



Meeting 2010 March 08

COUNCIL REPORT

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**FINANCE AND CIVIC DEVELOPMENT COMMITTEE**

*HIS WORSHIP, THE MAYOR  
AND COUNCILLORS*

**SUBJECT: IMPACT OF THE HST ON FUNDING TOURISM BURNABY**

**RECOMMENDATIONS:**

1. THAT this report be received for information.
2. THAT a copy of this report be sent to the Minister of Finance; Minister of Tourism, Culture and the Arts; the Union of B.C. Municipalities; Tourism Burnaby and Burnaby's four MLAs.

**REPORT**

The Finance and Civic Development Committee, at its meeting held on 2010 February 25, received and adopted the *attached* report providing input on alternatives for funding Tourism Burnaby.

Arising from discussion, the Committee recommended sending a copy of the report to Tourism Burnaby and Burnaby's four MLAs.

Respectfully submitted,

Councillor D. Johnston  
Chair

Councillor N. Volkow  
Vice Chair

Councillor C. Jordan  
Member

Copied to: City Manager Director Finance
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**TO:** CHAIR AND MEMBERS  
FINANCE AND CIVIC DEVELOPMENT  
COMMITTEE

**DATE:** 2010 February 23

**FROM:** DIRECTOR FINANCE

**FILE:** HST  
*Reference:* AHRT

**SUBJECT:** **IMPACT OF THE HST ON FUNDING TOURISM BURNABY**

**PURPOSE:** To Provide Input on Alternatives for Funding Tourism Burnaby

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**RECOMMENDATION:**

1. **THAT** this report be received for the information of the Committee.
2. **THAT** a copy of this report be sent to the Minister of Finance, Minister of Tourism, Culture and the Arts and the Union of B.C. Municipalities.

**REPORT**

At its meeting of 2010 January 18 the Finance and Civic Development Committee referred correspondence from the UBCM requesting local governments to write to the Provincial Minister of Finance and the Minister of Tourism, Culture and the Arts to provide feedback on the potential elimination of the Additional Hotel Room Tax (AHRT) that is used to fund Tourism Burnaby.

As a condition of the implementation of the HST in July 2010 no other sales taxes will be levied in British Columbia. This will result in the elimination of the AHRT, the 2% tax levied against room rates in hotels, in Burnaby, which is subsequently used to finance the operation of Tourism Burnaby. Recognizing the hardship this will impose on tourism operations, the Province has extended the elimination of the AHRT until July 2011 while it seeks input to provide alternatives.

Discussions have been ongoing with stakeholders including the B.C. Hotel Association and the Union of B.C. Municipalities. The UBCM is actively lobbying the Provincial government to maintain the AHRT in its current format.

The B.C. Hotel Association is recommending the AHRT be replaced by the implementation of a Destination Management Fee (DMF) to provide the hoteliers the ability to levy a per night room charge set to an amount equivalent to the AHRT.

To: Finance and Civic Development Committee  
From: Director Finance  
Re: Impact of the HST on Funding Tourism Burnaby  
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The comparison of the current AHRT system with proposed options is shown in the attached table. The most significant changes being put forward are:

- The flow of funds is proposed to change; currently the funds flow from the hotels to the Province, through the City of Burnaby, to Tourism Burnaby. The proposal would have the funds flow directly to Tourism Burnaby from the Province. This is not a significant change, for Burnaby, assuming other provisions remain intact. It is being recommended that the flow could be modified with agreement between the City and the respective Tourism Board (Destination Management Organization (DMO)).
- With the approval of the hoteliers, the rate could increase from 2% to as high as 4%, as long as the majority of the hotels and representative rooms agree to the increase.

In general and particularly in Burnaby, the existing Additional Hotel Room Tax model is working well. Given that change is inevitable, any alternative model, "*Destination Marketing Fee*" or other, should retain the legislated requirements for:

- Documented evidence of the support of 51% of the hotel properties and 51% of the rooms, for implementation, renewal, rate change or major business plan change.
- Municipal approval for implementation, renewal, rate change or major business plan change.
- An agreed to and supported term for the fee (not to exceed ten years without subsequent renewal and approval).
- Annual business plans and budgets to be submitted to the Province and the City.
- Audited financial statements, submitted to the Province and City, which also attest to the fact that the funds spent by the Tourism Board were in accordance with the adopted business plans.
- Municipal representation (minimum two) on the Tourism Board.

This report is provided as input into the decision making process for the options for replacement of the Additional Hotel Room Tax and consequent funding of Tourism Burnaby.



Rick Earle  
DIRECTOR FINANCE

Copied to: City Manager

Comparison of Options with the Elimination of the Additional Hotel Room Tax

	<b>Current system (AHRT)</b>	<b>B.C. Hotel Association</b>	<b>U.B.C.M.</b>	<b>Recommendations</b>
Purpose	Tourism promotion and financing new tourism facilities.	Key funding mechanism for Destination Marketing Organizations (DMO)	Tourism Marketing activities.	There is general agreement that the funding should continue to be restricted to incremental (to municipal) tourism initiatives and facilities.
Consideration		HST could increase Tourism costs by 4% - 7%		
Consideration		Tourism relies on discretionary consumer spending which will likely decrease		
Consideration		Funding through the restructured Tourism B.C. would be uncertain as it would be tied to Provincial Government priorities		
Supporting Consequence		Voluntarily initiated additional charges for funding are based on performance and provide funding stability.	Retain current model it's irreplaceable and retains local government involvement.	Current model generally works well and has resulted in an excellent application of the principals in Burnaby.
Supporting Consequence		Tourism associations (DMO's) have developed into professionally run/governed organizations, therefore more autonomy is warranted.	Links local government to hoteliers, tourism and broader community plans.	There is a fairly broad interpretation and implementation of the current model; any changes should ensure multi-party involvement (hotels, municipalities, tourism associations)

Comparison of Options with the Elimination of the Additional Hotel Room Tax

	<b>Current system (AHRT)</b>	<b>B.C. Hotel Association</b>	<b>U.B.C.M.</b>	<b>Recommendations</b>
<b>Funding Mechanism</b>	Additional Hotel Room Tax (AHRT)	Replace 2% Additional Hotel Room Tax with a Destination Marketing Fee.	Retain current tax.	Tax or Fee is not as important as the governance and reporting requirements.
<b>Collection Process</b>	Remitted to the Province by the hotels, and then sent (after Admin Fee deduction) to Burnaby monthly and subsequently passed on to Tourism Burnaby.	Destination Marketing Fees (DMF) would flow directly to Tourism Burnaby not through the City of Burnaby as they do now. The flow could be modified with the agreement of the DMO and the respective City.	Local governments involved in financial administration. Change would be strongly opposed by municipalities.	The funds simply flow through the City of Burnaby, going directly to Tourism Burnaby would be more efficient.
<b>Governing Board</b>		A "professional board" actual composition is not an issue.		Must specify at least two municipal representatives on the governing Board. (efficiently facilitates coordination of plans)
<b>Funding Rate</b>	Up to a maximum of 2%	Destination Marketing Fee could range from 1% to 4%		Being based and collected from hotel room stays, a wider range that is accepted by the hoteliers is supportable.
<b>Transition</b>		All current AHRT communities would be automatically captured by the change to a DMF.		Supportable.

Comparison of Options with the Elimination of the Additional Hotel Room Tax

	Current system (AHRT)	B.C. Hotel Association	U.B.C.M.	Recommendations
Transition -increases		Communities wishing to increase the fee above the current 2% would be required to present an updated business plan, to the hotels, prior to adoption.		The process of increasing the rates should be virtually the same as the implementation or extension process; with documented support of the hoteliers.
Other Funding Arrangements		Current funding arrangements with Local governments could be maintained through bi-lateral negotiations.		Additional funding is provided by some municipalities and funding is provided by some Tourism Boards to municipalities to administer specific programs; written agreements are required.
Suppositions		The DMF model presupposes an integrated province wide destination marketing system.		An overall Provincially funded and operated Tourism strategy is still required.
Business Plans	Must describe proposed use of the funds. Evidence to show funds would complement (not duplicate) existing tourism initiatives.	Business & Marketing plans required to be presented to the hotels.		Updated Business Plans must be approved by the Tourism Board, Hoteliers, and Municipality, at implementation, renewal or for approval of a rate change.

Comparison of Options with the Elimination of the Additional Hotel Room Tax

	<b>Current system (AHRT)</b>	<b>B.C. Hotel Association</b>	<b>U.B.C.M.</b>	<b>Recommendations</b>
Support required	Municipal Bylaw required. Support of 51% of the properties and 51% of the rooms required for implementation.	Support of 51% of the properties and 51% of the rooms required for implementation.		Initiation or extension should require Municipal bylaw and documented support of 51% of the properties and 51% of the rooms
Expenditure approval process	Must be prescribed in Business Plans.	Final sign off of DMF funds' expenditure required.		Must be prescribed in approved Business Plans
Annual Review	Audited Financial Statements. Audit statement that funds were used according to approved Business Plans.			Audited Financial Statements. Audit statement that funds were used according to approved Business Plans. Copies filed with the Province and Municipality.
Initial implementation process	Municipal Bylaw and hotel approval.	Application for initiation of a DMF required		Municipal Bylaw and hotel approval.
Term	Five years with a process for extension in five year increments.	A stated term and renewal process must be agreed to.		A stated term (to a maximum of 10 years) with incremental extensions through a process similar to the initial implementation.