tourism Agencies | \$ 40,000 |
| • Expand Current Tourist Information Centre to a Year Round Operation | \$113,000 |
| • Operational Costs (Staff and Overhead) | <u>\$202,360</u> |

Total Budget**\$442,760****3.3 Further Requirements for the Business Plan**

The proposed plan provides a logical expansion of the City's current tourism program which will likely assist the local tourism sector. However, further information on the details of the strategic plan and implementation strategy is necessary given the proposed budget is significantly greater than the City's current tourism budget. Some of the background work required includes:

- Developing specific budget and program details to ensure that the monies are allocated in the most effective manner;
- Establishing a partnership arrangement between the City, the Board of Trade and the Bureau;
- Developing details on the sources of funding for the Bureau; and
- Obtaining City Council approval.

3.4 Board of Trade Proposal and the Hotel Room Tax

While the study does not provide the specific details on how the Bureau is to fund the proposed budget, it may be assumed that a partnership with the City could involve funding through the City's ability to charge a hotel room tax. Given the full 2% hotel room tax could raise approximately \$1 million annually, the City must decide whether to implement only a portion of the 2% tax (e.g. 1%) or to allocate the potential \$1 million between the Bureau and City programs. If the City were to fund the Bureau and implement the full 2% hotel room tax, a plan for spending the balance of the

Burnaby Board of Trade Tourism Program/Hotel Room Tax (1999 October 19)

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monies (\$557,000) on specific tourism related item would need to be prepared. In this regard, the following items could be included in the City's business plan:

- Capital projects to improve visitor services (e.g. Burnaby Village Museum and Metrotown Information Centre);
- Grants in support of community events and festivals;
- Grants to local arts and cultural groups that further develop Burnaby's ability to draw visitors; and/or
- Capital projects to support sports tournaments.

3.5 Support for the Proposed Burnaby Tourism and Convention Bureau

As outlined above, additional work needs to be done by the Burnaby Board of Trade so that City staff can properly analyze the proposal for Council consideration and approval. However, prior to expanding/elaborating the tourism strategy, the Board of Trade should determine whether the local hotel industry supports the introduction of a 2% hotel room tax.

4. CONCLUSIONS

4.1 The proposed 2% hotel room tax could provide significant revenue for promoting and developing Burnaby's tourism industry and could help fund the proposed Burnaby Tourism and Convention Bureau. The City's current Tourism Program is relatively modest and could be expanded significantly

through the use of the hotel tax.

4.2 The 1994 Burnaby Tourism Strategy suggested that an independent tourist agency could eventually be created to promote and facilitate the local tourist industry. As such, the establishment of a Burnaby Tourism and Convention Bureau is consistent with the original Tourist Strategy. While the proposal to create a Burnaby Tourism Bureau appears to have merit, further work needs to be undertaken by the board of Trade to determine the Bureau's organizational structure, budget, and partnership and funding arrangements between the Bureau, City, Board of Trade, and other stakeholders.

4.3 Though the proposed creation of a Burnaby Tourist and Convention Bureau does not specifically identify the hotel room tax, the only logical means of funding the Bureau must be the hotel room tax. Since Provincial approval for the tax is contingent on support from the local hotel industry, the Burnaby Board of Trade would be prudent to obtain the necessary support from the local hotel industry prior to the City's request to the Province. Upon receipt of the necessary hotel industry support, further examination of the Burnaby Tourism and Convention Bureau proposal will be required by City Staff.

4.4 Whether or not the hotel room tax is introduced and a Tourism and Convention Bureau created, the City will continue to support and promote the local tourism industry in recognition of the important contribution it makes to Burnaby's economic and social well being. The support of the tourism industry is also clearly reflected in the City's Official Community Plan and Economic Development Strategy which will continue to promote and enhance the expansion of tourism in the best interests of Burnaby residents and visitors.

R. Earle

D. Stenson

DIRECTOR FINANCE

DIRECTOR PLANNING & BUILDING

AK/PS